

DOCUMENT RESUME

ED 338 153

HE 024 994

TITLE Hearings on the Reauthorization of the Higher Education Act of 1965: Access to College and Program Simplification. Hearings before the Subcommittee on Postsecondary Education of the Committee on Education and Labor. House of Representatives, One Hundred Second Congress, First Session.

INSTITUTION Congress of the U.S., Washington, D.C. House Committee on Education and Labor.

REPORT NO ISBN-0-16-035554-0

PUB DATE May 91

NOTE 480p.; Serial No. 102-30.

AVAILABLE FROM U.S. Government Printing Office, Superintendent of Documents, Congressional Sales Office, Washington, DC 20402.

PUB TYPE Legal/Legislative/Regulatory Materials (090)

EDRS PRICE MF01/PC20 Plus Postage.

DESCRIPTORS *Access to Education; Educational Legislation; Federal Legislation; *Higher Education; *Low Income Groups; Minority Groups; *Student Financial Aid

IDENTIFIERS *Higher Education Act 1965

ABSTRACT

The Subcommittee on Postsecondary Education of the Committee on Education and Labor, House of Representatives, met on two occasions, on the first to hear witnesses on how the reauthorization of the Higher Education Act of 1965 can help low income students overcome challenges to obtain postsecondary education; and on the second to hear how student financial aid programs can be simplified to provide easier access. On the first hearing day the following witnesses appeared: Honorable E. Thomas Coleman; Arthur M. Hauptman; James Stedman, Congressional Research Service; Peter Smith, Responsibilities for Financing Postsecondary Education; Sister Mary Andrew Matesich, National Association of Independent Colleges and Universities; Dennis J. Martin, Washington University, Saint Louis; Reggie Wilson, American Council on Education; Cesar M. Trimble, Hispanic Association of Colleges and Universities; Anne L. Bryant, American Association of University Women; Robert A. Corrigan, Coalition for Adult and Part Time Students. On the second day of testimony the following witnesses appeared: Joseph M. Gaydos; Robert B. Knutson, Education Management Corporation; Selena Dong, United States Student Association; Annette Hines, Student, Morehead State University; Stephen Colbert, Educational Opportunity Center; Regina Manley, Citywide Guidance Programs; Stan Koplik, Advisory Committee on Student Financial Assistance; Natalia Hart, State Student Assistance Commission; Paul Phillips, California State University-San Marcos. The document contains the prepared statements of all the witnesses and other statements submitted by those who did not appear. (JB)

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**HEARINGS ON THE REAUTHORIZATION OF THE
HIGHER EDUCATION ACT OF 1965: ACCESS TO
COLLEGE AND PROGRAM SIMPLIFICATION**

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BEFORE THE
SUBCOMMITTEE ON POST-SECONDARY EDUCATION
OF THE
COMMITTEE ON EDUCATION AND LABOR
HOUSE OF REPRESENTATIVES
ONE HUNDRED SECOND CONGRESS
FIRST SESSION

HEARINGS HELD IN WASHINGTON, DC, MAY 9 AND 14, 1991

Serial No. 102-30

Printed for the use of the Committee on Education and Labor



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U.S. GOVERNMENT PRINTING OFFICE

46-447-1

WASHINGTON : 1991

For sale by the U.S. Government Printing Office
Superintendent of Documents, Congressional Sales Office, Washington, DC 20402

ISBN 0-16-035554-0

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HEARING ON THE REAUTHORIZATION OF THE HIGHER EDUCATION ACT

WEDNESDAY, MAY 9, 1991

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON POSTSECONDARY EDUCATION,
COMMITTEE ON EDUCATION AND LABOR,
Washington, DC.

The subcommittee met, pursuant to call, at 9:30 a.m., Room 2175, Rayburn House Office Building, Hon. William D. Ford [Chairman] presiding.

Members present: Representatives Ford, Hayes, Lowey, Payne, Serrano, Mink, Jefferson, Reed, Roemer, Kildee, Coleman, Molinari, Klug, Goodling, Roukema, and Gunderson.

Staff present: Thomas Wolanin, staff director; Jack Jennings, education counsel; Maureen Long, legislative associate/clerk; Diane Stark, legislative associate; Gloria Gray-Watson, administrative assistant; Michael Lance, minority staff member; Beth Buehlmann, minority education coordinator; and Andrew Hartman, minority staff director.

Chairman FORD. I am pleased to once again convene this hearing of the Subcommittee on the Postsecondary Education on the Reauthorization of the Higher Education Act of 1965. This is the seventh of forty-four hearings. I feel like Cronkite ticking off the number of days for the hostages when I read that number.

The subcommittee plans to hold 37 additional hearings over the next few months, most of them in Washington, some in the field.

Today, our distinguished panels of witnesses will address the following questions:

How do college costs affect participation in postsecondary education?

What are the difficulties faced by middle income families in financing postsecondary education?

What are the challenges to access to postsecondary education for minority students and nontraditional students?

I hope that this hearing will focus the subcommittee on the challenges needy students face in obtaining postsecondary education and this should help the subcommittee focus our efforts on meeting those needs with the reauthorization.

I am looking forward to the comments and suggestions of our witnesses.

Mr. COLEMAN. Mr. Chairman, I would ask that a copy of my entire statement be placed in the record.

I, too, think this is an extremely important matter that we're going to address today, and that is the cost of attendance and the amount of money that it takes to send a person to school these days. I look forward to reviewing and hearing the testimony.

A special welcome to Dennis Martin, who is the Financial Aid Officer at Washington University. Also Peter Smith, my former colleague, will be testifying later on. Peter, welcome back to our hearing room.

I think a fundamental goal of our reauthorization is to attempt to make postsecondary education affordable to as many people as possible. Certainly, college costs have gone up. We'll hear more about that.

When you buy a car, you usually go out and start shopping around and get, what we call, sticker shock. Many times when you are embarking on your first tour of colleges, you end up with heavy sticker shock, the first time around. Since I've already done that, now starting my second time around, I now am not quite as shocked, but still it's a very—I think that this is the biggest investment that people make, other than their own homes and it's a very, very important subject.

I hope we can provide incentives for people to pay for these costs. Various methods will be tried to provide these incentives to people. Right now the methodology is set up, so that if you save, you're penalized. If you work hard, you're penalized. If you don't, then many times you're rewarded by being eligible for these programs, which seems to me to be driving in the wrong direction. I think that we ought to evaluate that as well.

Mr. Chairman, on a personal note, let me say that today's hearing is the last one in which this subcommittee will be staffed from the Republican side by Michael Lance. He is leaving our subcommittee and I want to pay him due respect, and commend him for the fine staffing that he has provided this member, and other members of the subcommittee, during his term here on the Postsecondary Education Subcommittee. We'll miss Michael, and wish him well. I know that many of us have found his work to be outstanding and very professional. We wish him the best and I wanted to put that on the record, Mr. Chairman.

[The prepared statement of Hon. E. Thomas Coleman follows:]

THE HONORABLE E. THOMAS COLEMAN
SUBCOMMITTEE ON POSTSECONDARY EDUCATION
HEARING ON
THE REAUTHORIZATION OF THE HIGHER EDUCATION ACT
MAY 9, 1991

MR. CHAIRMAN, I join you in welcoming the witnesses for today's hearing. We will focus today on college costs and the effect that rising costs have on access for low income students at postsecondary educational institutions and on the educational choices that face students from working, middle income families.

I want also to welcome a financial aid administrator from Missouri, Dennis Martin, who is Director of Financial Aid at Washington University. And it is a pleasure to welcome back to this hearing room, a former Republican colleague and advocate for education, Peter Smith.

A fundamental goal of this reauthorization will be making postsecondary education affordable for a broad range of students. College costs of the past decade have consistently outpaced inflation. Between 1980 and 1989, the cost of attendance has increased 134% at private universities, and 105% at public institutions. At the same time, personal disposable income rose by only 77%.

For the 1991- 1992 academic year, tuition and living expenses are projected to average over \$7,000 at public four-year institutions, and over

\$16,000 at private colleges and universities. I want to make it clear that colleges bear a responsibility in curbing tuition increases. The lengthening number of years required to complete an undergraduate degree, combined with steadily-- and many think unreasonably-- increasing college costs, affect access, retention and completion rates, and the ability of Congress to broaden funding, given the context of severe budgetary limitations.

One of the disturbing side-effects of the 1980s squeeze on education funding has been to drive the top and bottom tiers of higher education farther apart. To what extent are we developing a two-tiered higher education system? High-priced, mostly private colleges, attended by those who can afford the tuition or by those who are awarded full scholarships. And, lower-cost, mostly public institutions, which are attended by middle and lower-income students, squeezed by increased costs.

One of my goals for this reauthorization will be expanding eligibility for moderate and working, middle-income families. I intend to reintroduce legislation which will remove from need analysis the value of a family's home and family-owned farm assets. Such non-liquid assets should never have been considered as a resource to pay the costs of a college education.

Working, middle-income families bear a disproportionate tax burden. While they do not rely on federal subsidies on a day-to-day basis, they do need short-term assistance in meeting the costs of a college education, which now equals what many middle income families paid for their first home.

Parents bear a primary responsibility for helping to meet the expenses of their children's education. However, the current need analysis system provides too many disincentives to save for education, ~~or even to work which is high school or in college.~~ A student's or a family's savings reduce the

amount of federal and institutional aid available under current need analysis formulas for "Expected Family Contribution."

Borrowing for education, through the Guaranteed Student Loan Program, is heavily subsidized, as new scoring rules for program subsidy costs emphasize. If we penalize work and savings and subsidize borrowing, should it be surprising, then, that dependence on borrowing and loans for higher education has grown over the past decade, while reliance on savings has not? Changes in need analysis will help, but in the long term, Congress must provide additional incentives for families to save for college education.

Again, Mr. Chairman, today's hearing focuses on issues which are of great concern to me. I look forward to hearing the testimony of the witnesses.

•

Chairman FORD. Mr. Goodling.

Mr. GOODLING. I would follow-up with what the subcommittee Chairman has just said. Few people on the Hill are more knowledgeable in the area of Higher Education Act than Michael and maybe that goes for those who are downtown also. We, too, wish him well.

I would have a couple of comments in relationship to today's hearing. With the exception of York College, I believe that every other college and university in the United States seems to increase costs way beyond inflation. This has been going on year after year after year.

I guess we have a problem here because I think we ask them, "What are your costs?" and then we base things on what their costs are. So I guess that encourages them to make the costs whatever they want to make them. I suppose the more money we provide, the higher those costs will go because there's more to be reaped from the Federal Government if we go that route. I hope we can find an answer to cost containment, because, otherwise, I believe no matter what we do, people won't be able to go on to some institution of higher learning.

Thank you, Mr. Chairman.

Chairman FORD. Thank you.

I didn't realize that this change was taking place so fast. At the risk of embarrassing him as the Chairman, I would like to compliment Mr. Lance. Although his primary responsibility has been to the Republican side of this committee, I have found him to be very professional in every contact I've had with him. I believe he has contributed mightily to the success that Mr. Coleman and Mr. Goodling and I have had in working together through our staffs. Dr. Wolanin has talked to me about how much he has come to rely on Michael Lance.

Bill, you made some kind of comparison with the people downtown. I don't know what Mike intends to do, but if the people downtown were smart, they would get him down there because they need people with his know-how very badly. Whoever is here today with the Office of Education might carry that message back. Anyone else?

Mrs. ROUKEMA. Mr. Chairman, I am not going to make an opening statement. I do acknowledge—in fact, I'm quite surprised that Mr. Lance is leaving, and regret it, because it is our loss. We wish him well in his professional pursuits.

I do want to say that I echo the concerns of my colleagues on the question of college costs. I also wanted to say that during the questioning, I would like to explore further the access to assistance for both low-income students and the lower middle-income students as we expressed concern to the Secretary yesterday. Thank you Mr. Chairman. I look forward to the hearing.

Chairman FORD. Thank you. Without objections, the opening statement prepared by Mr. Gaydos will be inserted in the record.

Mr. GAYDOS. In recent years college costs have risen at a rate far above that of inflation while Federal education assistance, especially the Pell Grant Program, hasn't even been able to keep pace with inflation. Students continue to see the value of their educational dollars shrink as the cost of their education skyrockets.

We have heard time and time again that anyone in this country who wants to pursue higher education has that opportunity. What these individuals are really, saying, however, is that students who can get student loans to finance their educations have that opportunity.

Many students do get loans and many of them face huge debt burdens—tens of thousands of dollars—when they graduate. And, if they go on to graduate school, the burden becomes even more staggering.

Further, the prospects of getting post-graduation jobs that will enable those students to make the payments on their student loans is extremely daunting—especially in light of today's economic situation.

The thought of facing high debt burdens is forcing too many of our students to lower their educational aspirations. While this has had an impact even on those students who come from rather comfortable economic backgrounds, the students who have been hurt the most are those who come from middle to lower income families who may not have the resources to help students make loan payments during difficult times.

We have seen students from comfortable economic backgrounds enrolling in less expensive, private 4 year schools and even State universities rather than attending the more costly and prestigious, private 4 year institutions that they had worked so hard to get accepted to.

We have seen students from middle income backgrounds enrolling in less expensive State schools, attending community colleges, or postponing college for a year or more when some of these students would normally have attended private schools and others would have attended State universities.

We have seen students from the lower income brackets attending community colleges part-time or indefinitely postponing postsecondary education instead of attending private or State universities.

And, most tragically, we have seen some students shy away from some educational programs in favor of others which might produce higher incomes once they graduate.

I don't like to see this happen. If we, as a Nation, are to pat ourselves on the backs for having the best system of higher education—we must ensure that all of our students have the resources available to enroll in the educational programs of their choice at the institutions of their choice without being saddled with unrealistic debt burdens.

We have known for quite a long time that the imbalance between grant and loan assistance is a major concern—especially for middle and lower income families.

Hopefully, during this reauthorization of the Higher Education Act of 1965 we can address this problem and then we, as a Nation, can pat ourselves on the backs for having even better systems of higher education.

Chairman FORD. I don't know whether we got unanimous consent from everyone yesterday, I thought we did. At this time I would ask unanimous consent that all those members who had submitted opening statements for the record yesterday, in the interest of time, have them inserted in yesterday's proceedings.

Dr. Hauptman, James Stedman, and our former colleague, Peter Smith.

Without objection the prepared testimony submitted by today's witnesses will be inserted, in full, in the record, immediately preceding their oral comments. You gentlemen may proceed.

We'll begin with Dr. Hauptman first to highlight, summarize, or add to your statements in any way you think will contribute to the record.

STATEMENT OF DR. ARTHUR M. HAUPTMAN

Mr. HAUPTMAN. Thank you, Mr. Chairman.

The weight of a decade's worth of tuition increases at double the rate of inflation, stagnant income growth for many families, and reported reductions in Federal student aid, has left many parents wondering whether or not they can afford to send their kids to college.

But, interestingly, enrollments and participation rates in higher education are at an all time high. There are now close to fourteen million students enrolled in college in the fall of 1990. The participation rate measured by the percentage of high school graduates who went on to college the next fall is also at an all time high of 55 percent.

If you'll look at the chart on page two, the top chart, that shows what the rate of increase in the tuitions has been from 1970 to 1990. The middle chart shows that public tuitions went up about 8.6 percent in the 1980s. Private tuitions 9.7 percent, when compared to inflation of 4.7 percent—you see the roughly doubling rate of inflation.

A different picture emerges if you look at the 1970s; however, when tuition in both the public and private sectors actually lagged behind inflation. Taken for the two decades together, essentially, tuitions went up somewhere between one to two percentage points faster than inflation; one percentage point in the public, two percentage points per year in the private which is, more or less, in keeping with the historical pattern, that people have observed over time.

If you look at chart two—this was mentioned in the opening statements in every year since 1980—tuitions have increased faster than inflation. The pattern has been different in the public and private sector. In the public sector, the increases were most high in the first couple of years of the 1980s and then moderated towards the end of the decade whereas in the private sector, the moderation has not been as great. So by the end of the decade, the tuition increases were still several percentage points above inflation.

In terms of the future, at least for the near future, I expect that the tuitions in the public sector next year will go up somewhere between 10 and 15 percent per year—in that year. Private sector tuitions will probably be in the area of 6 to 7 percent.

Basically, what's going on in the public sector is the same thing that went on at the beginning of the 1980s. A recession led to short falls in State funding and tuitions, regrettably, are the plug between what the institution's budget is and what the State provides. So we have a, I think, unfortunate system in this country whereby

the public sector tuitions go up the fastest when the people can least afford to pay for them. In the private sector it is different. Private sector tuitions are obviously much higher to begin with, private sector tends to be a little bit more sensitive to people's ability to pay because their tuitions are higher. I think that's one of the reasons why you'll see somewhat of a continued moderation in private sector tuition increases next year, as I say, in the range of 6 to 7 percent.

One issue that has come up recently is that low tuition policies are supposed to help low income students go to public institutions. One of the concerns I have is that they maybe leading to a gentrification at leading public universities in this country whereby the wealthier students who are not receiving aid at a private college and don't have enough resources to pay the tuitions there on their own, find that low tuitions in public institutions somewhat of a magnet. They apply in increasing numbers to those schools. Since this is only a limited number of slots because of physical restraints, they end up squeezing out some of the lower and middle income students who don't have as good grades and don't come from as good schools.

So if you go to one of the public Ivys and you check around and look at the campus or whatever, you're going to see a lot of nice cars and whatever. We really have seen an increasing wealth concentrated in the public institutions, at least what's called the flagship publics. The silver lining in this is that a lot of the lower income students who are squeezed out of those publics, many of them end up in the privates which are willing to offer them a reasonable financial aid package.

So the income difference between the public and the private institutions in this country is actually narrowing to some extent. That is a good trend, but I'm a little concerned about the bad trend of higher wealth concentration in some of the leading institutions.

If you would look at chart three and four, which is on page six, what I tried to do there is compare how the public college charges have changed over time as percentage of family income—What you see, if you look at the top part of each graph on medium family income, that percentage has obviously gone up in the 1980s, both the public and private institutions. Now, for example, in private institutions the private college charges are roughly 35 percent of a family's income. The percentage is obviously much lower at a public college.

One of the things I point out on the testimony is we should also be looking, however, at how wealthier families are doing relative to costs. The 1980s have been a period of time when the rich got richer. One of the consequences of that is that their college costs, as a percentage of income, have not increased as fast.

If you look at the bottom part of that chart, you'll see that for the 80th percentile income, college charges are roughly 20 percent of the total income for that set of families; which is certainly higher than 1980, but not substantially higher than what it was in 1964.

So we should differentiate between what is happening between the middle income, if you will, and what is happening to the upper income. I don't think it's the same picture. That also may help to

explain why enrollments at private institutions were able to be maintained in the face of high tuition increases because wealthier students, who do tend to go to private institutions more frequently than lower income students, do have more income available to them now to do so.

So in your consideration of middle income, it maybe helpful to figure out what we mean by middle income and then concentrate on that set of people.

Alternately, affordability really depends on aid availability, as well. One of the things that has happened is that Federal aid, although reported to have gone down, actually went up quite a bit in the 1980s. GSL loan volumes is roughly twice what it was in 1980, in real terms. PELL Grant loans are up by about 30 percent.

The difficulty is that increasing participation of, for example, trade school students and increased costs for loan subsidies in defaults have essentially squeezed that funding, so, in fact, for college students there is less money available. It's a real change; it is just that it seems like a paradox to say that funding went up but there's less money available. But that's basically what's going on.

In terms of why college tuitions go up, I have something in my testimony here. I won't repeat it. The basic point I make is the reason that is often given is that the cost forced us to push up our tuitions. A cost-push economics, if you will. My research analysis suggests that it's much more of a demand, pull, and a revenue shortfall function than it is a case of cost-push. In other words, the revenues are available and that allows, for example, higher salaries to be paid.

The one question that one might ask is: Why is it that the history professor today is getting a salary increase that's greater than inflation and 10 years ago they were not, even though their labor market is really no different than it was 10 years ago?

One of the basic reasons is that there is more money available to pay them those salaries. And, one of the tests of the demand-pull verses cost-push would be this year. When there was a shortfall of funds this year, especially in the public sector, this is the first year in 10 years that facility salaries did not increase as fast as inflation. So I would suggest that it's the revenues pulling the cost, as opposed to the cost pushing the revenues.

I mentioned that the change in the traditional college age group to decline in the 1980s also helped to push up college costs for three reasons. One, schools no longer have increasing enrollments that allow them to spread their fixed costs over larger numbers of students.

Second, they've had to pay more to recruit and retain nontraditional students than they would have to pay if there were more traditional-age students. And, third, the decline in the number of traditional-age students has, in effect, created a good job market for 21-, 22-year-olds who are coming out, up until this year. So it's pushed their salaries up, which made college a more directive alternative.

There have been assertions that Federal aid has led to tuition increase. Generally speaking, that theory doesn't hold water for several reasons, I mentioned in my testimony. There is one sector where I believe that there is a relationship between aid and tuition

setting, and that is in the proprietary sector, where many of the schools are very dependent on Federal revenues.

So when there are changes in the Federal rules, that leads to changes in their tuitions. For example, the Schlitz program loan limits were cut back a year or two ago, and the tuitions, in many preparatory schools followed. There's not a lot of evidence on this, we have to sort of base it anecdotal and whatever's available, but it does seem to be happening.

I conclude my testimony with a discussion of whether or not there's a role for Federal cost containment. This was mentioned in the opening statement. I see eyes light up. Basically, I don't think there's a great analogy between health care and higher education.

Third-party payments aren't as important to colleges as they are to hospitals. Technology which drove up the cost in health care quite a bit is not as much as of a function as it is in higher education, with the possible exception of research which is a different matter and something for a different committee.

I still think that, because the public is concerned about cost containment, one should take note of that and try to do something about it. What I suggest is that it should be a strategy that focuses on cost, not on price. If you focus a constant containment strategy on price what will happen is that people are going to shift their subsidies around, but it won't change the underlying cost structure.

If you're going to look to a cost containment, look to what it costs to educate a student, not what the price is charged at it. What I suggest is that one form of cost containment might involve tying the total amount of Federal aid to a cost standard that you folks in Congress would establish.

So much for vocational training, so much for academic training, and that would serve as the limit on how much aid you would provide. The family contribution would be subtracted from that rather than the price that's charged. We all agree that need based aid is a good idea, but one of the consequences of need based is that when the tuition is raised, that increases the need.

There is an incentive in the system which typically doesn't work all that much, but there is an incentive to raise your tuitions. And what you might want to do is just decouple the aid system from a total need. The basic thing I'm suggesting here is the people who would be hurt would be upper middle-income students attending the highest priced institutions who would find that they no longer were eligible for a subsidized loan, essentially, to do it.

In any case, I'm sorry to have overtaken my time and I'll be free for questions later.

[The prepared statement of Dr. Arthur M. Hauptman follows:]

College Costs and Affordability

Testimony of Arthur M. Hauptman

before the Subcommittee on Postsecondary Education

U.S. House of Representatives

May 9, 1991

Mr. Chairman and Members of the Subcommittee:

I appreciate the opportunity to testify today on the issue of college costs and affordability. I have been a consultant for the past ten years specializing in issues relating to higher education finance. But the views expressed here do not reflect the position of any organization for whom I have consulted.

The weight of a decade's worth of tuition increases at double the rate of inflation, stagnant income growth for many families, and reported reductions in student aid availability has left many parents wondering whether they can any longer afford to pay for their children's college education.

Despite these trends, however, college enrollments have continued to climb, albeit at a slower rate than earlier decades. According to U.S. Department of Education statistics, college enrollments in 1990 reached an all time high of 14 million students. The proportion of high school graduates who go on to college is also at an all time high -- over 55 percent of all high school graduates in the spring now enroll in college in the following fall.

If college is becoming so unaffordable, why have enrollments and participation rates continued to grow? To answer this question, the following four issues are addressed in this testimony:

First, how fast have college tuitions increased over recent decades?

Second, is college becoming unaffordable for most Americans?

Third, why have college charges increased so fast?

Fourth, is there a federal role in containing college costs?

How Fast Have Tuitions Increased?

In every year since 1980, college tuitions have increased faster than inflation. For the decade of the 1980s, tuitions grew almost twice the rate of inflation. In the public sector, the average tuition increased from \$635 in 1980-81 to roughly \$1,450 in 1990-91, an annual compound growth rate of 8.6 percent. For private institutions, tuitions grew from about \$3,500 in 1980-81 to about \$8,800 in 1990-91, an increase of 9.7 percent per year. Since inflation increased by 4.7 percent per year in the 1980s, it is obvious that there was substantial real growth in tuitions during the decade. The experience in the 1980s is in sharp contrast to what happened in the 1970s, as Chart 1 indicates. In the 1970s, the weighted average tuitions actually lagged behind inflation over the course of the decade by more than a percentage point per year.

CHART 1
AVERAGE ANNUAL PERCENTAGE CHANGE IN TUITIONS AND CPI, 1970-1990

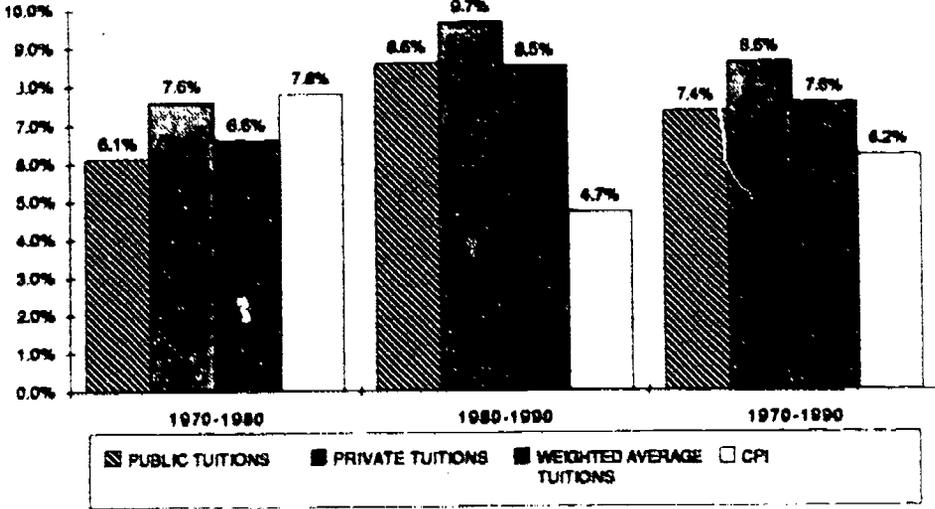
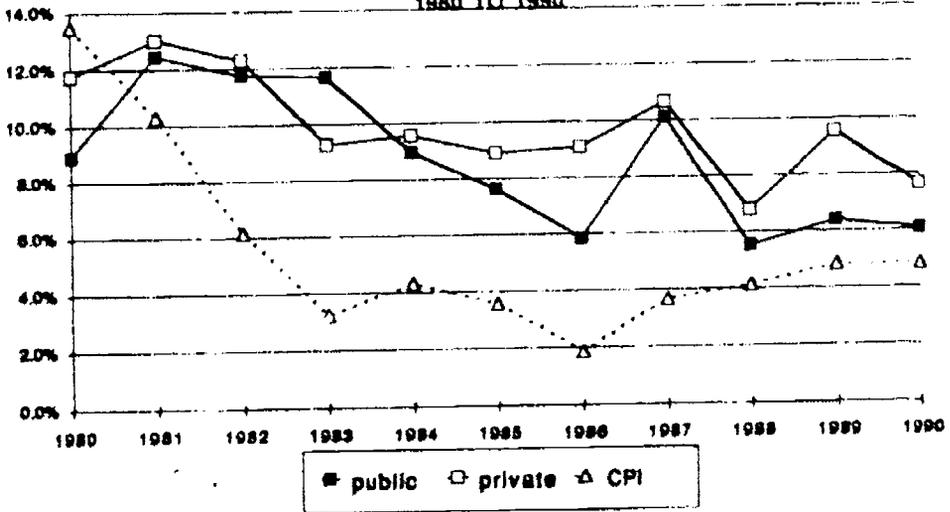


CHART 2
ANNUAL PERCENTAGE CHANGES IN PUBLIC AND PRIVATE SECTOR TUITIONS AND THE CPI, 1980 TO 1990



The historical sense about tuitions is that they tend to increase by a percentage point or two faster than inflation, reflecting the inability of higher education to capture much in the way of productivity gains that typically accrue in many other industries. When the experience of the 1970s and 1980s is combined, the growth in tuitions conforms to the historical pattern. Public college tuitions grew by 7.4 percent per year between 1970 to 1990, and private college tuitions increased at an annual rate of 8.6 percent. Inflation increased at a rate of 6.2 percent per year during that time.

The patterns of tuition growth have not been uniform throughout the 1980s, as Chart 2 indicates. In the early 1980s, public sector tuitions registered double digit increases in three consecutive years, primarily the result of the recession that reduced state funding and led to rapid increases in tuition in the public sector. For the rest of the decade, the increases in public sector tuitions declined so that by the end of the decade the increases were not much higher than inflation. The moderation in public college tuition increases in recent years led to the hope that the high tuition increase years had perhaps ended. The experience this coming year quickly will put this hope to rest. Public college tuition increases nationwide this fall will well exceed 10 percent and could go above 15 percent for the nation as a whole. The degree of increase will vary markedly, with tuition increases in many of the Northeast states exceeding 20 percent, while many other states less hard hit by recession will have tuition increases of less than 10 percent per year.

These increases reflect the fact that swings in the economy are the most important factor in determining the growth of public college tuitions. When the economy is doing well, public tuition increases generally are moderate, but when the economy hits the skids, public tuitions tend to skyrocket. I believe the countercyclical nature of public college tuitions is a fundamental weakness in the existing system of state finance of public higher education.

The story is somewhat different for private colleges and universities. In 1981 and 1982, the percentage increases in public and private sector tuitions were very similar. As the decade progressed, however, private sector tuition increases did not moderate as much as in the public sector, and at the end of the decade they continued to exceed inflation by at least several points.

But because their tuitions are much higher than what is charged in the public sector, private institutions are more likely than public colleges to moderate their tuition increases during periods of economic decline. They

realize that when parents and students feel more pinched they are less willing and able to pay for large increases in private sector tuitions and it becomes more likely that these students will shift to lower cost public institutions.

In this regard, the maintenance of low tuition policies in the face of substantial state fiscal restraints may be contributing to a growing gentrification at many of the leading public universities in this country. Students from wealthier families appear to be flocking to these schools to benefit from the combination of high educational quality and relatively low prices. It appears that many of these students and their parents have grown increasingly resentful of the combination of rapid growth in private college tuitions and their continued ineligibility for much if any financial aid. A growing number of wealthier students appear to be applying instead to the leading public institutions in their state which will charge them a fraction of private sector tuitions and where the education they receive is comparable to what many private institutions have to offer.

This would be fine if resources were not limited -- every student who qualified could enroll. But since these public institutions are constrained by fiscal realities, they are limited in the number of seats they offer. The upper income students who come from better high schools and tend to have more impressive academic credentials are admitted. The lower and middle income students for whom the low tuitions are primarily intended, but whose grades do not match up with their wealthier colleagues, are in effect squeezed out.

These lower income students may enroll in lower cost public institutions or they may not go to college at all. The silver lining is that some of these lower income students will end up enrolling in a private institution which offers them an attractive financial aid package. As a result of this development, and the fact that many private colleges are being more aggressive in their recruitment and retention policies, the private sector of higher education has become more diverse in the students that it enrolls.

An example of the result of these trends is that the family income of students attending the University of California is now higher than the family income of students enrolling in private institutions in California, according to a report by the Association of Independent California Colleges and Universities. A head to head matchup of family incomes on the Berkeley campus and Stanford would be a close race, with Berkeley students quite possibly having the higher incomes.

Has College Become Unaffordable?

There is little doubt that the rapid growth in tuitions in the 1980s stimulated a great deal of fear among students and parents about the continued affordability of a college education. Is that fear justified?

One answer to this question is that over three fourths of all college students attend public institutions where the average tuition and fees in the current academic year are less than \$1,500 per year. Despite the fact that these tuitions increased at a rapid rate in the 1980s, the sticker shock attached to them is not nearly what it is in the private sector.

Private colleges and universities rightly remain the primary focus of the issue of affordability. The media tends to highlight the most expensive private institutions where tuitions now exceed \$15,000 per year and where the total costs of attendance exceed \$20,000. But there are less than 100 institutions where the total costs of attendance exceed \$20,000, and they enroll less than five percent of all college students. The attention paid to these schools tends to obscure the fact that most private institutions charge substantially less than \$20,000. The average private sector tuition is now about \$8,800, and the total costs of attendance are less than \$15,000. That's certainly not cheap, but it does paint a different picture than when focusing on the most expensive options.

The most commonly used measure of college affordability is to compare the annual costs of attendance to median family income as a proxy for ability to pay. As Chart 3 indicates, public college charges, including tuition, room, and board, as a percentage of median family income increased in the 1980s, from under 11 percent in 1980 to over 13 percent in 1988. But the percentage in 1988 was roughly the same as it was in 1970 and actually lower than the figure in 1964. Private college charges are, of course, the more problematic figure, and as Chart 4 indicates, they grew as a percentage of median income from less than 25 percent in 1980 to almost 35 percent by 1988. It is this trend which has created concern among parents as well as policymakers.

But it is worth looking a little further at these trends to see how they apply to the incomes of wealthier families. One of the economic realities of the 1980s was that the rich got richer while the average family had more trouble making its ends meet. To address this issue, Charts 3 and 4 also show college charges as a percentage of income for families at the 80 percentile of the income distribution. For these families in the upper fifth of incomes, public college charges increased moderately from 1980 to 1988 as a percentage of

CHART 3
PUBLIC COLLEGE CHARGES AS A PERCENTAGE OF FAMILY INCOME

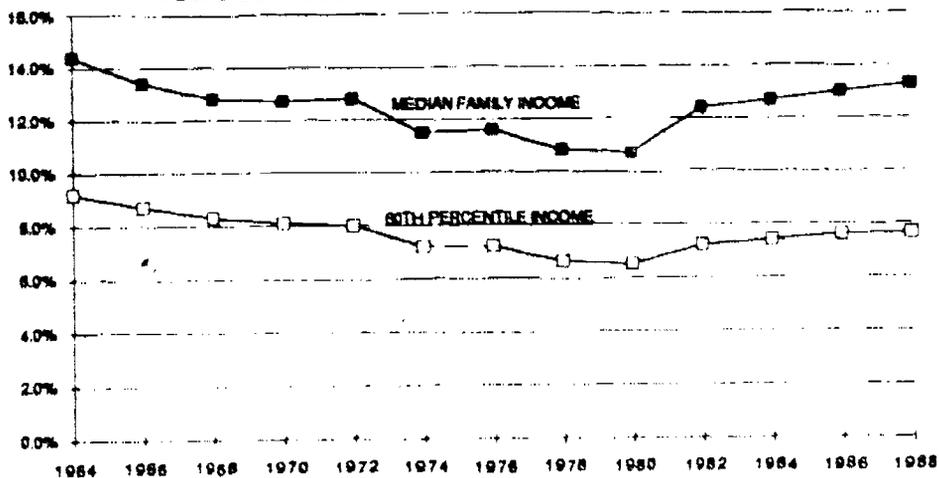
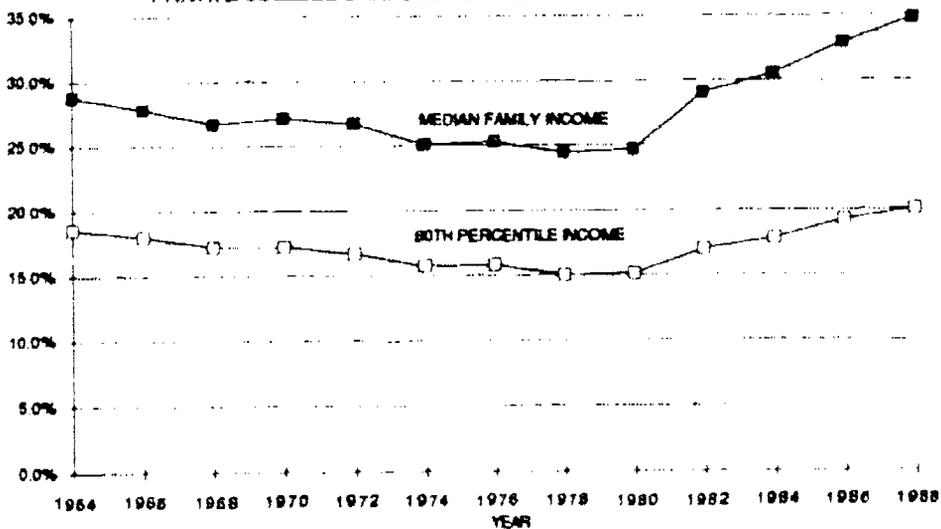


CHART 4
PRIVATE COLLEGE CHARGES AS A PERCENTAGE OF FAMILY INCOME



their income -- from 6.5 percent to 7.6 percent -- but the figure in 1988 was lower than it was in 1970. The increase in the burden of private college charges was also considerably less severe for wealthier families than it was for the median income family. Private college charges as percentage of the 80th percentile income grew from 15 percent in 1980 to 20 percent in 1988, a figure which was not substantially higher than it was in 1964. To the extent that students from these families are more likely to attend private institutions than students from lower income families, the widening gap in incomes may help to explain why private college enrollments did not drop off in the 1980s as the income growth of the wealthiest fifth of the population allowed them to keep up more easily with the growth in tuitions and other charges.

Ultimately whether a college education is affordable for lower or middle income families depends on how much aid is available and who receives it. Reports of large scale cutbacks in federal student aid have been misleading or inaccurate. Many of the cutbacks proposed by the Reagan administration were rejected by the Congress. The amount of borrowing in the Guaranteed Student loan program nearly doubled in the 1980s after adjustments for inflation. Funding for Pell Grants grew by about 30 percent in real terms. The fact that the maximum awards and loan limits in these programs did not keep up with inflation is a function mostly of the growth in the use of these programs by trade school students and the increase in the costs per loan for interest and default payments which ate up much of the increase in funding.

The reports which indicate that federal aid dropped in real terms in the 1980s are based almost entirely on the 1981 phasing out of the Social Security college benefit for surviving children and the reduction in the 1980s in spending for the GI Bill because of the declining number of veterans using those benefits in the 1980s compared to the high usage years of the 1970s.

State student grant assistance grew by about 50 percent in real terms in the 1980s. The concern now, though, is that many states are cutting back on their student grant support because of budgetary tightness at the same time that public sector tuitions are rising steeply. In terms of affordability, this is precisely the wrong time to cut back on state grant support.

In addition, most institutions in the 1980s, especially in the private sector, greatly expanded the amount of aid they provide from their own funds. In the case of private colleges, it is not uncommon now for over half of the student body to receive aid from the institution they attend. This aid was

funded in no small part by the higher tuitions being charged. I estimate that one to two percentage points of the annual increase in private college tuitions in the 1980s is attributable to the larger amount of aid being provided.

Taken together, however, these increases in aid were not sufficient to offset the growth in tuitions and other charges. The price that students face net of the aid they are likely to receive increased substantially in real terms in the 1980s. This is the nut of the college affordability problem. Low and moderate income students find that the aid they receive is not enough without taking out loans. Middle income students (which I would define as students having family incomes of between \$30,000 to \$60,000) do not qualify for that much aid beyond subsidized loans and some amount of institutional aid and feel that they do not have the family resources to make up the difference.

Why Have College Tuitions Increased So Fast?

Many college officials in the 1980s got into the habit of explaining that higher costs were the primary reason why tuitions were increasing so fast. They would point to the growth in faculty salaries and to rising costs for utilities, books and periodicals for the library, equipment for the laboratories, and many other items. Many further asserted that the tuition increases of the 1980s were needed to catch up for the fact that college tuitions did not keep up with inflation in the 1970s. This view could be classified as the "cost push" theory of college tuitions.

From my research and analysis, I believe that tuition growth in the 1980s was more a function of revenue shortfall and demand pull than cost push economics. As I mentioned previously, for the public sector, trends in state funding are clearly the principal determinant of the rate at which tuitions increase. Because tuitions tend to act as a plug between what state funds and institutional budgets, when state funding increases at a healthy clip, tuitions increase much more moderately than when state funds are tight.

In the private sector, for a variety of reasons it appears that many institutions in the 1980s chose to compete for a declining number of potential students, not through restraint in prices as one might expect, but through enhanced services and facilities. While these choices certainly entailed more costs, I think it is inaccurate to characterize this process as being cost driven.

One factor which I believe cuts across the growth in tuitions in both the public and private sectors is the decline in the size of the traditional college

age population that began at the end of the 1970s. This demographic trend I believe had at least three effects on college costs. First, the decrease in the number of traditional college age youth contributed to the 1980s leveling in enrollments that prevented many institutions from spreading their fixed costs over a growing number of students, as had been the case in the 1960s and into the early 1970s. Second, fewer traditional students meant that many colleges had to spend more on recruitment and retention activities directed at nontraditional student groups. Finally, the declining number of students led to fewer college graduates of traditional college age, who found their stock rising in the growing job market in the 1980s for college graduates. This contributed to the growing gap in the 1980s between the incomes of college graduates and those without college degrees, thus adding to the attractiveness of a college degree and presumably the willingness of people to pay for it.

I would like to address one other reason that has been frequently given for the growth in college costs -- the ready availability of federal student aid. A number of observers, including William Bennett, when he was Secretary of Education, have made the argument that the availability of student aid fuels the growth of tuitions. This hypothesis has since been generally disproved by the facts. Tuitions grew the fastest when federal aid availability grew least quickly. If aid were feeding tuition growth, one would assume a more direct and stronger correlation between aid and tuition growth. In addition, federal aid is only available to about half of all college students; thus it is inaccurate to assume that most students will feel no effect from increases in tuition. For those students who are not federally aided, institutions cannot assume that an increase in tuition will be paid for through the federal government. Finally the federal aid programs are not structured to yield dollar for dollar increases in aid as tuition increases. For example, for most students in the Pell Grant program their award does not increase at all when tuitions and other costs of attendance rise.

If anything, it appears that *decreases* in federal student aid may have led to the rapid increase in tuitions, especially at many private institutions, as they reacted to restrictions in federal aid by increasing the amount of aid they provided from their own funds. Often, this aid was financed through increased tuitions charged to "full pay" students.

This "high tuition/high aid" strategy worked reasonably well in the 1980s in that institutions were able to increase their revenues, improve

themselves in many ways, and increase the diversity of their student body through the enhanced use of financial aid. What I worry about is that college officials will look to the past and decide that the strategy which worked well in the 1980s will continue to serve them in good stead through the 1990s.

But many private colleges are in distinctly different positions now than they were in the early 1980s. After a decade of rapid tuition increases, they are no longer viewed as being underpriced relative to value as they were in the late 1970s. In addition, because they now aid a much larger proportion of their students, the increase in the amount available from the marginal tuition dollar net of the aid provided to students is much smaller now than it used to be. This means that the institutions will have much less available from tuition to improve themselves further. The apparent moderation in private college tuitions this year may be a signal that college officials are recognizing the limitations of the high tuition/high aid strategy.

There is one sector, however, where it looks like there is a relationship between aid and tuitions. Trade schools operating on a profit making basis appear to set the tuitions they charge in line with the changing availability of student aid. Federal aid for many of these schools represent three-quarters of more of their total revenues, and they seem to pay much more attention to changes in federal student aid policy than do nonprofit institutions for whom federal aid represents far less of their total revenues. The scant evidence that is available suggests that when the amount of aid changes for students at these trade schools, the tuitions charged tend to move in line with the change in aid availability. For example, when loan limits in the Supplemental Loan for Students program were scaled back a few years ago, a number of trade schools reduced their tuitions at the same time. This experience would suggest that efforts to sever the connection between tuitions and aid availability in the proprietary sector would be beneficial.

Is There a Federal Role in Cost Containment?

The rapid increase in tuitions in the 1980s led to comparisons between higher education and health care as the sectors of the economy with the fastest growing costs. It also led to discussions of whether the kind of cost containment that has been applied to health care would also be good medicine for higher education. Although the slowdown in college tuition increases toward the end of the 1980s has created some distance between the growth in

higher education prices and health care costs, the notion of using a cost containment strategy to rein in higher education remains a live issue.

There are some strong reasons to reject the analogy between health care and higher education. The cost of health care is paid predominantly by third parties -- either private insurance companies or the federal government. Third party payments play a much smaller role in the financing of higher education. The rising costs of technology and the lack of competition among providers of that technology also play a role in health care which is not matched in the case of higher education, with the possible exception of the research conducted on campus, an issue which has certainly had its share of its attention in recent months.

Despite the lack of a strong general analogy between higher education and health care, however, there would seem to be good cause for looking into the possibilities for cost containment. The growth in college tuitions is obviously on the public's mind, and to say that higher education is not as bad as health care is hardly likely to resolve the issue in the public's view.

In approaching the question of cost containment, it is critical to begin with the fact that in higher education, cost and price are hardly the same. In the public sector, price in the form of tuition is kept well below cost largely through state support. For private institutions, endowment income and gifts are the primary means for keeping tuition pegged lower than cost.

Because of the difference between cost and price, a successful cost containment strategy in higher education should focus more on reducing the costs of educating a student than on the price that is charged. A strategy that relied on reducing the price without addressing the underlying costs of providing the education will result in a shifting of subsidies rather than a true reduction in costs.

One cost containment proposal which has been made in the past would limit the amount of aid available to students attending institutions which raise their tuitions too fast, say, more than one percentage point faster than inflation. While this approach has much surface appeal, I believe it would miss the target in at least two regards. First, it would be the students attending those institutions which would suffer in the sense that the aid would not be sufficient to meet their need. The institutions themselves might not feel the effects of the rule. More importantly, the easiest way for an institution to comply with the rule would be to reduce the aid they provide from tuition,

thereby reducing the rate at which tuition would increase. But such a policy would most likely hurt the neediest students who receive the most aid under the existing policies. This is a good example why it is important to focus on the underlying expenditures rather than the price charged to students.

I believe that a much more effective and fair form of cost containment through student aid would involve tying the total amount of federal aid available to the reasonable costs associated with providing the education and training. This expenditure-based approach to aid would replace the current need-based practice of relying on what an institution sets as its tuition plus other charges as the figure for determining a student's eligibility for aid.

In the area of vocational training, whether in proprietary schools or community colleges, this would entail setting the amount of aid in relation to the reasonable costs of providing the various types of training-- so much for hair cutting, data processing, auto mechanics, etc. While these data are not currently available, I do not think it would be all that difficult to establish the reasonable costs associated with this type of training. For academic programs, the natural analog to the approach described above would be to pay differential aid amounts based on a student's course of study, with engineering students presumably receiving more than those in the humanities because more is spent on these fields of study. I would tend to reject this approach, however, because the costs of administration and data analysis to determine differences in costs would exceed the benefit the differentiation.

I would opt instead for a system in which the maximum amount of federal aid for students in academic programs would be based on the reasonable costs of providing either a two-year or a four-year college education. Currently, the costs (not the price) of educating a student in a two-year institution is about \$6000 per student and the average expenditure per student of a four-year education is over \$15,000 per year. Some assessment of costs based on these averages, plus a component for living costs, would seem to be a fair way to set the maximum federal aid per student.

If the Congress wanted to encourage institutions to search for cost efficiencies, it could set the maximum federal aid below the current average expenditure figure. For example, the Congress might decide it was willing to provide federal aid up to \$12,000 per student plus living expenses of \$4,000. Thus, the maximum federal aid would be \$16,000 and a student's family contribution would be subtracted from this figure.

In any case, the amount of aid could not exceed the tuition plus other costs of attendance that a student faced. Thus for virtually all students in public sector institutions and most students in private colleges the system would work as it does today -- aid would be limited to need. The only college students who would be treated differently under this proposal would be upper middle income students attending the highest priced institutions.

Students with family incomes of \$90,000, 100,000, or more can currently qualify on the basis of financial need for subsidized loans if they attend high priced private institutions. Under the proposed expenditure-based procedure, these students might well no longer qualify for subsidized loans since their family contribution would exceed the maximum federal aid standard. This seems to me to be an appropriate shift in federal policy. It is not clear that students from wealthy families should be eligible for subsidized loans if they choose to go to the most expensive institutions, if they choose to live in a more expensive dormitory or participate in the premium meal plan. I would certainly provide adequate levels of nonsubsidized loans like PLUS and SLS to these students and their parents to help with cash flow problems, but would rather see in school interest subsidies reserved for students from more middle income circumstances.

I do not want to oversell this approach, however. The federal government can only have limited impact on the cost structure of higher education because it contributes a relatively small share of the total revenues. The responsibilities for cost containment ultimately must fall to the entities that provide the bulk of the funding. In the case of undergraduate education, states are by far the largest provider of funds and must bear the brunt of responsibility for ensuring that institutions are not profligate. I believe a number of states are fulfilling that responsibility. I would like to see further efforts in this area, including tying compensation of faculty more to teaching than to research, and encouraging greater use of technology to reduce costs.

In the case of campus-based research, the federal government is the primary source of funds, and could reasonably assert its leverage in this regard. Since the federal support of campus-based research does not fall under the jurisdiction of this Subcommittee, and since this is not my area of expertise this testimony is not the proper place to address this issue at any length. I will say that my view from a distance is that tightening down on what expenses are allowed for reimbursement will not solve the problem.

What is needed, instead, is a review of the principles that underlie the current system of federally supported research. Such a review should address the adequacy of the current system in funding facilities needs. It should also ask, in my view, whether the establishment of a uniform rate of recovery for various categories of institutions would serve the nation better than the current approach of negotiated rates and the itemization of expenses.

The primary federal role in ensuring affordability must continue to rest with the system of student aid. Expansion of grant eligibility for the most disadvantaged students is needed, as is providing the assurance to them as early as the seventh grade that sufficient aid will be available when they reach college age. Enhanced support services are also needed to help prepare students for college level work and to increase their chances for degree completion. To address the middle income squeeze, more adequate loan availability is needed for both parents and students, as are enhanced incentives for saving.

I would pay for much of this expansion through reform of the current student loan structure, by: reducing the use of loans by students who are least likely to benefit, providing a set of incentives for all participants in the loan programs to minimize federal costs, relying more on federal borrowing and nonprofit lenders to reduce federal costs, and providing a mechanism that helps ensure that all student borrowers have a full range of repayment options available, including income contingent repayment schedules, once they complete their education. I am confident that the Congress will be addressing these and other issues in the upcoming reauthorization of the Higher Education Act.

Mr. Chairman, that concludes my testimony. I would be pleased to answer any questions at this time.

Chairman FORD. I would like to inform the members of the committee that, as you probably know, chairmen of full committees are now elected by a secret ballot vote and a democratic caucus. What is happening at the moment on the floor is that our friend, George Miller, is being considered for Chairman of the Interior Committee and I would like to go and vote for George and I am sure that other members on my side would also.

I don't want to interrupt this, however. I think what we can do is, if I could get somebody to sit here while I run over and vote, I can come back and we can continue without interrupting testimony.

Mr. GOODLING. I'll either go over and vote for you or run for the chairmanship, one or the other.

Mr. HAYES. Mr. Stedman.

Mr. STEDMAN. Thank you, Mr. Hayes.

STATEMENT OF JAMES STEDMAN, SPECIALIST IN SOCIAL LEGISLATION FOR THE CONGRESSIONAL RESEARCH SERVICE

Mr. STEDMAN. My name is Jim Stedman. I'm a specialist in Social Legislation for the Congressional Research Service. It's a pleasure to appear before you this morning to testify on higher education participation rates.

I'm testifying on an analysis that I did for the subcommittee on the rates at which white, black, and Hispanic young adults, at different income levels, were participating in college in October, 1989. This effort is part of a larger series of studies that a colleague, Rick Apling, and I have undertaken to provide information for the reauthorization.

There are two major points that emerged from this analysis. First, college participation is a complex phenomenon about which these census data can only offer some clues, and this table constitutes, essentially, a first cut or first look. Second, in terms of college participation rates, the experience of the black and Hispanic young adults appear to differ. As I will suggest later, much of this divergence appears to be associated with substantial differences in the rates at which Hispanics finish high school.

For analysis of recent enrollment rates for different groups in the population, the Census Bureau, essentially, is the primary or only source for national data. Please recognize that because of these data are derived from a survey of a sample of households, they are subject to a variety of sampling errors. Some of the differences you see in the table and the figure are not statistically significant. As a result, I would suggest that the most important information to take away from this table and figure are relationships, not specific enrollment rates.

I'd also note that there should be a line on the table that indicates that due to rounding some of the totals may not equal the sum of the individual entries. I'd also note that this table and figure are but one of many ways of presenting these data, and the most appropriate way of doing that depends upon the question being asked. In this instance, I'm focusing on the participation of 18- to 24-year-olds in general, defining them as comprehensively as possible.

What essentially does this figure suggest? Well, it does show that in 1989, white young adults were substantially more likely to be enrolled than were either blacks or Hispanics. For the 18- to 24-year-olds considered here, the white participation rate was 36 percent, while the black and Hispanic rates were 24 percent and 17 percent, respectively.

It's not surprising that these data also show that in general, at higher income levels, college enrollment rates are higher. This is most evident when highest and lowest income levels are compared. Approximately 17 percent of these 18- to 24-year-olds, and that would be looking at the red bar—with family income below \$15,000, were enrolled in college in 1989. The enrollment rates of incomes of \$50,000 or over was 56 percent. Similar differences occur within racial and ethnic groups.

Race ethnicity does appear to interact with income in relatively complex ways to influence participation rates. In the factors alone don't seem to explain the rates completely. Let me illustrate by considering black and Hispanic rates separately. Analysis of the black enrollment rate yields what appears to be initially somewhat ambiguous results.

In general, it's not clear that the black rates in each of these income ranges actually differed from white rates. At nearly all of the income ranges, the estimates are sufficiently similar that we can't say with confidence that the differences are real and not a function of sampling errors.

Further, at some of these levels, even if the differences were real, they're so small to be insignificant, I think, for policy purposes.

Nevertheless, as already noted, in the aggregate, blacks enrolled at a significantly lower rate than whites. Twenty-four percent of black young adults versus 36 percent of white young adults. This might appear inconsistent, but it's largely explained by the fact that a far greater percentage of black 18- to 24-year-olds than whites are found in the lowest income range, where enrollment rates were low. Fully 50 percent of black young adults are in that income range below \$50,000 while only 20 percent of white young adults are in that income range.

The overall picture with regard to Hispanics appears to be different. At every income level, Hispanic enrollment rates were significantly below the white rates. In addition, the gap between the Hispanic enrollment rate and the white rate was larger at the highest income level than at the lowest. At less than \$15,000 income, the white rate was slightly more than one and one half times as high as the Hispanic rate.

At \$50,000 and over the white rate was more than two times as high. Thus, it appears that for Hispanics, higher levels of income didn't have the same positive affect on college enrollment rates as they did for whites.

Further, the overall Hispanic experience seems to be different from that of whites, Hispanic rates, in general, trailed black rates at each income level.

Although not shown in this table, or this figure, another factor the completion of high school is critical here. When one takes high school completion into account, many of the Hispanic differences,

identified above, no longer materialized, although there is still a significant gap between Hispanic and white rates.

This minimizing of the function of the differences of the function is a substantially lower percentage of Hispanic 18- to 24 year-olds who have finished high school: 56 percent of Hispanics in this age range compared to blacks or whites; 77 percent of blacks; 86 percent of whites. I think when you begin to consider high school completion, it suggests that there are indeed value in cutting these data in a variety of ways. To take a look at the issue from a variety of perspectives. I trust these data will be of assistance in your deliberations on reauthorizing the Higher Education Act and I'd be pleased to respond to any questions you might have.

Thank you.

[The prepared statement of Jam Stedman follows:]



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**HIGHER EDUCATION PARTICIPATION RATES
BY RACE, ETHNICITY, AND INCOME**

**Testimony before
the House Subcommittee on Postsecondary Education**

**Presented by
James B. Stedman
Specialist in Social Legislation
Education and Public Welfare Division
May 9, 1991**

Chairman Ford and other members of the Subcommittee on Postsecondary Education, my name is Jim Stedman. I am a specialist in social legislation for the Congressional Research Service. It is a pleasure to appear before you this morning to testify on higher education participation rates. I am testifying on analysis that I did for the Subcommittee on the rates at which white, black, and Hispanic young adults, at different income levels, were participating in college in October 1989. This effort is part of a larger series of studies a colleague, Rick Apling, and I have undertaken to provide information for the reauthorization of the Higher Education Act by the 102d Congress.

Attached to my testimony are a table providing an array of specific enrollment participation data, as well as a figure graphically displaying participation rates at different income levels for white, black, and Hispanic young adults.

There are two major points that emerged from this analysis of the October 1989 participation rates. First, college participation is a complex phenomenon about which these Census data can only offer some clues, and for which the table and figure constitute only the initial look. Second, in terms of college participation rates, the experiences of the black and Hispanic young adults appear to differ. As I suggest below, much of this divergence appears to be associated with substantial differences in the rates at which Hispanics finish high school compared to whites or blacks.

DESCRIPTION OF THE DATA

Before I offer a detailed discussion of my findings, some information about the characteristics of the data I used is necessary.¹ For analysis of recent enrollment rates for different groups in the population, the Census Bureau is

¹An appendix to this testimony provides additional details about these data.

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essentially the only source of national data, in this case unpublished data from the October 1989 Current Population Survey. Please recognize that, because these data are derived from a survey of a sample of households, they are subject to a variety of sampling errors. Some of the differences you see in table 1 and in figure 1 are not statistically significant.² As a result, I would suggest that the most important information to take away from this table and figure are relationships, not specific enrollment rates.

These data show what percentage of 18 to 24 year olds were enrolled in college at a point in time--October 1989. Individuals in this age range who might have had some exposure to college previously or, indeed, have completed a degree at some level prior to October 1989 are not included. These data do not distinguish between individuals who had completed high school and those who had not.

Further, my comments today apply to 18 to 24 year old primary family members, that is, persons living in a family related by birth, marriage, or adoption, which includes the person renting or owning the housing unit. This is the group for which income is reported in the Bureau's October Current Population Survey. This is not all 18 to 24 year olds, excluding some of the persons who would be considered independent of their parental families.

Finally, table 1 and figure 1 show data for four family income ranges. The lowest income range--below \$15,000--is only marginally above the poverty threshold for a family of four (\$12,675 in 1989). The next income range--\$15,000 to \$24,999--in conjunction with the lowest range comprises the band of

²For example, at an income of below \$15,000, approximately 18 percent of whites were enrolled in October 1989 compared to 17 percent of blacks. This difference is not statistically significant.

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income in which students are most likely to be eligible for Federal need-based student aid. The third range--\$25,000 to \$49,999--straddles median family income for 1989 (\$34,210). The last income range--\$50,000 and over--constitutes what I would label an upper income range.

PARTICIPATION RATES

Table 1 and figure 1 show that, in October 1989, **white young adults were substantially more likely to be enrolled than were either blacks or Hispanics.** For the 18 to 24 year olds considered here, the white participation rate was 36 percent, while the black and Hispanic rates were 24 percent and 17 percent, respectively.

It is not surprising that these data also show that, in general, **at higher income levels college enrollment rates are higher.** This is most evident when the highest and lowest income levels are compared. Approximately 17 percent of these 18 to 24 year olds with family income below \$15,000 were enrolled in college in October 1989. The enrollment rate at incomes of \$50,000 and over was 56 percent. Similar differences occurred within each of the racial and ethnic groups. At incomes below \$15,000, 18 percent of whites were enrolled; at incomes of \$50,000 or more, the enrollment rate was 58 percent. The black enrollment rate at less than \$15,000 family income was 17 percent; at \$50,000 and over, the rate was approximately 50 percent. For Hispanics, 11 percent of those with family income less than \$15,000 were enrolled in college; at the highest income level, 27 percent were enrolled.

Race or ethnicity interacts with income in complex ways to influence college participation rates. Also, these factors alone do not appear to explain

enrollment rates. Let me illustrate this by considering black and Hispanic enrollment rates separately.

Analysis of the black enrollment rates yields what appear initially to be somewhat ambiguous results. In general, it is not clear that the black rates in each of these income ranges actually differed from white rates for those ranges. At nearly all of the income ranges, the estimates are sufficiently similar that we cannot say with confidence that the differences between the white and black enrollment rates are real and not a function of sampling error. Further, at some of these levels, even if the differences were real they are so small to be insignificant for policy purposes. Nevertheless, as already noted, in the aggregate, blacks enrolled at a significantly lower rate than whites--24 percent of black young adults were enrolled; 36 percent of white young adults were enrolled. At first blush this might appear inconsistent--potentially little statistical difference between blacks and whites in participation rates across the various income ranges contrasted with a substantial difference in overall participation rates. It is explained largely by the fact that a far greater percentage of black 18 to 24 year olds than whites were found in the lowest income range where enrollment rates were low. Fully 50 percent of these black young adults were in the income range below \$15,000, while only 20 percent of these white young adults were in that income range. These aspects of black enrollment rates are not a new phenomenon. A decade ago, grappling with similar data on October 1979 enrollment for dependent black and white high school graduates which showed no differences at each income level, the Census Bureau concluded, "[T]he data . . . are consistent with the hypothesis

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that the overall White-Black enrollment differences for dependent high school graduates derives largely from Black-White income differences.⁴

The overall picture with regard to Hispanics appears to be different. At every income level, Hispanic enrollment rates were significantly below the white rates. In addition, the gap between the Hispanic enrollment rate and the white rate was larger at the highest income level than at the lowest. At less than \$15,000 income, the white rate was slightly more than one and a half times as high as the Hispanic rate. At \$50,000 and over, the white rate was more than two times as high. Thus, it appears that, for Hispanics, higher levels of income did not have the same positive effect on college enrollment rates as they did for whites. Further, the overall Hispanic experience seems to be different from that of blacks. Hispanic rates in general trailed black rates at each income level.

Although not shown in the table or figure, another factor—the completion of high school—is relevant here. When one takes high school completion into account, many of the Hispanic differences identified above no longer materialize, although the significant gap between the overall Hispanic and white rates remains. This minimizing of the differences is a function of the substantially lower percentage of Hispanic 18 to 24 year olds who have finished high school (56 percent of all Hispanics in this age range) compared to blacks or whites (77 percent of all black 18 to 24 year olds; 86 percent of all white 18 to 24 year olds).

⁴U.S. Bureau of the Census. Current Population Reports. *School Enrollment—Social and Economic Characteristics of Students: October 1979*. Series P-20, No. 360. 1981. p. 6.

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I trust these data will be of assistance in your deliberations on reauthorizing the Higher Education Act. I would be pleased to respond to any questions you might have.

APPENDIX

To calculate recent college participation rates of some segment of the general population, one is essentially faced with a single option: to use data from the Bureau of the Census. The most current set of estimates available for the kind of analysis I undertook here is provided by the Census Bureau's October 1989 Current Population Survey (as yet unpublished). The Current Population Survey, in October of every year, surveys a sample of households. A household is made up of all of the individuals living in a housing unit. In recent years, between 50,000 and 60,000 sample households have been used. From these sample survey data, national estimates are calculated by the Bureau. These estimates are subject to sampling errors of various sorts. Not all of the differences shown in the table or the figure are statistically significant. For the differences I cite specifically in this testimony, there is at least a 90 percent certainty that observed differences are not a function of sampling variability.

These Census Bureau data describe enrollment in higher education, not postsecondary education. Enrollment in 2-year colleges, 4-year colleges, universities, or professional schools is included; enrollment in programs at for-profit (proprietary) trade schools is not.

The 18 to 24 year old age range is the focus here because a broad age range helps to lower the chances that differences are due to sampling errors. Also, a majority of higher education students fall into that age range. Finally, the 18 to 24 year old range is a staple of most analyses of college participation rates.

The only racial and ethnic groups for which these data are reported are whites, blacks, and Hispanics. These data have been adjusted to eliminate overlap between Hispanics and either whites or blacks.⁴

The Census Bureau reports family income data from its Current Population Survey for primary family members. Family income consists of all money income, for example, wages from a job, dividends, or interest, for family members 14 years of age or older for a recent 12 month period. A primary family is a group of two or more individuals living together and related by birth, marriage, or adoption. This family also includes the person renting or owning the housing unit in which the family lives. As a result, the data below apply only to 18 to 24 year olds (1) who are dependent family members, (2) who have married and are living with a spouse, or (3) who are maintaining a household, but who are not married or are not living with a spouse. For the first group, the income is that of the parents; for the second and third groups, the income is that of the individual and spouse, if present. Nevertheless, the data in the table and graphics below do not include a significant number of the individuals who would be considered independent of their parents, for example, unrelated independent individuals sharing an apartment.

⁴For details on this adjustment, see Koretz, Daniel. *Trends in the Postsecondary Enrollment of Minorities*. RAND, Aug. 1990.

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In the table and figure, four income ranges are described—below \$15,000; \$15,000 to \$24,999, \$25,000 to \$49,999; and \$50,000 and over. These ranges were chosen for a number of reasons. Importantly, relatively broad ranges help to reduce the degree of statistical imprecision in these survey data. The lowest income range was selected because it is only marginally above the poverty threshold for a family of four (\$12,675 in 1989). The next income range, in conjunction with the lowest range, appears to reflect the band of income in which students are most likely to be eligible for Federal need-based student aid. The \$25,000 to \$49,999 range represents the middle income portion of the income spectrum. Median family income in 1989 was \$34,210. The last income range shown constitutes what I would label an upper income range.

These data measure college enrollment at a point in time, October 1989. That is, they show what portion of young adults were enrolled at that juncture. They do not include those in this age range who might have had some exposure to college previously or, indeed, have completed a degree at some level. Further, the table and figure include individuals whether or not they have completed high school.

College Enrollment of 18-24 Year-Olds By Income and Race/Ethnicity October 1989

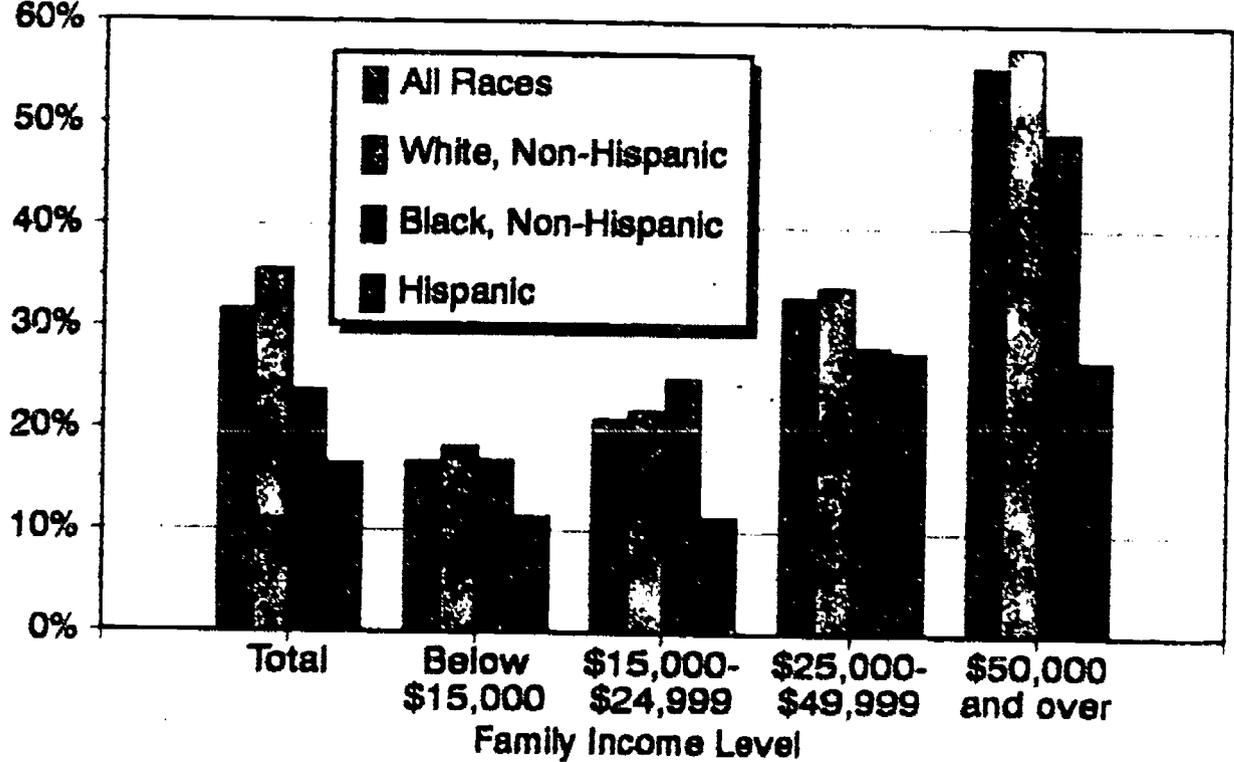
	Total	Below \$15,000	\$15,000- 24,999	\$25,000- 49,999	\$50,000 and over	Unreported
All Races						
Total (thousands)	20,482	5,352	3,258	6,388	4,052	1,431
Percent in college	31.7%	16.6%	21.1%	33.2%	55.9%	36.0%
White, Non-Hispanic						
Total (thousands)	14,424	2,697	2,184	4,976	3,573	989
Percent in college	35.6%	18.3%	21.9%	34.2%	57.8%	40.4%
Black, Non-Hispanic						
Total (thousands)	3,023	1,388	531	698	177	233
Percent in college	23.8%	17.0%	25.0%	28.3%	49.5%	27.9%
Hispanic						
Total (thousands)	2,347	1,059	448	537	155	148
Percent in college	16.6%	11.4%	11.4%	27.7%	27.1%	16.9%

Note: White and black data have been adjusted to make the three racial/ethnic categories mutually exclusive.

Source: CRS estimates based on unpublished data from the Oct. 1989 Current Population Survey by the Census Bureau.

Higher Education Enrollment Rates of 18-24 Year-Old Primary Family Members October 1989

Percent of 18-24 Year-Olds Enrolled



Source: CRS estimates based on Census Bureau data.

Mr. HAYES. The next witness is Peter Smith, a former member of this committee and well-known friend of mine.

Please go right ahead, Pete.

STATEMENT OF PETER SMITH, DIRECTOR, COMMISSION ON RESPONSIBILITIES FOR FINANCING POSTSECONDARY EDUCATION

Mr. SMITH. Mr. Chairman, it's nice to be with you again.

I am going to take the opportunity now in the next 5 minutes to introduce the subcommittee to the Commission in which I currently direct the Commission on Responsibilities for Financing Postsecondary Education to tell you the priorities we have picked and tell you why. It bears directly on the subject of last week's hearing and this week's hearing also.

Let me begin by saying that I know you took testimony from two individuals last week, Mr. Scott Hughes and Ms. Carol Frances. I would tell you that the information they were reporting, that as far as I understand they understand, I'm sure, based on the work they did for the National Association of College University Business Offices. Two reports that they have put together on the evolving demography of the work force and the impact of demography on college cost, I think is the best current census that exists. A broad range of information that should be very useful to this Committee as it looks out over the next 3 to 5 years; 4 to 7 years, whatever it is for the reauthorization.

Our Commission's purpose, really, is to look at the year 2000 and beyond and to make recommendations to this Congress within 2 years on how and if the responsibilities for financing Postsecondary Education ought to be restructured. We have chosen two priorities, first, is what I would say is the large area of school to work transition or how to better integrate an education, not only at the secondary and immediate Postsecondary level, but the life long learning with the needs of the work force and the workplace workers throughout their lives and the second is the general question of affordability, that is plaguing everybody not simply middle income families, but everybody.

The findings that we are operating off of, and I will just run through them briefly, because I think it sets up an imperative that takes the question of not only quality of what we do with young people or adults when we get them in our institutions. The movement from being an affair of the heart, what got me involved in the next 25 years.

It appears to me that the situation of the work force, workplace and the demography is that you put them together is that, we will have slow growth in the workforce in terms of adding to the workforce over the next 10 years, but with a corresponding low turnover. In other words 80 percent of the people in the workforce today will be in the workforce in the year 2000. That will be followed by, from what I can tell, continued slow growth and the birth rate has gone up a little, but it's going to be followed by a period of high turnover, because in fact, all the people who are roughly my age, or a little bit younger now, the baby boomers are going to be leav-

ing the workforce the further out you go into the twenty first century.

So you are going to have slow growth coming into the workforce, but with a high turnover going out and the quality of skills needed to do the jobs being created will have in the process changed dramatically. We can project it right now, that the jobs that are going to be created in the next 10 years alone, are going to require significantly higher and more specific skills at the postsecondary level.

I believe they are going to cluster disproportionately, and what we would currently call the first 2 years of postsecondary education, the community or technical college area, whether or not those institutions or other institutions or priority institutions speak to them. But when you put these forces together what you have about 15 years out is an increasing rate of people leaving the workforce with not a huge infusion of people to follow them to replace them. Unless we dramatically change the quality of what we do in our workforce, in our education and re-education program for people in the workforce, we will literally have a skill drop.

For the first time in our history we could face the potential to export jobs or import workers, not because we've been out competed in the marketplace, but because we have failed to do a better job of bringing young and older students to the workplace, to the workforce, through education retraining—well equipped for the jobs we hold. As we looked at it, the Commission felt that the workforce—I would call your attention to the interplay, we talk about demography and the diversity of this country and what we have to do about it. We do have to act on it. I know this Committee knows it.

We talk about the information revolution, we talk about the global economy, but I would urge you to consider those three things together, because what the changes in demography are doing in this country, are raising expectations on the part of the people, in terms of who's coming in and who we've got to do a better job with. The bottom line is, they're increasing numbers of students that we have not done the kind of job with we should have done and must do in the future.

The implications of the information revolution are that more people have higher expectations of what they should and want to expect from our higher educational system. Whether they are the parents of student or students themselves of all ages. People believe that they deserve more than what they are currently getting in terms of quality, access and persistence.

The consequences of the global economy are that the risk of failure and the consequences of our failing to educate our workforce have gone way up. We can no longer skim and turn successful high school graduates and other people who have come out of high school through our workforce taking our talented and throwing the rest away. I'm not saying that was a plan on anybody's part but it is in skimming and churning, that is what has happened in the workplace. What the demographics and the economics of the situation suggest is that we can no longer afford to do that.

The kind of recommendations, and I know you want to hear about nontraditional as well as traditional students, and I will respond to your questions. We are validly not involved, as a Commis-

sion, in the reauthorization, having said that and we are merely looking out to the year 2000 and beyond. If there is any, as you go through this process, if you see questions that you believe, or would like to have looked at in a longer term, our Commission is ready to hear those and to try to build them into our work plan and to correspond.

Obviously if you believe we can be useful to you on a question by question basis, or I can, I would be happy to. I hope that you will look at, especially to regards to nontraditional students the following things. Regardless of what you hear from the Department of Education or from staff or from anyone else, and I'm not imputing motives at all, but if there is a general set of mind, that in fact, we make provision for part-time or nontraditional students.

When you are out at the other end of the system it doesn't feel that way at all. Whether you are a displaced homemaker, or a worker trying to come back to school, or a poor black, or a Hispanic worker it doesn't matter. If you are part-time or on welfare, or in a JTPA Program, or on food stamps, or with child care and involved on other kinds of those situations, when you try to get PELL money or you're trying to get financial aid money, all of those other pieces of your life are negatively affected.

I would tell you if we are serious about moving numbers over here, what we have to do is begin to break down the walls between those programs. What we have to do is allow a person to be on JTPA, maybe get a little welfare money, not loose their food stamps, hold on to their child care and still be able to go to school too. Now, that should be very attractive to you, not bureaucratically politically, because you've got big constituencies out there, but financially because there's big bucks in those programs. I think we can, not only without undoing the purpose of them, can challenge Postsecondary Education to do a different and a better job, and the job that needs to be done. We can use some of those existing resources to do it.

With that, I'll slow down and cool off and take any questions you have. It's nice to be with you.

[The prepared statement of Peter Smith follows.]

TESTIMONY OF
THE HONORABLE PETER SMITH
EXECUTIVE DIRECTOR
NATIONAL COMMISSION ON THE RESPONSIBILITIES
FOR FINANCING POSTSECONDARY EDUCATION
WASHINGTON, D.C.
BEFORE
THE SUBCOMMITTEE ON POSTSECONDARY EDUCATION
OF THE
COMMITTEE ON EDUCATION AND LABOR
U. S. HOUSE OF REPRESENTATIVES
WASHINGTON, D. C.
THURSDAY, MAY 9, 1991

PART I
FINDINGS AND ANALYSIS ON THE WORKPLACE,
COLLEGES AND FAMILIES FOR YEAR 2000

Testimony by Hon. Peter Smith
Before House Subcommittee on
Postsecondary Education
Thursday, May 9, 1991

THE WORKPLACE IN 2000 - FINDINGS

1. High school graduates will decline for the next several years and then begin a small increase late in the decade. The overall growth of the work force will be 25 million positions above the rate of replacement. SLOWEST GROWTH OF THE CENTURY.

2. 80% of 2000 workforce is on the job today. LOW TURNOVER.

3. All age cohorts in the work force will be smaller except for the 35-54 baby boom "bulge". PRODUCTIVITY UP DUE TO AGING WORKFORCE.

4. White women and minority men and women will comprise over 80% of the workforce growth. INCREASING DIVERSITY.

JOB SKILLS PROFILE IN 2000 - FINDINGS

1. Steady shift throughout the decade away from clerical/manual and towards trained "knowledge" workers. Net effect: growth in Associate Degree and Technical jobs, growth in BA and above jobs and upgrading of other jobs and sectors to BA level. INCREASING EDUCATION AND SKILL LEVELS DEMANDED.

2. Balance between BA jobs and BA holders at about 23% will be maintained. NO ECONOMIC MARKET FOR INCREASE IN BA HOLDERS.

3. Of the one in 12 workers who will be displaced in the 1990's, 1/3 won't come back and 1/3 will take jobs at lower wages. WORKER DISPLACEMENT WILL BE HIGH.

ANALYSIS

There are three conclusions that this work force and job skills information support.

First, the slow growth and changing composition of the work force reveals a big problem in filling the skill/productivity gap left in the wake of the boomer bulge. We must replace retiring workers with higher skilled workers to meet the new skill requirements.

Second, unless educational results improve in terms of both quality and student persistence up to the Associate Degree level, this will lead to a structural labor shortage as low skill replacements fail to meet the emerging higher skill demands generated by new job creation .

Finally, the projected education/skill gap cuts negatively by race and gender against the emerging labor force education profile if current persistence and completion rates hold.

NEEDED: Higher standards in high school and the first two years of college, higher completion rates, training and education opportunities through life, displaced workers programs.

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FAMILIES IN 2000 - FINDINGS

1. The basic living situation for American children is changing. By 2000, 47% of all households will be either single parent (15%) or non-family (32%); over one of four children will be born to an unmarried mother; two of three will have a working mother; and over 70% will not have lived in a continuously intact family. THE NUCLEAR FAMILY IS ONLY ONE OF SEVERAL HOUSEHOLD MODELS.

2. The structure of poverty is changing; children living in female-headed households are at the greatest risk of being poor of any group. CHILDREN ARE THE POOR TODAY.

3. Continued income stagnation in middle and lower income families will increase their perceived and real inability to afford higher education. Families and students currently fund between 25 and 30% of the cost of college. Over 80% of all students would need some form of financial aid to attend if we continue to use current assumptions about ability to pay. MIDDLE INCOME PEOPLE ARE LOSING PURCHASING POWER.

4. If current trends continue, the gap between earnings for high school graduates and college graduates will continue to increase.

5. There is a direct and ascending relationship between income and educational perseverance and between educational level and income earned.

ANALYSIS

1. Over the last thirty years, the poverty cluster has shifted from the elderly to single parent families with children. Although there is still an enormous amount of fear and anxiety about the financial consequences of aging, the existing combination of social security benefits, pensions, assets, and earnings have lifted the elderly collectively out of poverty and put children in their place. The single greatest reason for this is the inability of single parent families to juggle economic and family considerations successfully.

2. As two-worker couples evolved, wages stagnated because of the tremendous growth in the work force, but standards of living continued to increase because more money was coming into the household. Middle class families are feeling the pinch because over time income levels began to stagnate, leading to a decline in purchasing power. If wages continue to stagnate, college affordability will become an increasingly big problem for middle income families.

3. There is a vicious circle in which educational failure drives lower family income; in which there is a growing gap between the earning capacity of people with a high school or a college degree; in which increasing numbers of poor Americans are going to be coming into our schools and the work force; and in which new jobs are going to require higher skill levels.

NEEDED:

A national policy which addresses the growing need of middle income families for financial relief; of poor families for financial support for children; of elementary and secondary students for higher standards and better results; and of postsecondary education for work force/workplace and lifelong learning programs for adults.

COLLEGES IN 2000 - FINDINGS

If current trends continue:

1. Traditional enrollments will drop by one million. Any growth will be driven by increased enrollments of women, minorities, and people over thirty five. Note: demographically driven projections are historically less optimistic than actual enrollments. ENROLLMENTS PROJECTED LEVEL OR SLIGHTLY HIGHER.

2. College expenses will take a higher percentage of family income for both private (currently 21%) and public (currently 5%) colleges. COSTS TO FAMILIES AND STUDENTS WILL INCREASE.

3. There will be a constant dollar increase per FTE in college costs and the proportionate shares taken by competing expenditures and income sources will not have changed. EXPENDITURE PATTERNS ARE NOT PROJECTED TO CHANGE.

4. Financial aid will grow faster than inflation, but not as fast as tuition and fees. FINANCIAL AID ASSISTANCE WILL DECLINE RELATIVE TO THE NEED.

5. Enrollment will continue to be GNP sensitive. THE ECONOMY WILL AFFECT ENROLLMENTS.

ANALYSIS

The scenario for 2000 is hazy because tuitions are sensitive to enrollments which, in turn are sensitive to the demography and the economy. In addition, weakened state economies may well weaken state support for scholarships and public institutions. Colleges,

because they are mature institutions, have nowhere to hide when it comes to saving money. Unless there are significant changes, there will be increasing pressure to shift costs to students through tuition increases during the decade. The only sure way around this eventuality is program and cost cutting at the institutional level and increased enrollments to spread the remaining costs across a broader student base.

NEEDS

Incentives, models, and "software" to pull colleges towards new orientales, different service delivery patterns, and resource reallocation strategies. Targeting of national resources and policy incentives to reinforce higher standards, better results, and encourage new and non-traditional enrollments.

PART II
DISCUSSION OF THE CONSEQUENCES OF
DEMOGRAPHIC INFORMATION
AND ECONOMIC CHANGES
FOR POSTSECONDARY EDUCATION

Testimony by Hon. Peter Smith
Before House Subcommittee on
Postsecondary Education
Thursday, May 9, 1991

I. THE FORCES AT WORK

Much has been written about the dramatic changes in American demography, the information revolution, and the emergence of a global economy. Taken singly, each of these changes is having a significant impact on American society, our policies, and our institutions. It is the collective impact of these three forces, however, that needs greater recognition and understanding. Taken together they are transforming the world around our social and educational institutions, changing the context within which those institutions operate. When the surrounding world changes marginally, institutions can adapt by altering programs in response to the changes. But when it changes radically, institutions must recast their services and reorganize their resources to serve the changed reality. That is the challenge faced by much of American postsecondary education today.

The dynamic impact of these three forces on our educational and social institutions, the work place, and the family is triggering a need for extraordinary change in the structure and content of educational and social services. Policy makers and administrators must move beyond merely recognizing of these forces to assessing their collective impact if they hope to make the necessary statutory, policy, and regulatory changes.

Let's review the bidding.

DEMOGRAPHY: AN END TO SKIMMING AND CHURNING

The face of America is changing. We are getting steadily older and more ethnically diverse. Projections show that while by the year 2000 the overall labor force will have increased, only the baby-boomers (35-54-year-olds) will have increased their share of the total labor force.(1) Equally significant, by the year 2000 three out of every five new workers will be non-Anglo and 50 percent will be either Hispanic or black.(2) Both trends have enormous significance for social, educational, and economic policy.

As America ages, our professional and skill bases age also. In real terms, this means that over 80 percent of the work force projected for the year 2000 is already on the job. Employers simply cannot continue their traditional workplace practices and remain competitive in the twenty-first century. In the past, when the work force was largely male and geographically stable, employers could take a different view. There were more people entering the work force than were needed which allowed for skimming the more talented people for top positions and letting the rest find their own employment level. With secretarial and other lower level jobs, it was cheaper and easier to deal with high levels of attrition than to train and retain young workers for the longer term. These practices--skimming for highly skilled labor and churning for the lower skill levels--were tolerable in an environment where the

skills of the father were similar to the skills needed by the son and where there was a ready supply of new labor every year.

But the times are changing, with a highly mobile skilled work force, increasingly complex skill demands and sophisticated work organizations, and workers who may pursue eight or more different jobs or occupations during their work life. In this context, the aging of America, when combined with the diversification of the work force, has serious implications for both our educational system and our ability to retrain and retool the work force.

Because of this changing demography, we need not only do a better job, but a different job for our children. Amidst a rate of change that mocks our traditional notion of preparing children for the work force of the future, our demography as a nation and the background of young people entering kindergarten are changing radically. An increasing percentage of the youth who will make up our work force in the year 2000 have not prospered in our social services and our schools: the rural poor and ethnic minorities. When combined with the aging of the work force, this demographic diversity brings us to a unique moment in our history. More than ever before, a failure to educate all of our children well will affect our social, civic, and economic capacity in the years ahead.

These demographic shocks are creating severe new pressures on families to raise children well, on social services to succeed with families and children, on schools and colleges to do a far better job, and on employers to completely rethink their human resource development and retraining strategies.

But the demographic changes have a financial side as well. The assumption that there will be a steadily increasing number of young workers financing the services and structures of government is outdated. As the ratio of service beneficiaries and recipients to taxpayers narrows, we must find new ways to fund and structure critical government programs. If we fail to educate a productive twenty-first century work force and citizenry, our tax revenues will decline while the need for social services will increase. But even if we succeed, we face an unavoidable choice between underfunding government programs and rethinking, restructuring, and improving them.

Despite dramatic improvements in some areas, the facts remain that the poor and ethnic minority populations' chances for success in our society are severely compromised. We must succeed with all children, not only because it is humanely right, but also because it is economically and socially necessary. Without a human resource policy that maximizes every person's capacity, we will not be able to support the structure of government services we have built over the last 50 years, nor will we be able to continue our leadership in the international economic arena.

If we fail to respond appropriately and effectively to these trends, these trends pose a long term threat to the economic and social viability of American democracy. Our constitutional guarantees of rights and the separation of power between the branches of government are the skeletal structure of democracy. But our lifblood, our heart and soul, is the promise of opportunity, the

conviction that life can be improved. When that dream dies for an individual, his or her future is imperiled. When it dies for an increasing number of our citizens, not only is the promise of democracy corroded, but the institution itself is threatened.

THE GLOBAL ECONOMY: THE KNOWLEDGE/WAGE CYCLE AND PRODUCTIVITY

Taken alone, the challenge posed by the diversification of our society translates to a long and compelling agenda of work that must be accomplished. ~~But the picture is further complicated by the emergence of a global economy that is simultaneously changing the rules for education and escalating the consequences of failure.~~ Now, suddenly, doing as well as our parents did is not enough. We have to provide a different and a better education for all of our learners than we have historically for our "best and our brightest". (3) The challenge has become to do better than ever with children whom we have failed in the past.

There is a long history of jobs chasing low wages in America. One has only to remember the woolen mills in New England. In less than 150 years, they evolved from prized innovations in industrial technique that drew on a ready work force of women and children to decaying hulks of empty buildings. As the knowledge was created, it could be exported, done cheaper elsewhere where costs weren't so high. The job loss in the early part of this century was regional,

within our borders. Now, thanks to the information revolution, the job loss is international to third and fourth world countries where people work for a fraction of the wages demanded in America.

As the cycle has gone international, it has also gained a new dimension - productivity. Low wages are no longer the sole key to competitiveness in the global economy. A knowledge/wage cycle that used to take 100 years now has been reduced to just a few years. Consequently, the keys to competitiveness no longer revolve simply around the cost of goods and wages. Now they include competence, information, and productivity as well. As Marshall and Brock pointed out in "America's Choice", the high performance workplace will drastically reduce the time between knowledge creation and implementation, totally changing the equation for success and the definition of competitiveness.

As a result, our schools are being pressured to become high-performance learning sites. A dramatically better education will be necessary for our future economic and social success. First, we need to redefine the basics; just what it is that we expect every young person to know by the time they leave high school, or the tenth grade. In short, they've got to know more, a lot more.

Next we need to do a far better job at educating for the highly technical jobs of the future. Schools must bring students to a far higher level of technical competence before graduation. And schools and employers must create and manage effective school-to-work transition programs that include explicit connections between the knowledge that students acquire and the tasks they are

assigned in the private sector. Finally, there needs to be a lifelong version of "school-to-work transition" through which members of the work force are continually reeducated and upgraded throughout their lives.

The global economy has changed the rules, and education lies at the core of the new rules. A redefinition of the basics, higher and better technical skills for all learners, the ability to learn throughout life, and an ongoing school-to-work transition program are critical elements if Americans are going to prosper under the new rules.

Against these imperatives we place our current record and our evolving population and student body. Just as the demand for skills is increasing, we are faced with increasing populations of young people with whom we have not been successful historically. In addition, we are facing declines in our historically successful school and worker populations. If we fail to succeed with our diversifying student body and workforce, America faces the prospect of losing jobs to other countries--not because of low wages, but because we've been out-educated, out-thought, and out-competed.

The consequences of failure in these sweepstakes is the national security issue of the twenty-first century.

THE INFORMATION REVOLUTION: SPREADING THE POWER

Demographic trends are changing the face of America and the global economy is changing the rules for economic success and the consequences for educational failure, but the information revolution is the catalytic agent for change in our society. Too often we think of the information revolution in terms of the hardware and technical innovations that it has created. This is the "stuff", the new things we can do, interactive telecommunications, high speed computers, genetic engineering, and user-friendly software that lets people bank without seeing a teller, or a bank for that matter.

But the information revolution is as much about changing the expectations and attitudes of people as it is about changing their capacity. This revolution in expectations, while subtler and harder to pinpoint, is equally if not more significant than the hardware that created it. We are in the midst of a dynamic equation of change in which knowledge creation is generating new expectations and those new expectations are, in turn, driving institutional change of a very high order.

As America rushes from an information-poor society to an ever more information-rich society, we must understand the inexorable pressure that abundant information is placing on people and institutions to behave differently. Information, in this case, is data, services, techniques, news, and applications. Institutions historically have been the translators of information to the larger

society, taking what is scarce, organizing it, and making it available to a larger public. In an information-poor society, the institution stands between the consumer and the knowledge. But in the rising tide of abundant information, previously scarce resources become common. And the role of institutions is redefined, sometimes in degree, sometimes in totality.

Abundant information has a powerful and inherently decentralizing effect on both the power and the structure of institutions and organizations in a democracy. More people know more and can do more than ever before. The role of institutions changes as they search for the new "scarce" commodity. And people become frustrated with forms of institutionalized power that they perceive is no longer serving them appropriately or well. In the law, health, and education fields - just to name a few - the expectations of the clients are changing in fundamental ways.

Paralegals conduct research and people mediate rather than litigate their divorces in an increasing numbers of cases. Most learners are not under 22 and they do not complete college in two or four years. They are lifelong learners. And the wellness movement is growing as people spend more time and energy on the keys to staying healthy, radically challenging the view of medicine as the profession of illness.

Abundant information means major change for domestic human resource development policy in general and for postsecondary education institutions' structure and policy in particular. The increased capacity and changed expectations are creating pressure

for new roles. In the years ahead, institutions of higher education will not only provide services, they also will broker and evaluate new services and the resources of other institutions. And new institutions--proprietary, non-profit, and publicly--will continue to be created to fill any void left by those institutions that are unwilling to change.

Perhaps most importantly, learners, parents, and policy makers are going to insist on a clearer sense of what they are getting for their education. People will be more concerned with the quality, value added, and results of education and less concerned with where it happens, when it happens, or with whom. These pressures will be compounded as colleges are pressed to succeed with the dramatically increasing numbers of "new" students--racial and ethnic minorities, older men and women, and learners in the work force.

The information revolution is transforming our capacity to educate at the same time that it is radically altering the public's expectations of what and for whom an education should be. But to get the full picture of the mounting pressures, we must also consider the demographic and economic changes in concert with the information revolution. These three forces interacting in contemporary America directly challenge our current human resource policy and service delivery structure.

II. THE DISCONNECT: LACK OF FIT

We have all seen the picture of two children with their noses pressed against a candy case. Boxes of candy and gum lie inches from them. But the sign says, "five cents" and they only have a penny each. Or, we've seen the image of the lonely person at Christmas time, looking from the street into a brightly lit room filled with comfort and friendship where a family is gathered around the fire.

In these images, the thin pane of glass in the window separates two worlds, leaving the people on the outside looking in at the objects they desire, so near yet so far away. This is the problem for many Americans today, separated from opportunity at work and in college because there is no human resource development policy which helps them bridge those worlds. We can't afford to let it continue.

Colleges and universities need to ask themselves how they are going to respond to the new learners and their situations. Let's meet a couple of them.

BETTY HILL

Betty shares a background that is similar to many Americans. She never considered college seriously. Instead she married shortly after high school and raised a family. Through the years, Betty gained some experience as a file clerk and a typist, as a farmer,

and through organizing her community's library. But when her husband suffered a serious injury that left him bedridden, Betty had to think seriously about going back to work.

We were kind of coasting along without too many waves when my husband had a bad accident that put him in the hospital for almost seven weeks. He broke his hip falling off a horse.

We had always assumed that at some point I would go back to work. But we didn't know quite when and I didn't know quite what. I didn't know what I wanted to do, but I knew that I didn't want to work in a library system because the openings were few and far between and the pay was low. And I didn't want to go back into the business world. That was fine and it filled the gap when I needed it, but it wasn't something I needed to do any more. I was tired of being paid to do someone else's thinking.

I've got a lot of strikes against me. Probably a lot of those jobs that I go in to talk to people about will be occurring when I am forty and beyond. I'm thirty-six right now. I have to have an education behind me so that no one can question me when I come in and say, "I can do this."

I like the ads I'm seeing right now that are aimed at older women that say, "You can do this, you can do that. You raised a family all of those years. Now go out and put your talents to work." So many times people feel that life is over when it should be just beginning. They have so much more that they can do. But they are not, on a broad basis, told this. What a waste.

BOB DePRATO

After years of struggling, first in high school ("I was a loser, a high school dropout."), then in the army, and finally as a member of the Jersey City police force, Bob DePrato found satisfaction working as a fireman. But after several years on the force, including a promotion to Lieutenant, Bob hit the education wall. Without a college degree, he was at a dead-end in his job no

matter how good he was at it.

When you're programmed to be a loser for seventeen years, you don't stop being a loser just because someone says you're not a loser. It doesn't work that way. It doesn't happen that way. You think about it and you say, "Hey, maybe he's right. I hope he's right" but you just don't know what to do.

What happens is that at some point someone identifies that you have untapped skills and no one knows a better way to develop them than school. You never heard anybody grab anybody and talk to him like a Dutch uncle. Put their arm around him and say, "Listen kid, you've got what it takes, you ought to take a correspondence course." Nobody says you should go to the library and get a book - people just don't say it.

What they do say is that college will get you ahead. Like my boss told me, "You need this. It's the only way out. You're going to be wasted if you don't get this. You have to have it." He's telling me that they're not going to let me in without it. I don't care how bright you are, you don't get into the club unless you wear the ring. Out of all the all-stars, about 99% are going to wear the ring.

So I finally dragged myself over to the Community College and took two courses. I was scared to death. I had been at war, in police riots, and a firefighter and that was all right. But now I'm going to this college and I'm scared to death. I literally had stomach cramps - got physically sick. I really don't know why I was scared. I had no idea...no reason...it had nothing to do with anything...there was no consequence to pay...I could have gone there, flunked out, and nothing would have happened. I still would have been a Lieutenant in the Fire Department. As it turned out I did fine. But when I went through the door, I was dying.

Al and Betty are the face of the problem confronting American society and our institutions of postsecondary education. If learners are going to "get their hands on the candy" we have to break the pane of glass that separates people from educational

opportunity and accomplishment. America needs a new human resource development policy, which harnesses the forces of change, strengthens families, restructures government services, and focuses postsecondary education policies and energy on the problems of diversity, assessment, work force/work place education.

There is a crisis of confidence in American postsecondary education. Mark Twain once said, "If you're going to get run out of town, get in front and make it look like a parade." While this may have been a good strategy for survival in 19th century America, it is not much solace for America's beleaguered colleges and universities in the turbulent 1990s. Increasingly, political leaders and parents want to know what they're getting for their money. Colleges are accused of being wasteful and inefficient and of delivering a product of questionable quality. Faced with skeptical politicians, urgent needs from new constituencies, calls for higher standards, tight budgets, and a changing world, American postsecondary education is on the defensive.

Evidence suggests there is stress and strain all along the interface of postsecondary education with the new populations and missions which it has accepted over the last 30 years. The perceived and actual "fit" between parts of postsecondary education and their several publics has become awkward at best and dysfunctional at worst. Issues such as diversity, persistence, quality, cost, and affordability are symptomatic of the dysfunction. Questions about the budget from legislators, the growing debate over standards and measurement, and the cries for

more responsiveness and greater productivity are neither random events nor pernicious attacks on higher education. They are symptoms of the worsening fit between higher educational institutions and society, spawned by the phenomenon of change in the surrounding environment.

Recently, a group of postsecondary education leaders held two meetings at the Aspen Institute and the Brookings Institution to discuss the apparent growing dissatisfaction with postsecondary education voiced by business and political leaders, social advocates, and parents. The discussions identified a widening gap-- a "disconnect" or "lack of fit"--between many in postsecondary education on the one hand and their several constituencies on the other. Participants discussed a variety of causes ranging from a recurring lack of confidence on the part of budget-pressed legislators to the need for new language and new policies to respond to an emerging set of imperatives for much of postsecondary education.

History reminds us that this has happened before. Some examples of America's response to earlier "disconnects" include the Morrill Act, the G.I. Bill, the meteoric rise of community colleges, and the creation of a federal financial aid policy. Each of these milestones in the history of American postsecondary education was more than a political event or a cultural phenomenon. Indeed, each was a response to a significant perceived societal imperative. But at the same time, each was also a small part of a much larger, long-term change in our society and our economy from

a manual skills base to a knowledge base.

Senator Morrill knew that the growing problems of rural America could be solved only through a partnership between new students and a special kind of university. The participation base of higher education had to be expanded. The Morrill Act, built on the Jeffersonian commitment to the value of education in a democratic society, was the first of a series of expansions in that participation base as the Industrial Age matured and the society moved toward the Information Age. This expansion, which was followed by many others, began to pull higher education away from its sole focus on academic education to a broader focus that included skills development, professional training, and other economic interventions; a sea change in institutional aspiration and purpose.

And now it's happening again. Again we have a growing "disconnect" between the practices of some institutions and the emerging needs of the society. Criticisms of higher education are increasing and new alternatives--proprietary schools and in-house corporate training--are booming. The world around our colleges and universities is changing and with those changes come new aspirations and expectations in the community surrounding postsecondary education, as well as a whole new set of problems and opportunities for our institutions.

Too many educational leaders dismiss these criticisms and developments, attributing them to the budget problems of states, the alleged latent "know-nothingism" of legislators, or to a

reaction to the rising costs of education. But this kind of explanation implies that the problem is one of perception and situation with postsecondary education playing the role of handy victim in a time of stress.

Instead, the criticisms are symptoms of the frustration of a society that believes more deeply than ever in the efficacy of postsecondary education but senses that some parts of it are not working as well or as appropriately as they should. The growing clamor for cost controls, higher quality, more measurable results, better teaching, and more success with a diversifying population is the inevitable "shakeout" that comes when, after decades of advocacy and expense for greater access, the customers want to know what they are getting for their money.

The 1990s will not simply be "leaner and meaner" times for postsecondary education; they will be times of dramatic and painful change for many institutions as programs retrench and expectations change. We have moved from elitism to pluralism, from the classroom to the field, and from the lecture hall to multimedia center. We are caught in a sea of change. And, in the process, the accepted definitions of the relevance of postsecondary education are changing also. Postsecondary education is faced with new and multiple expectations from the communities, the constituencies, and the society it serves.

The profile of the current college-student population reported by the Department of Education's 1990 enrollment report offers clear evidence of the continuing trend toward part-time and lower-

division learners. Of the nearly 14 million students enrolled in September 1990, the two most rapidly growing student sectors are part-time learners and students in two-year programs. In addition, the number of students over the age 24 is approaching 50 percent of all learners.

These developments are quietly shaking the foundations of our institutions. And, despite our best intentions, the evidence indicates that we aren't doing very well at meeting the needs of our evolving student body. We lose far too many students and we lose them for the wrong reasons. Of the approximately 80 percent of our young people who graduate from high school, fewer than 30 percent receive a baccalaureate degree and/or continue on to graduate school. Despite significant improvements at the community and technical college level, many students either never go to college or leave without obtaining either a degree or a certificate. This is not a record designed to win either the students' or the public's confidence.

As Thomas Mortenson's research for American College Testing found, "there is a very large, pervasive, persistent, and growing" disparity in educational attainment based on the family income background of the learner. The data show that over the last 20 years, we have not improved our record with poor children. The failure begins in high school where there is still a 30 percent gap between the graduation rate of the poorest quartile of students and that of the wealthiest. And the gap in participation rates continues at the college level, where it has stayed steady at about

32 percent between the poorest and wealthiest quartiles. Regrettably, the same trends persist through the attainment of the baccalaureate degree.

By the numbers, children and adults from poor families still have a far more difficult time accessing and then succeeding in our institutions. Until this record changes, political trouble for colleges and universities will continue. Furthermore, when played against the backdrop of our changing demography and work force needs, this record, if continued, spells disaster for our country.

Similar concerns exist for lifelong learners who are returning to postsecondary education after years in the work force or at home raising families. Too often, these adults find college environments more suited for 18-year-olds, environments that are "unfriendly" to lifelong and nontraditional learners, both in terms of the support they offer and in terms of the accommodations they make to meet the particular needs of older learners.

These forces may well wreak havoc with existing institutional structures and politics, organizational cultures, and institutional relationships. They are tugging and pulling at established practices at many institutions, creating riptides of anger, confusion, and alienation within and among them. As higher education responds to changes, we need to develop a common language, create better incentives for excellent teaching, and establish new standards for assessing learning, the quality of teaching, and institutional performance.

Two models, the major research university and the small select liberal arts college, dominate the expectations of postsecondary education's constituencies. Neither of these models, however, fits the needs of most new learners, nor do they respond to the new demands being placed on instruction, assessment of learning, and definitions of institutional success. Although they educate a small minority of American students today, their language, tradition, and example continue to dominate both the culture and the debate in higher education.

The vast majority of American postsecondary students attend community, junior, and technical colleges; state colleges and regional state universities; proprietary schools and some private colleges; or private sector education and training. Many of these learners are likely to be older, part-time, working students.

The constituencies of our institutions, as well as the institutions themselves, need models of quality and success that are appropriate to the new mission. We need new language to describe diverse educational systems. We need to celebrate the value added when a program transforms a high school dropout into a skilled technician, or a welfare mother into a physical therapist. And we need to make room for new policies and new techniques that will radically change what we can teach, where we can teach, and how we can determine what was learned.

The current system, awash in a sea of change, still determines value the old fashioned way, through the lens of tradition and perceived prestige. But if the broad spectrum of postsecondary

education is going to be as successful as America needs it to be, it must create its own status and reward its own excellence.

CONCLUSION

Significant policy issues are shaping the criticism that postsecondary education is receiving today. Our publics are uncomfortable with us. And, looking at it from their point of view, they've got some good reasons. If we want to turn the vigilante atmosphere into a parade, then we must lead, holding on to what works, understanding and speaking to the needs of our new learners, and describing our quality in ways that connect powerfully and directly with the expanding diversity that is America.

Chairman FORD. Congressman Goodling.

Mr. GOODLING. I only had one question. On the chart, I found it interesting in the \$15,000 to \$24,000 bracket, black non-Hispanic are out-pacing all others. Is there an explanation for that?

Mr. SMITH. No. Actually I didn't give an explanation for that but I suggested that given the fact that this is a sample, it's not absolutely clear that that's a real difference. It may be exactly the same and may be marginally low. I think the significant thing that you are suggesting there, though, is there isn't necessarily a difference between the black rate and the Hispanic rate and the white rate. Actually, there is a difference for the Hispanic rate at that point. The black and white rate at that juncture, we can't say with confidence, are in fact different.

Mr. GOODLING. Well, I was pleased to see it, I just wondered whether there was some reason for it.

Mr. SMITH. Not that can come out of these data, although—

Mr. HAUPTMAN. Well, I was just going to say. The one thing you miss in this is when you control for ability, for example, what kinds of differences in race, there will be different composition of ability levels and so different participation based on that, which won't show up when you're doing it on a single variable. It is only limited data available. However, to do that kind of dual variable control, of both income and ability. Objectively what you want to do, is say, what is the difference in rate between two people who are of the same ability level within an income bracket or between income brackets.

Mr. GOODLING. Would it be correct, perhaps, to say that there were more black non-Hispanic high school graduates in that income range than white or Hispanic.

Mr. HAUPTMAN. There might be, I mean that's what you want to find out before you jump to too many conclusions on the basis of this, I would say.

Mr. STEDMAN. Right, and part of this, these are rates at which, and in this case, this figure is for, as broadly as I could define them, the 18- to 24-year-olds, not just high school graduates. The point here is it is the participation rate, so if there is changes in the underlying number of individuals, who might be high school graduates, who are born black.

The actual numbers might be changing, in terms of enrollment to college, although the participation rate could be staying the same. So that this is really just the first glance. One needs to take a look at how income has been distributed across these bands and how many students are in each of these bands and one should pursue the analysis in that direction. When we looked at enrollment across a period of about 1976 to 1988, what we found was that there was some growth in black enrollment in general, but there was substantially larger, in percentage terms, growth in Hispanic enrollment.

Well, coupled here with relatively low Hispanic enrollment rates, you begin to raise some questions. It's partly a function of the fact that the Hispanic population is rising so rapidly, that even if you hold the participation rates the same, there that many more students going into our higher education institutions.

Mr. GOODLING. One other question, with respect to reauthorizing Higher Education, what are you telling us we should be thinking about with that chart?

Mr. STEDMAN. Well there are a couple of places where I think this suggests you shouldn't think that the Higher Education act is only student aid. This does suggest that income is powerfully associated with enrollment. It also suggests, as I mentioned, for the Hispanics, you have to think about high school completion, as well.

That seems to be the hurdle, if you can get over that. So that looking at the Higher Education Act as a multi faceted approach to the pipeline, other than simply student aid, you begin to look at the trio programs. For example, where the teacher programs in Title V actually do reach down lower into the pipeline and maybe influencing the high school graduation rate, which in turn will feed college enrollment as well. I think that's one of the messages that comes out of these.

Mr. GOODLING. Thank you very much, Mr. Chairman.

Mr. REED. Thank you, Mr. Chairman. This is a question to the panel, sort of like college bowl, a toss up, if they refuse, they can field the question. You have been talking essentially about making college affordable, a question that has occurred to me is; to the extent that college is relying on tuition it is rather obvious we have to provide more resources to assist students, but have you given any consideration to the other Federal assistance that we give to colleges in terms of research grants?

In terms of that type of spending, and to what extent that would help make college much more affordable, if we could increase the Federal role in providing research and those types of grants that go to the institution directly to subsidize their programs?

Mr. STEDMAN. I have not addressed those. Research and development in fact do end up supporting graduate students as they work on those projects. There is a linkage. I haven't explored it specifically, though.

Mr. HAUPTMAN. If I might, one of the ironies in what's now going on, on the indirect cost issue, is if you do cut payments that's one less, somewhat less, revenue that theoretically might lead to higher tuitions as a consequence. But, there has probably been too much connection between the research enterprise and the tuitions which are charged to undergraduates. Most specifically, it does seem that at research universities some tuition that an undergraduate is paying, is being used to subsidize the graduate fellowship that a graduate student is receiving. I think that's not been a terribly healthy development, so, I'd be kind of reluctant to start arguing that we should change the research function in order to help out undergraduate.

The fact of the matter is that if you put out X-million dollars in fellowships or research assistantships, that would be that much less money that a research institution would need to find from tuitions or some other source, in order to attract students.

Mr. SMITH. I would just tell you that if you really looking to help tuitions, I'd look at the other end, I'd go where all the people are. Because if you look at the 1970's, where student body increased dramatically, costs went up but tuition increase, I believe, less rapidly, because you had more people to spread it over.

Then in the 1980s you hit exactly the inverse of that, you hit a growth curve in terms of cost, we ran out of students and bang, the tuitions went up.

Now the question, if you look at where the national security and the human need lies and you're talking about scarce resources, we give about half to research, don't we, Art? It's about a fifty-fifty deal, so I think that's fine, you ought to maintain it. If you really want to kill as many birds with one stone, you've got to get the partnership with the high schools, you've got to get kids coming or people coming back out of the workforce, coming back in. I think freshman and sophomore year level, however old they are, doesn't matter to me, and they have to be ready to do the work that is there and needs to be done in college to qualify them for the workforce or for continuing study.

The more qualified people you can bring in, and I think private institutions, pay more attention to this in some regards, than public, and keep them there, help them persist, not just to survive, but to prosper, in that academic or training setting. Then you will more to keep tuitions down and get more mileage out of your money, because you've got more people in the system, and you're doing the right thing for the society.

Mr. REED. So in effect you're advocating that there is a positive social goal to get as many people into the school, not only for their own education, but for spreading the cost, lowering tuition, and in effect providing more opportunity.

Mr. SMITH. It's a consequence. I'm not sure I would have put it that way, but it's one of the consequences of it and we got to do the front end and if it happens to help at the back end, alleluia.

Mr. REED. Thank you. Thank you Mr. Chairman.

Chairman FORD. Mrs. Roukema.

Mrs. ROUKEMA. Thank you Mr. Chairman. I sensed that Dr. Hauptman looked at me when he talked about cost containment, I don't know what I said that prompted that. It is, however, a question that Mr. Goodling, that all of us on the Committee, and particularly, on our side are confronted with. I don't think there is an act analogy to medical cost containment movement. We won't go into that. That will be another lecture and I lectured the Secretary of Education long enough yesterday, so I'm not going to lecture you today. I'm going to limit myself to a question.

Mr. HAUPTMAN. No. I said there wasn't an apt analogy.

Mrs. ROUKEMA. No. I know you did. I didn't want anybody to think that I thought there was. I was just absolving myself of any culpability here. The question I have is really directed to Dr. Hauptman, but of course, particularly, Mr. Smith, if he has a perspective from his organizations view point, I would like him to add it. It's a question I had as you were talking, It's one that comes to mind, in many conversations that I've had, particularly in people, some people, in the Administration, but then you added your comments about cost-push.

I'm going to ask the two questions and they may be different aspects of the same issue. How do you respond to the assertions of some people, that loans and grants are really fueling the tuition hikes? In other words there is some, and I don't know how to respond to them, who feel that because we're paying and supplement-

ing and subsidizing the costs through loans and grants, we're really fueling the spiral of inflation? Now, that's one question.

The related one is your comments concerning cost-push, because I didn't quite understand exactly what you were saying, I think we need a little bit more in depth understanding of it. Because I think if true, it's rather a profounding point that we should come away from this hearing with. Are they, in fact, two sides of the same question, or are they different questions, Dr. Hauptman?

Mr. HAUPTMAN. I just wanted to put a tag on. I'm not a Doctor, I know it says that, but I'm not. Let me treat them separately if I might. If you look on page nine, I address the first question you ask, which was the connection between availability of aid and tuitions and basically the answer is; No there's not very much of a connection between Federal student aid increases and tuition increases.

One reason that I say that is because that when you look at the data, the Federal Student Aid went up the fastest when the tuitions increased the least. So that just on a pure statistical observation basis, it does not appear to be the case. Then it's worth looking at how do the programs work and try to figure out why would it be the case that there is or is not a connection.

There's two parts about the way the programs worked that I would suggest, that there is not a strong suggestion. One is, not everybody gets Federal Student Aid, and so if half your students receive Federal aid, that means every time you raise your tuition, the other half are still out of pocket that much additional. This goes back to the fact of the inaptness of the analogy of the health care, third party payments do not represent as much a share of higher education revenues as they do in the health care industry. So there's not the same kind of insulation of the consumer from price increases, at least directly, if they feel that if on day one, as there is in the health care industry.

The last point in that paragraph is probably the most important. You really need to look at the Federal programs and see whether or not they are structured in a way that would lead to that connection. If you look at Pell Grant, for example, for two thirds or more of Pell Grant recipients, every increase in tuition or public charges that they have will not result in additional nickel in the Pell Grant Program, because of the way the formula works.

The one area where there's the potential for a connection between the two is in the student loan area because that is a need based program and so there is a potential for linkage. The thing that prevents it from happening, is that the maximum loan amount is such that for many of the students that are attending those institutions, again, when the tuition goes up, their loan eligibility doesn't increase, because they're already at the maximum. You would have to increase the maximum loan somewhat in accordance with changes in cost in order for there to be a connection.

As I mentioned in my testimony, there is one sector where I do think there is a connection, that's in the proprietor sector. I think that should lead to some consideration of the coupling, I also think it might be worth the while to decouple, regardless of whether there's an initial linkage to establish a principle that the programs will not increase in eligibility when tuitions go up. I think from the

public's point of view that would be some comfort. It might have some good affect. If anybody else wanted to comment on that, then I would go to your second point.

Mr. SMITH. Just briefly. I think that if you can figure out how to do the decoupling, it's something that is worth thinking about. If you keep going the way you're going and current trends continue, 8 out of 10 students in the year 2000 are going to need financial aid, they're going to be eligible for it. Whether it's there for them or not. I think you've got to create a situation, as difficult as it is going to be for some institutions, where they have to figure out how to evolve and change and develop new policies and new structures and be in a market place not only of ideas but also of new kinds of aspirations and expectations.

I think that notion may encourage it. Maybe there's another way to do it. I see one of the things we're headed for in this country, is a real distinction in the future between the prestige of an institution, because the research shows we still pay for prestige, as opposed to the quality of the work it does, in terms of the value that it adds to a person's life through knowledge and skills. Eighty-five percent of what we do maybe now is really professional and skill oriented. It is not academic. That's not either good or bad, that's just the way it is.

Somehow we've got to continually be encouraging and enhancing consumers to put their money where they're going to get the greatest value. We've got to be able to recognize that and reward it. If in fact we're going to get the best impact, not only for the Federal and State, but in terms of individuals whose lives we want to change and enrich.

I think it's a dangerous question, but one you ought to think about.

Mrs. ROUKEMA. Now the cost-push could you elaborate.

Mr. HAUPTMAN. Sure. There's also an issue of Federal Student Aid and how it relates to the institutional aid that's provided by institutions themselves. The evidence there suggests that it's really the decreases in Federal aid that lead to increases in tuition because, especially, in the private sector, the private institutions are going to try to make up for restrictions in Federal aid for these students, and I guesstimate that in the past, somewhere between 1 and 2 percent of the 10 percent increase per year in the private sector institutions, in the 1980s was attributable to the aid institutions provide their own students from tuitions or endowments or whatever revenues they get.

So when you start pushing down on the Federal aid that creates the pressures that increase your tuitions eventually. There is a further discussion about that in the testimony. In terms of the cost-push demand polls. Let me give you two examples by way of trying to make my point. One, is in the public sector it really is pretty clear that the basic determination of what happens to tuitions is how much the State is providing. Your faculties could be demanding 10 percent faculty increases and your employees could be going out on strike and whatever else, in terms of cost-push, but if you don't have the money, either from tuitions or in the case of public institutions from the State, you are not going to pay those kinds of increases.

The pattern of public sector increases is very clear. When the State funds aren't there, that's when the tuition increases come down. And that's the basic reason why I think faculty salaries, this year, did not go up as fast as inflation for the first time in a decade, because the State money wasn't there.

That was one way of trying to demonstrate the point. It's actually both ways because if it was a cost-push situation, and I'm overstating the case somewhat from what the evidence is, but for trying to make the point. If it were a cost-push point, you would have still expected the cost and the tuitions, for example the faculty salaries to have gone up this year if, I mean there's nothing different about their needs this year versus last year, so why didn't they go up as fast as inflation. The money wasn't there. That's why I come to that conclusion.

Mrs. ROUKEMA. Thank you.

Thank you, Mr. Chairman.

Chairman FORD. Ms. Molinari.

Ms. MOLINARI. Thank you, Mr. Chairman.

I have nothing to say relative to today's topic, but I would like to take advantage of this opportunity to personally congratulate our former colleague, Pete Smith, because yesterday's victory on the Brady Bill was largely due to former members like Pete, whose courage and conviction kept that issue alive.

Peter, while you weren't there to cast that vote, that victory was yours and we all appreciate it.

Mr. GUNDERSON. Thank you, Mr. Chairman.

I've come to the conclusion that you're one of the smarter panels, in terms of finances and all that, that we're ever going to have here in front of us. I've got a question for you that we haven't been able to answer. I hope you can answer it for us. Now that I've given you the accolade the pressure's on.

Can you tell us how much money is in the system for loans, scholarships, grants, et cetera? I mean, we can look at the \$9 million on higher education we spend at the Federal level, we try to get a handle on what the States do and we absolutely can't get a handle on the amount of private scholarships and foundation money.

How do we really know how much money is available to help all those students and all those different categories and how do we find this out?

Mr. HAUPTMAN. There are data sources on that, I'm not sure that, maybe I'm missing part of your question. I mean roughly speaking there is about \$30 billion of aid available. The figures that are not very much available are the private funded operations. But every evidence that I have is that that's a relatively small share of the pie. Maybe a couple of billion dollars. I mean, we've had a tremendous shift in this country over the last 40 years, I mean, it used to be that philanthropy was the major source of aid. As the Federal Government came into the game more, and as the State governments came in some, that role did not shrivel up, it just never grew as fast what we're doing on the Federal side.

As a percentage of the total, when maybe, 90 or 95 percent of all aid, before the GI bill to 5 percent today. Basically speaking there is about \$30 billion of aid available. The total cost of attendance, if

you add all the students, you took their tuitions and their whatever would be somewhere in the neighborhood, including their room and board charges, and some regional amount for expenses, would be somewhere in the neighborhood of \$100 billion. So essentially, student aid is picking up about 30 percent of the total bill, if you will, for college.

Now the thing that ignores is the \$40 billion of State aid that's being provided to reduce the tuition levels in the public sector. If you are looking at the total amount of money in the system, you would be talking close to one hundred and fifty to \$140 billion. But if you just take the bill as given, the sticker shock that was being discussed before, roughly about 30 percent of the bill is being paid for by aid, of which roughly half is loans.

Some people would question whether or not that should be called aid, in the sense that it's repayable. Fifteen percent for loans, 15 percent for other kinds of aid, 70 percent from the parents or the students, in some form or the other, there is some concern about whether or not that proportion has changed over time. That it has moved away from the parent towards the student. One reason is that you have more independent students now, but those are the rough figures. College Board puts out a nice little publication every year on the total aid available from different sources and is generally reliable and is the basic source.

Mr. GUNDERSON. But the endowments have grown tremendously, in the 1980s.

Mr. HAUPTMAN. Yeah, I said they've nearly doubled in terms of real terms. It's a mistake to say that loans, Federal aid, has shriveled up. One of the things I mentioned, is testimony is the reason why there are reports of declines of Federal aid in real terms, is that you have the phasing out of Social Security Education benefit in the 1980s and you had the decline in usage of the G.I. Bill, and those two things, if you count that as Federal aid, you shouldn't count it, that's where you get the decline.

But if you're just looking at the Pell Grants and GSL, Pell Grants have gone up roughly about 30 percent, in real terms and GSL loan volumes, I'm not talking about the cost to the Government, but the amount of loans made have about doubled in real terms.

Mr. GUNDERSON. Peter.

Mr. SMITH. I think one of the citations that the staff could get for—my memory may be failing me, but a report was done recently for the Office of Education by Pelliman and Associates on the costs of college, and I think a lot of the information in there is pretty clear, straight forward, synthesis of a whole lot of information. I think those Natcoubo studies, just good data.

The other thing, if you're looking at that structure, you know, what's there, I would urge you to look at really what the cost of college is. Because it doesn't change the problem. Those numbers show there's a problem and we know there is a problem, anyone whose campaigned in any parking lot in this country knows there is a problem with the costs of college. But in fact, you will find when you look at the structure of the costs of college, public and private alike, that fewer than 15 percent of our students go to a college that costs over \$8,000 or \$9,000 a year. Is that about right?

Mr. HAUPTMAN. Less than 5 percent of the people go to schools that charge more than twenty.

Mr. SMITH. The point is the average is about six or seven and that's public and private put together. It's just helpful to get it clear so that when you put it against this, you see the role the proprietaries are playing, the role the community and technical colleges are playing, and the role that a lot of private low cost colleges are paying. It's just good to see it. There is a book that's got some of that data in it too.

Chairman FORD. Will the gentleman yield? When you look at projections that I've been paying attention to, and saying that all together it costs \$150 billion per year and about \$30 billion comes from various forms of aid directed to the students, another \$40 billion is the State kicking into the pile. The difficulty with looking at that chart and looking at those numbers, is that, my State of Michigan's share of the \$40 billion that they're putting in higher education, goes to the University of Michigan.

Without regard to that chart, only the thirty billion in aid is likely to have any sensitivity to any problem you perceive on that chart. The aid that goes from States to colleges and universities, is institutional. It's the institution that gets the money and decides how to spend it.

Isn't that a part of the problem in trying to relate what one may think is an optimum target that should be showing and isn't showing on that chart? With all these dollars you have to recognize that there are different kinds of dollars. From my perspective, it's been our objective to send the money based on the characteristics of the student, rather than the characteristics of the institutions, except in the Pell Grant, where the cost of the institution becomes an important characteristic.

It doesn't matter what you are studying or where you're going, or what the length of the program. It's the student's characteristics that draw the money. While a bigger part of the money coming from the outside comes in blind.

I strongly suspect that the institutional portion, at least they claim this to us, both publics and privates are pretty much tracking what we've been trying to do over the years with Federal money. Some slight difference in the characteristics, but generally they're looking at some perceived way of providing more access to people who would otherwise be lost to the system, talented students who would never be developed.

I just wanted to make the observation that I don't think there is a simple answer to how much this costs and how much it's going to cost people.

Mr. HAUPTMAN. May I comment on that.

Chairman FORD. Sure.

Mr. HAUPTMAN. I mean, if this is a chart we're worried about, and I think it should be the chart we're worried about, there are certain things we should be doing, both at the Federal and at the State level. I mean at the Federal level we should to continue to try to put as much money as we can in the Grant systems to low income students to try to get up those lines, to try to get the lines on the left hand side of the chart close to the lines on the right

hand side of the chart, in terms of their height for all ethnic and racial groups.

The State system of higher education finances is very efficient. We are providing large subsidies to higher income students and my own personal preference in that is to raise the tuition at the flagship universities and to keep the tuition at community colleges low as an access program, and to put a lot more money into student aid so that you equalize the chances a lot better.

A low income student whose got a \$1,000 of tuition but only \$500 of aid, I think, is a lot worse off than a low income student whose got \$1,500 of tuition and \$1,500 of aid. So trying to get more, looking at the net price, the tuition minus the aid, rather than just the tuition, I think, is really the key characteristic.

I would guide one other thing, Mr. Chairman, this column, the right hand column, the \$50,000 column and over and even the \$25,000, let's say the last two, that's your middle income group that I gather there is a great deal of concern about and I share it. That total group of the twelve million undergraduates, that are in college today is probably, two million of that twelve, if that.

So before we get too carried away with the middle income issue, I think we do need to address it, we should understand that it is not the biggest share, by far, of the people who go to college. Non traditional, older, part-time students are by far the majority, the majority student is now the minority, if you will.

Chairman FORD. Well, you're right that there is a lot of concern in this committee on both sides about middle income, but I don't think you're defining middle income the same way we are. I put together, the first year that I was the Chairman of the subcommittee, in 1977, 1978, something called the Middle Income Student Assistance Act. At that time we were told by all the experts that middle income omit families up to \$25,000, because only 25 percent of the families in the country had a family income above \$25,000, so you could sort of generalize that if you had three quarters of the people, you were hitting the middle income and not getting to the wealthy.

That \$25,000 number has moved up, we don't know how far, it has moved up, and what we're really shooting at is not, calling middle income, all the way up to the eightieth or ninetieth percentile, but probably maximizing it out at the bottom three quarters and we figure that would do it.

We never had a chance really to find out what that was going to do in the mix in college, because we asked that in 1978, and then in 1981 we passed the President's budget and it was called Graham Ladda, and one of the wonderful things it did was wipe out the middle income student assistance act. We never got it back, we've been chipping away. I think there's the same kind of feeling around here that there was when we did it in 1978 and it's likely that we'll see some movement.

Legislation has been introduced on the Senate side, it's going to be introduced on this side. I would be co-sponsoring it on this side, but for the fact that I've agreed with my colleagues on the committee not to put a Chairman's bill out in front of them. A counter bill to the Chairman's bill and administration bill. So my reluctance to co-sponsor it has nothing to do with my conviction. It's right. But

you could be helpful if you could help us define this cohort. Now when you say that cohort represents using \$50,000 as a figure, only two million of the 12 or 13 million people, you may be proving why people are concerned.

I don't think you can look at the people in college and take a measure of the income and say that since only a small number of people in any particular group are going, it's because they don't want to go. It's because they tend to be the kind of people who believe the wise guy on the corner, who says, "If you're not on welfare, you can't get any help to go to college, don't bother." That's the biggest problem I have in my congressional district with blue collar kids is that they listen to too much street talk that tells them that the program isn't for them because daddies working. That's part of what we were aiming at when we took the load limit off.

In 1978, we said you could borrow money, no matter how much money you made, from the Guaranteed Student Loan Program. Now, one of the nice things about doing it that way is that although it costs the Government more money, it doesn't take anything away from the poor kids and give it to the middle class.

We didn't have a chance to see how many more middle class people that brought in, or retained in the system, because it didn't last long enough. Most of us intuitively believe that there would be a lot more of them at the colleges and universities if the aid was not cut off at a \$30,000 family income.

I have a strong suspicion that when we are talking to business people about the future needs of our workforce and so on, that we aren't yet willing to concentrate on potential growth in pockets of our population. And while all of us put an awful lot of attention on reaching into the lower income group to get as much development as we can get and help to justify it, at least, by saying this is going to make a better workforce.

I have a very strong feeling of suspicion, maybe a cultural bias, coming from a blue collar family, that there is a big pool of people going to these trade schools that could be in the colleges and universities and succeed there, who, because of the background they come from are choosing a short term trade for a career and not taking a shot at college education.

People have been writing ever since we used the G.I. Bill after World War II, that we made a difference in the mix of the most educated population in the country. We had blue collar doctors, lawyers, and what have you after the G.I. Bill, prior to that, it was a rare exception for anybody to be able to breakthrough and while it's not quite as bad as it was, I observed with the Secretary, yesterday, that when I was starting high school before World War II, only the wealthy went to college, and nobody in our neighborhood aspired to go to college, because it just wasn't our role in society. We were going to be the ones to run the factories. Now we're getting back to the same sort of position.

We've got a strange paradox, we're working on trying to develop a national health system. If you are poor enough to get Medicaid, you can get some medical care today. If you can afford health insurance, you can get medical care, but if you're in the middle, like about thirty million families are, you don't get anything. We're get-

ting, it seems, to be more and more to that sort of a mix of who is going to be going to colleges and universities. I'm very fearful, I'm not talking about a question of fairness to the students, I'm fearful when you look at this and try to justify this investment in the future. I'm fearful that you're passing up a potential pool of people who would succeed.

Peter, when you were on the committee, remember we were struggling to try to find money for one of the budget cutting sessions and reconciliation? Tom came up with a great idea. That we deny loans to people for the first 2 years of college and replace that with Pell Grants, and we got the Congressional Budget Office to cost it out for us, that over a period of a few years, we would be saving 75 percent of the loan default costs from the simple mathematics of lending more money to people who were more likely to get good jobs and pay it back.

That's still kicking around here. More people than we expected, as time has gone by, have looked at it and said, maybe this isn't a bad idea, because virtually everybody realizes that we're creating a whole bunch of indentured people out there who are coming out of college with so much debt, compared to the kind of job that they're likely to get, that for all intents and purposes, they have no real life options ahead of them.

I don't know where we're going to get social workers and legal services attorneys and people that have to work for a little bit of money and a lot of effort when they've got to pay student loans off. The people with the biggest loans and the least ability to pay, are the people most likely to be motivated to take those jobs.

We're working at cross purpose in a lot of ways and it seems to me that we're going to need a little bit of consultation from you people on how to target whatever we do in the name of capturing this middle class population. It's hitting what we think we want it to hit and not getting into a problem that will exacerbate that chart. That chart cannot be justified in terms of any sense of fairness or any sense of enlightened self interest about what we are doing to invest in human capital in this country.

Yes sir, Mr. Stedman.

Mr. STEDMAN. Mr. Chairman, part of what you are discussing here is the incentive, the role that the financial aid plays not just immediately in providing access but motivating students as they come up through the pipeline. I think as I discussed in my testimony, with the Hispanic population and a very low high school completion rate, we really are talking about some incentive to move people through that part of the system.

Financial aid obviously does play a role. There are model programs out there of how packaging aid with some other support, in fact, to move people through the pipeline. So I would agree that the issue of looking at financial aid as an incentive rather than as a barrier to get over. If what you are faced with are loans, you may in fact consider the financial aid to be a barrier to your access.

Chairman FORD. I don't think there is any question that we turn off students from low income backgrounds when they hit the end of their second year and find that they are already owing more money than that family has ever owed before. The family never bought a new car on credit. The family didn't buy a house on

credit. The family doesn't have credit cards. All of a sudden, here I am; I am going to be a big hero and help my family and I already owe more money than the whole family has ever owed. If I keep on in school, by the time I get out of here, I am going to owe \$10,000 or more dollars. That becomes an incomprehensible kind of a hurdle to get over and we lose them.

So I don't think we just discourage people from starting. I think we lose them. I think we lose them in part because we started lending them money too soon instead of giving them grants.

Mr. HAUPTMAN. Mr. Chairman, could I just make a comment on the issue about low income and going to college?

I would agree with that entirely. The concern I have is that we are creating a segregated system by which low income and minority students go to trade schools and wealthier students go to college.

One of the aspects of this chart is that—Jim, correct me if I am wrong, but this doesn't include people who go to trade school. So a lot of the people in that below-\$10,000 category have gone to post-secondary education, but it is not college. So I would like to say I would like to see that whole set of columns go up.

Chairman FORD. Does this chart take people in community college?

Mr. HAUPTMAN. Yes. It is community college.

Chairman FORD. Well, we know that 75 percent of Hispanics who are in any kind of a postsecondary institution are in community college. We know that a majority of blacks who are in any kind of a college are in a community college. They become very much the population centers for those two groups. They are people that are generally associated with economic problems that go with their race.

We are wondering why it is that we are driving so many of these people toward the proprietary sector. There are people here that suggested more people are going into the proprietary business because we are providing student aid. But we don't provide student aid to schools. We provide it to people and they go shopping. They are out there selling and not always producing what they advertise, but sometimes they are producing very well indeed.

We have proprietary schools in Michigan with a better student loan default rate than any of our community colleges and some of our State colleges. We have some that are worse than anything we have in any other part of the system. We haven't figured out how to sort that out, but we really don't know what is causing the phenomenon of this large concentration of people seeking education outside the regular educational system.

We have been graduating more kids from high school year after year after year ever since the turn of the century. In spite of what everybody says, the numbers show each year a higher percentage of the cohort that should be graduating that year, does in fact graduate. While we have been doing this, we have been creating a tremendous market of people who fall through the cracks and find it necessary to go buy education that they can't get through the regular system. We don't know quite why it is accelerating the way it is now.

Maybe, in fact, we are succeeding in telling people that they shouldn't just give up when they lost their first job; they ought to

go and learn how to do something else. That is a form of success that creates a new market a new demand to be met.

But if you have some ideas about why this trade school population is growing as fast as it is growing, we would like to hear it.

Only half of the trade schools qualify for Federal student aid. There are two times as many trade schools as there are of all of the colleges and universities of all types in this country. Only half of them even qualify for student aid. So you can't say that they are all in business because of student aid. I don't know if anybody who has made a study about the ones who don't qualify for student aid manage to make a profit, but if they weren't making a profit, they wouldn't be in business. Somebody out there is selling a pretty good product for a price to a ready, willing and able customer buying it. Then what we are seeing since the only places we get numbers to look at are the ones that qualify for student aid. We are probably seeing places where the biggest concentration of low income people are.

Mr. HAUPTMAN. My only comment, Mr. Chairman, and I don't disagree with anything you just said, but I think it would be healthy for society to have more low income people in college and more middle income people think about going to vocational training, whether it be in a community college or in a trade school because I think there is a general perception around that there are a fair number of middle income students who are going to college because that is sort of where they have been pushed to go. They might well do better being trained for a vocation.

So I am just saying that I think society would benefit from a healthier mix of both low income students in college and middle income students in vocational training.

Chairman FORD. Well, you know, we just fought a little war in the Middle East with the most highly educated troops that have ever fought for this country. There were no illiterates in the Gulf because you can't get into the Service as an illiterate any more. There were practically no non-high-school graduates because you have to have a high school diploma to enlist in our all-volunteer Army. At one point, we equalled the peak build-up of the Vietnam War, but in the Vietnam War, we had a very high percentage of illiterates out there doing the fighting and dying. That wasn't the case in the Gulf. We have something to say for education doing a lot better than the former President gave it credit for when you realize that we sent people that we had educated before we sent them to war. My generation was sent to war and then came home and got educated. This was different.

But if you want to see what happens to the middle class, look at the make-up of the all-volunteer Army. In my kind of a blue collar suburban district, people wait a year to enlist. That is a very high priority option for training for a high school graduate.

Do you know what the Army picks from my district? You can't have a blemish of any kind on your record for discipline. One puff of a marijuana cigarette is plenty to keep you out. They are taking the pick right off the top of classes of kids that clearly would score well on college entrance exams.

They don't perceive college as being an attainable goal, so they take the alternative of going into the military. Some of them are

being induced into the military because at the end, they say, "We'll give you some college to go along with what we do to train you to be a mechanic or whatever."

Yes.

Mr. SMITH. See, I think you are putting your finger on something—young men and young women. It is between the ages of 16 and 20. I mean I am a little bit off on this, but if you can make it to the junior year of college, the odds of you being economically and socially and civically successful and making it in this society go up. You are going to finish. You may go to graduate school or whatever. There is a break point there.

There is another break point at age 16 at the other end where kids start to leave school without graduating. We don't manage those 4 years well at all in terms of the relationship between those children, their perception of what is available to them, their perception of work and their need for education. We don't integrate them at all. What the Army, I think, has done is created one of the best integrated employment—and look at the guarantees they make. You'll have a job. You'll get trained. You go to school. You get paid.

When you come out, you have a credential that most of society trusts as saying you are competent and you are well-disciplined. Not bad. Just a couple of downside risks along the way. But look at it. Take a look at it in terms of it being the best integrated training and work model.

Chairman FORD. Peter, that masterful understatement would equip you to be a briefer at the Pentagon. You would be right up there with General Kelly. You would be a recruiter.

Mr. SMITH. Thank you. I would rather be the briefer for the business proprietary community college and/or trade or university school that decided that they could create an educational model that employed people and trained them at the same time and then gave them a credential that they could take out into the society and that it was worth something and other employers trusted it. That being my point, I think that is one of the models we ought to be looking at taking the military side of it.

They have created something that I think a lot of people need to look at closely—very closely. What happens is that kids tune at age 15 or age 16. They have bad information. They think they can't afford it. It is not for them. They tune in to trade schools, proprietary schools, the military because the message is that it is for them. I think what we are beginning to find is that some of the kids come out of the streets and do okay.

We double the number of BA holders in this country. I think it is 23 percent or something like that that get BAs and go into college. The number of jobs that take a BA or a BA plus is going to stay about 23 percent. The number of jobs is going up with the same percentage of the population. So if you go to 46 percent, all you have done is reduce the economic value of the baccalaureate degree. If we are going to sell it as an economic value. We want to sell the baccalaureate as an intellectual value, which is the methodology. Then one ought to go get one. But in fact, if you put twice as many baccalaureate holders as a percentage of the total population out there, what you are going to do is reduce their pay.

At the same time, all the job growth is at the other end of the spectrum or in the middle of the spectrum. It is at the senior year of high school. In the first 2 years, a little bit of two plus two. That is where the action is.

I would like to think that one of the other things you folks might look at is that experiment in Minnesota where when a child has finished their 16 credits or taken all the courses they can take in French or Science or you-name-it, that the school district has to pay for them to go to the nearest college to continue their study if, in fact, the high school doesn't offer the next step. So the kids stop, frankly, frittering away their senior year. Because if you are looking for a lot of money and frankly, just wasted time, there is a lot of it in the senior year of high school. There really is. So that is another place where some linking will get you a lot of bang for the buck.

Chairman FORD. Thank you very much. It is obvious to me that we are going to have to consult with these people again.

Mr. GUNDERSON. Mr. Chairman, I did have some questions.

Chairman FORD. I took more than my fair share of time, so I won't ask any more questions. But can you submit them for the record?

Mr. GUNDERSON. Sure.

Chairman FORD. We will call up the next panel now.

Sister Mary Andrew Matesich; Mr. Dennis Martin.

**STATEMENT OF SISTER MARY ANDREW MATESICH, PRESIDENT,
OHIO DOMINICAN COLLEGE, ON BEHALF OF THE NATIONAL
ASSOCIATION OF INDEPENDENT COLLEGES AND UNIVERSI-
TIES**

Sister MATESICH. Thank you, Mr. Chairman. Good morning, Mr. Chairman and members of the subcommittee. I am pleased to be able to come before you today to offer testimony related to the reauthorization of the Higher Education Act.

My name is Sister Mary Andrew Matesich. I am president of the Ohio Dominican College in Columbus, Ohio. Ohio Dominican is one of the private colleges that a couple of our earlier panel members were referring to that serve students who are first generation in the family to go to college, college of modest tuition and a great diversity of students.

I am here to represent the National Association of Independent Colleges and Universities. So I am speaking on behalf of not only Ohio Dominican, but of more than 800-member institutions that are as diverse as our Nation itself. They include traditional liberal arts colleges, major research universities, church and faith related colleges, historically black colleges, women's colleges and professional schools.

We acknowledge you, Mr. Chairman, as the author of the Middle Income Student Assistance Act. With respect to a question that you asked earlier today about: What is a middle income student today? As you pointed out in 1978, \$25,000 was considered to be that cut-off point for the definition of a middle income family. If we simply apply the deflators that the increase in the cost of living would produce, that \$25,000 in 1978 now in 1991 would be \$49,615.

In the written testimony, we present an analysis of another way to look at how to define middle income. I am not going to take time in the oral testimony to refer to that, but it is another way to cut that particular pie. If we consider \$49,615 just the current dollar figure that would have been \$25,000 in 1978, all three of the students I am going to talk about today would have been eligible for Pell Grant in 1978 if we backed up that family income and put them in that middle income student environment.

At Ohio Dominican, we have about 1,300 students. Fourteen percent are minority students. Two-thirds of our students are women. We have a fairly large number of low income students. So what the following panel has to say about minority and low-income students and nontraditional students would certainly apply to a portion of our student body. Only 29 percent of our freshmen come from families where the father has a college degree. Only 23 percent where the mother has a college degree. That is usually the same family unit. I believe students are attracted to us because we are small. The average class size is 20 students. Because we place a strong emphasis on the quality of teaching and on individualized academic development. The students we serve come from working families, farm families, single parent families, families where the parents' lifetime dream has been to have their children graduate from college. Generally, these are families that have not been able to save for their children's college expense. Their parents earn enough to cover the family's housing and other basic needs, but not college tuition, room and board, and other expenses. About 85 percent of our students receive some type of financial aid. Over the past decade, the kind of student we have served has stayed about the same—this first general student. But the resources available have changed dramatically. In 1980, the median family income of our new freshmen was \$22,100. Of every ten aid recipients, six got Pell Grants; only three of every ten aid recipients were borrowing under the Perkins or GSL program. Now 10 years later, the picture is quite different. The median family income of new freshmen was about \$38,000 or \$25,700 in constant 1980 dollars. Of every ten aid recipients, only three now are getting Pell grants where 10 years ago, it was six. Loan participation has climbed to six out every ten aid recipients whereas 10 years ago it was only three. So it has just completely flipped in terms of the relative proportion.

That is the statistics; but what we are talking about are real students from real families who are trying to afford college. So I would like to talk to you about three of these real students.

Our first student here is Amy Burns. Let me tell you a little bit about Amy's family. She is a sophomore. She is from a small Ohio city. She is a resident student at Ohio Dominican. She transferred to Ohio Dominican from Ohio State University. Her father is an assembler in an appliance factory. Her mother is a CRT operator. It is a typical blue collar family. This is the first child in that family to attend college, the first generation to go to college.

Her father was laid off for a while last year. The appliance factory is in a rough period. It is not at all sure that the father's job is going to survive. The father is 50 years old. There is another child at home, a 16-year-old child, who will be hoping also to go to college.

Ohio Dominican's tuition and fees this year is \$6,660. Room and board is \$3,680. The other expenses that we budget for a student is \$1,515. So the total costs that we would budget for the student as a resident at the college would be \$11,855. The parents' income was \$35,312. We recalculated that a number of times in the needs analysis because the father was laid off and then he was called back and then he wasn't sure whether his job was going to last. But this is the way it came out.

The family owns a home, \$20,000 home, in which their equity is \$16,417. So according to the financial aid needs analysis, from the parents' income of \$35,000 plus, \$1,389 should come for Amy's tuition. From their assets, the modest house they—because the father is 50 years old, that modest asset in the house in this particular case is not contributing to what the calculation shows the family should contribute. In fact \$282 is taken off the family contribution because of the age of the father and the modest value of the house.

This is a hard-working student. She is a cashier at K-Mart. She earned \$6,190 last year, which is a lot of hours at the cash register at K-Mart. That also is looked at as part of the family contribution to college. Now if it weren't for the special circumstances of this family, with the father being laid off and having some difficulties with the job, 70 percent of that would be taken as part of the family contribution. Our financial aid administrator, using discretion, has taken a little bit less than that because of the situation of the family.

But we still come up with a total family contribution of almost \$5,000. Now that family didn't have \$5,000 to contribute towards tuition under these circumstances. Most of what the student earned at K-Mart went for her own personal expenses at home and towards family needs. So she didn't have the \$3,791 the paper said she should have had to pay towards her tuition. So this family in that precarious employment situation has taken out a \$4,000 PLUS loan. That is not counting all of the other loans the student has taken out in order to go to college.

The family now has the burden of a \$4,000 PLUS loan on which they are paying interest. They don't have the option of taking out a home equity loan because their little house is worth \$20,000 and nobody wants to lend them any money on it. So they are not able to deduct the interest payments on the PLUS loan, but that is the commitment they have to this youngster's education.

How did we come up with the other \$6,957 that this student needs in order to pay her college expenses. Here is her financial aid package down here. Ohio Choice grant of \$578. If the Ohio legislature continues on its present course, next year that will be \$390 or zero. We don't know which. We have got a budget bill in the House, a budget bill in the Senate. Ohio is in economic problems like most of the States and these programs are in jeopardy.

She gets a small Ohio Instructional grant which is a need-based grant from the State of Ohio. That one is probably safe. The college is giving her a \$1,000 grant. The rest of it she is borrowing. She is borrowing \$2,000 under the Perkins program and \$2,625 under the Stafford program.

Now this study, by the time she graduates—she is now a sophomore—is going to owe about \$20,000. This student wants to teach

retarded children. Her major is education for the developmentally handicapped. She is a very fine young lady. I am certain she will be a wonderful children. Her starting salary will be somewhere around \$20,000 in Franklin County, Ohio. So here is a debt we are building up for the student herself that is going to approach \$20,000; a debt in the family, which has a younger child to go to college and a father in a very iffy employment situation, if they continue to borrow under the PLUS program of \$4,000 per year. This is our first case of a middle income student.

The next student I would like to talk about is from a little different situation. Her name is LeAnn Carter. LeAnn is a first semester senior. She is a business administration major. She transferred to Ohio Dominican from a proprietary business school feeling that a four-year degree was more appropriate to her talents and objectives. Certainly that is accurate because she is a very bright student and we are very pleased to have her. LeAnn is a commuter and so her total costs are a little less according to the budget of \$10,120.

Her father works for a construction company and he is 57 years old. Her mother is a homemaker. The family income is \$43,754. There is one younger child still coming up for college. Their home is worth \$35,000, and it is paid for because the house is a modest home and the father is 57. There isn't any contribution from assets in this particular case. But the interesting thing on this chart is that out of a \$43,000 income—an income level that back in 1980 dollars would have qualified for a Pell grant in 1978—that family is now expected to contribute \$1 out of every 6 they earn in the parental contribution towards the college costs for this particular student.

Because Ohio Dominican is a private institution with a relatively modest tuition level, her remaining need after taking out the calculated parental contribution is only \$2,000. Again, she gets a \$578 Ohio Choice grant which is up for grabs in the legislature right now and qualifies to borrow \$1,430 in the Stafford loan program.

Our third student that I would like to talk about shows a different kind of a picture and a different kind of a challenge that a number of the committee members and staff will be interested in seeing. This is also a resident student, so the college expense budget for Ohio Dominican is \$11,855. This is a farm family. There are five children in this family. This is the oldest child, Megan Holde, at Ohio Dominican College. She is a senior. The day after tomorrow, I will give her her diploma.

Her parents' income is only \$19,722 which is what happens with a farm income as the farm income goes up and down. There is this family of seven—five children and two parents with a \$19,722 income.

You may want to say: What are we doing with this student in a presentation on middle income students. The reason we are looking at this is because of the parents' ownership of the farm, this student cannot qualify for any Pell grant aid and for most of the aid programs that the college would have available. This farm is valued at \$350,000. They owe \$190,000 on it. They also have a small equity in a modest home. So the parents' assets here at \$188,500 are knocking this student out of consideration for a Pell grant even

though the debt on this farm is greater than the family has in it and even though the income for this family of seven was under \$20,000 in this year.

This, too, is a hard-working student. She works at a specialty store. She hopes to enter the management training program of this store after she graduates this week. She earned \$2,969 and money was taken from those earnings to apply towards the family contribution via the student contribution.

But the part of her earnings that she did not have to set aside for her tuition payments according to the needs analysis methodology, this student saved. When she saved it, the need, analysis turned right around and said, "Yes. Maybe you saved the 30 percent of your pay that we let you keep, but now we want 35 percent of what you saved." So this is the way the current needs analysis is written. It is a kind of a double hit on the student so that you take a substantial part of what the student earns and then if the student saves the rest instead of spending it, you come around and take a piece of that as well, too.

So the total family contribution here, \$3,279 from a family that had parents' income of only \$19,000. This student is also heavily loan dependent. I will point out that the Ohio Instructional Line which is the needs-based Ohio grant, she is actually getting a pretty needs-based grant from the State of Ohio of \$1,650. That is because Ohio refuses to use the Congressional methodology and has its own needs analysis which does not penalize the family for the home or the farm.

In our case, it is a more complicated situation because we have got two forms now that the students have to fill out, but because in the State of Ohio, the needs-based program does not penalize for assets, the needs-based Ohio program is a big help for these kids from these farm families. So the financial aid package is again heavily loaned: \$4,000 of Stafford, \$1,300 of Perkins. But this student will get her diploma this week. She is a very hard-working, responsible student. I have no doubt that those loans will be repaid. She will owe over \$14,000 at the point of graduation.

So these are the kinds of middle income students that we see at Ohio Dominican College. What should be done about it? There are a number of suggestions at the end of my written testimony, which will mesh with other testimony the committee will be hearing later.

I will just summarize by saying expand the eligibility for Federal grant aid for these kinds of families, address their need to pay direct educational costs, improve the balance between grants and loans and modify the treatment of home and farm assets in the needs analysis.

Thank you very much. I will be happy to answer any questions.
[The prepared statement of Sister Matesich follows:]

STATEMENT OF
SISTER MARY ANDREW MATESICH
PRESIDENT
OHIO DOMINICAN COLLEGE

ON BEHALF OF THE
NATIONAL ASSOCIATION OF INDEPENDENT
COLLEGES AND UNIVERSITIES

ON THE
REAUTHORIZATION OF THE HIGHER EDUCATION
ACT OF 1965

BEFORE THE
SUBCOMMITTEE ON POSTSECONDARY EDUCATION
COMMITTEE ON EDUCATION AND LABOR
U.S. HOUSE OF REPRESENTATIVES

MAY 9, 1991

Good morning Mr. Chairman and members of the subcommittee.

I am pleased to be able to come before you today to offer testimony related to the reauthorization of the Higher Education Act of 1965. My name is Sister Mary Andrew Natssich and I am president of Ohio Dominican College in Columbus, Ohio. I am here today representing the National Association of Independent Colleges and Universities (NAICU), I am speaking on behalf of more than 800 member institutions that are as diverse as our nation itself. They include traditional liberal arts colleges, major research universities, church- and faith-related colleges, historically black colleges, women's colleges, junior colleges, and schools of law, medicine, engineering, business, and other professions.

The extraordinary diversity in the independent sector of higher education offers students a critical choice in terms of the size, governance, location, academic program, and mission of the institution that will help shape their higher education experience. Students are well served in the independent sector. Independent colleges and universities enroll 21 percent of the nation's students, yet they award 33 percent of all baccalaureate degrees, 40 percent of all master's degrees, 36 percent of all doctoral degrees, and 60 percent of all first professional degrees in areas such as law, medicine, engineering, and business.

The average tuition cost of an independent institution in 1990-91 is \$7,685. Three times as many independent institutions have tuition and fees of less than \$6,000 than have tuition and fees of more than \$12,000.

Our institutions have demonstrated an overwhelming commitment in the form of financial aid from their own resources to ensure that students from all walks of life have the opportunity to choose the institution that best suits their needs and aspirations. Federal student aid does not help students attending independent colleges and universities as much as it did ten years ago. Neither appropriations for the student aid programs nor award amounts kept pace with inflation in the 1980s. The maximum Pell Grant for the neediest students, for example, was scheduled in the 1986 reauthorization to rise to \$3,100 in 1991-92. Yet appropriations for FY 1991 increased the maximum Pell award to \$2,400, just \$300 above the 1986 maximum of \$2,100. In the face of declining federal grant support, independent colleges and universities have increasingly turned to institutionally funded financial aid.

Adjusted for inflation (in constant 1987-88 dollars), federal grant assistance to undergraduates at independent institutions grew from \$1.184 billion to \$3.421 billion between 1970-71 and 1975-76. This aid then began to decline dramatically through 1987-88 when it reached \$1.101 billion -- less than the amount awarded in 1970-71. Our colleges and universities, on the other hand, have been steadily increasing the amount of student financial assistance they offered from their own institutional resources in the form of grants. In 1983-84, they surpassed the federal government in the total dollar amount of grants awarded to undergraduates. By

1987-88, independent colleges and universities were awarding 81 percent more grant assistance to undergraduates than the federal government was providing to students in independent higher education.

In the past ten years, our institutions have increased their commitment of institutional funds to student aid by an average of almost 25 percent a year, to a level now well in excess of \$3 billion annually. This funding comes at a high price: if taken from the operational budget, it decreases the funds available for science labs, for the library, and for academic programs; it contributes to increases in tuitions; it strains the very capacity of our institutions to operate, and it drains endowments that, for the vast majority of our members, are extremely limited.

Much of the financial aid generated from our institutional resources has gone to help students who come from working families of moderate income, many of whom can no longer count on any federal support -- either from grants or loans. For others who may qualify for some federal aid, the amount of grant or loan eligibility is not enough to make a real difference in their ability to meet college costs.

These are the folks who thought their government would be a partner in helping to educate their children. These are your constituents. These are the students and families that I want to talk to you about today. Several issues are important to middle-income families regarding their ability to finance a college

education -- expanding the eligibility for federal grant aid, addressing their need to pay direct educational costs, improving the balance between grants and loans, and modifying the treatment of home and farm assets in the calculation of financial need.

First, I hesitate to use the term "middle income" in describing these families without offering a further definition of terms. Middle income is often used as a relative term; what one person thinks of as middle income, another might define as "working class" or "lower income."

In an attempt to come up with a working definition of middle income, we have looked back to the objectives of the Middle-Income Student Assistance Act (MISAA) which the Congress passed in 1978. When Congress adopted the legislation, \$25,000 was specifically cited as the family income at which a student should receive at least a minimum Pell Grant. Using a \$25,000 income in 1978 dollars as the basis, a family with an income of \$49,615 should be served by the federal aid programs in 1990.

Families at this income level should be helped, but they are not. Under the current Pell Grant program, eligibility is effectively limited to students with family incomes below \$35,000 -- and students with incomes much above \$28,000 generally receive only a minimum grant of \$200. Just 5 percent of the Pell Grant recipients in academic year 1988-89 (the last year for which recipient data are available) came from families with incomes of more than \$30,000.

We can look at our definition of middle income another way to illustrate further the ineffectiveness of the Pell Grant program in serving a broad range of dependent students who need help in paying for college.

We looked at data from the Census Bureau's 1989 Current Population Survey for married couples with the head of household between forty-five and fifty-four -- a likely age range for parents of students between eighteen and twenty-two. We then evenly divided the families into five groups according to income levels. Roughly speaking, one could describe the groups as representing lower- (less than \$29,450), lower-middle- (between \$29,450 and \$43,879), middle- (between \$43,880 and \$58,662), upper-middle- (between \$58,663 and \$79,632), and upper-income (more than \$79,633) families. Surprisingly, the vast majority of students from lower-middle-income families (not to mention middle-income families) have almost no chance of receiving a Pell Grant.

There are several reasons why the current student aid programs, and the Pell Grant program in particular, no longer serve students from America's middle-income families.

First, the maximum Pell Grant award has not kept pace with the rate of inflation, due largely to the extraordinary increase in the number of grant recipients enrolled in short-term programs in vocational schools. The number of Pell Grant recipients in the

proprietary sector increased by 172 percent between 1980 and 1989, while the number of recipients in the collegiate sector rose only by 10 percent, from 2.4 million to 2.7 million.

Second, the congressionally mandated need-analysis formula enacted in 1986 rendered the children of many middle-income families ineligible for federal assistance. In contrast, other changes to the congressional methodology have made it much easier for independent students who are married and do not have children to qualify for federal assistance.

Third, the current independent student definition can be exploited, and it is. Families who want to avoid responsibility can have their children establish what our aid administrators call "independence of convenience" for the purpose of gaining eligibility for federal assistance.

Fourth, the sheer numbers of older and legitimately independent students seeking federal student aid have increased dramatically. The number of Pell Grant recipients who are twenty-four or older has tripled, from 588,000 to 1.5 million, in the last ten years. These students are more likely to have low incomes (since parental income is not counted for independent students) and qualify for maximum awards. Thus, it is not surprising that more than 60 percent of current Pell Grant dollars now go to students classified as independent.

These changes have shifted grant funds to independent students, effectively rationing the level of grant aid that is available to dependent students of traditional college age from middle-income families. Needy students are essentially competing with each other for limited funds.

We are also concerned about declining congressional support for the federal campus-based student aid programs. Historically, Supplemental Educational Opportunity Grants (SEOG), Perkins Loans, and College Work-Study (CWS) awards have been critical in meeting the needs of dependent students in collegiate programs. These programs have not fared well in the past decade.

Between 1981 and 1991, funding for the SEOG program declined by 11.9 percent, funds for CWS dropped by 32.3 percent, and Perkins Loan appropriations plunged by 67.5 percent (in constant dollars). Funding for the State Student Incentive Grants (SSIG) program also decreased by 48.1 percent over the same period.

The lack of funding support for these programs has compounded the problems of middle-income students who were edged out of the Pell Grant program in the 1980s.

Perhaps most importantly, the children of middle-income families who want to go to college -- especially to an independent college or university -- must have broader access to subsidized loans.

Mr. Chairman, as I look at the schedule of witnesses that will appear before you today, I realize that you will probably hear a good deal about the growing imbalance between grants and loans. This is something about which you have expressed personal concern. It is a subject that deserves focused and lengthy consideration by the committee.

We share your concern. We are alarmed at the extent to which loans have replaced grants as the primary source of federal student aid, especially for very low-income, at-risk students. We strongly support an increased emphasis on grant funding as a major priority in reauthorization.

At the same time, we simply must recognize that students from middle-income families need subsidized loan programs to finance the costs of higher education over the long term. These students have been virtually disenfranchised from federal grant programs. Furthermore, many no longer qualify for Stafford Loans on the basis of congressionally mandated need tests.

Unless we want to promote a system that limits opportunities and choices for students who happen to be born into moderate-income working families, we must keep the door open to loan capital to students and families that are willing and able to borrow -- and pay back their loans. The national default rate for students at independent colleges and universities is less than 6 percent. Our

students graduate at higher rates than their counterparts at public institutions, and they leave our colleges with substantially increased future earning power.

While we urge you to consider expanded borrowing opportunities for middle-income students and their parents, we are keenly aware of the level of debt that many of these students will incur over several years of successive borrowing.

One of the students that I will talk to you about in just a moment is a case-in-point. Amy Burns is a sophomore at Ohio Dominican. She has received grant aid each year from the state and from the college, but never from the federal government. She has had to borrow the maximum Stafford student loan each year, and has also borrowed heavily from the Perkins Loan program. In addition, her parents have taken out maximum PLUS loans. Even if changes are made in the reauthorization process to make students like Amy more eligible for grant funding, those changes would not likely be implemented until after she graduates. It is reasonable to assume that she and her parents will have to continue to borrow to cover expenses for her junior and senior years. She is looking at student loan debt in excess of \$20,000 when she graduates.

This debt would obviously seem more manageable to her if she were planning a career in a high-paying field. But she wants to teach developmentally handicapped children. If Amy begins her

teaching career in Columbus, she can expect to receive a starting annual salary of around \$20,000 -- approximately equal to her cumulative student loan debt.

Some of the debt burden I'm describing could be alleviated by extending grant eligibility higher up the family income scale to reach students from moderate-income families. For students who have to borrow, debt could also be better managed by a more expansive system of loan pay-back mechanisms. We are very concerned that the relatively limited repayment options now in place have the effect of encouraging default. Further, limited pay-back options clearly discourage our graduates from pursuing careers in public service.

I have offered a number of general comments and concerns today about the nature and extent to which current federal student aid policy falls short of the needs of our working families. In a moment, I would like to talk to you about three students from Ohio Dominican whose situations, I believe, will better illustrate the points I have tried to make.

First, I would like to tell you briefly about Ohio Dominican College. We are a fully accredited, coeducational, liberal arts, Catholic college located in Columbus, Ohio. Perhaps most significantly, Ohio Dominican College provides a distinctive service to students who are the first in their families to graduate from college.

Of our 1,300 students, 14 percent are minorities and more than two-thirds are women. Just 29 percent of our freshmen come from families where the father has a college degree. Twenty-three percent come from families where the mother has completed college, and these are often the same families with college-educated fathers. .

I believe students are attracted to us because we are small -- the average class size is twenty students -- and because we place a strong emphasis on the quality of teaching and on individualized academic development.

The students we serve come from working families, farm families, single-parent families -- families where the parents' lifetime dream has been to have their children graduate from college. Generally, these are families that have not been able to save for their children's college expenses. The parents earn enough to cover the family's housing and other basic needs, but not college tuition, room and board, and other expenses. About 85 percent of our students receive some type of financial aid.

Over the past decade, the resources available to these students have changed dramatically. In 1980, the median family income of new freshmen was \$22,100. Of every ten aid recipients, six were receiving BEOG (Pell) grants. Three of every ten aid recipients were borrowing from the NDSL (Perkins) or GSL.

(Stafford) Loan programs. Of the federal dollars going to to Ohio Dominican students, less than half (48 percent) were in the form of loans.

Ten years later, the picture is quite different. In 1990, the median family income of new freshmen was \$38,750, or \$25,700 in constant 1980 dollars. Of every ten aid recipients, only about three were getting Pell grants. Loan participation had climbed to six out of every ten aided students. Grants had dropped to 16 percent of all aid, and loans had jumped to 74 percent.

Our students from families of moderate means aren't getting as much aid, the aid they are getting is predominately loans, and the amount of aid they do qualify for doesn't go as far. But the statistics, even from a single campus such as ours, don't really tell the story. I would like to share with you now the stories of three of our students.

We tried to identify students from Ohio Dominican that represented common situations and problems faced by families all over the country that find themselves in similar economic circumstances.

Each of these students and their families has faced different financial obstacles as they have struggled to put together the needed resources so that their children can attend college and complete a higher education. Yet, as we hear resoundingly from our colleges, they are typical of thousands of other students across

the country. I wish they were here to tell their own stories. (I have changed their names in the following illustrations to protect their confidentiality.)

Amy Burns

Amy is a sophomore at Ohio Dominican where she is majoring in Education for the Developmentally Handicapped. She comes from a family of four, and both parents are both employed -- her mother works as a CRT operator and her father is an assembler in an appliance factory. Their combined income is \$35,312. They own a home worth \$20,000, with a mortgage of \$3,583. They have no other assets. Amy worked during the summer and part-time during the school year as a cashier at K-Mart and earned around \$6,200.

Under the congressional methodology's system of need analysis, Amy's parents are expected to contribute \$1,107 to their daughter's educational expenses. Amy is expected to contribute up to 70 percent of her earnings; her contribution is \$3,791. Thus, the total family contribution towards Amy's educational expenses is \$3,791 plus \$1,107, or \$4,898.

The total educational costs at Ohio Dominican for a student living on campus are \$11,855. This includes \$6,660 for tuition and fees, \$3,680 for room and board, and \$1,515 for books and supplies, personal expenses, and transportation costs. The family's expected contribution is subtracted from the total costs, yielding a calculated financial need of \$6,957.

Amy Burns
Ohio Dominican College

College Expenses

Tuition & Fees	\$6,660
Room & Board	3,680
Other Expenses	1,515

Total Costs: \$11,855

Minus

Family Contribution

Parents' Income \$35,312

Parents' Contribution
from Income \$1,389

Parents' Assets \$16,417

Parents' Contribution
from Assets \$-282

Student's Income \$6,190

Student's Contribution
\$3,791

Student's Savings \$ -0-

Total Family Contribution: \$4,898

Equals

Financial Need: \$6,957

Financial Aid Package

Ohio Choice Grant	\$ 578
Ohio Instructional Grant	\$ 600
Ohio Dominican College Grant	\$1,000
Perkins Loan	\$2,000
Stafford Loan	\$2,625

Financial Aid: \$6,803

Amy's financial aid package is comprised of a \$578 Ohio Choice Grant, a \$600 Ohio Instructional Grant, a \$1,000 Ohio Dominican College Grant, a \$2,000 Perkins loan, and a \$2,625 Stafford loan. More than two-thirds of her need is met through loans. As I mentioned earlier, if she continues to borrow at or near the maximum levels in both the Perkins and Stafford programs during her undergraduate years, she will graduate with a cumulative loan debt of around \$20,000 as she begins a job teaching the developmentally handicapped.

The combination of her parents' expected contribution from their income and the high percentage she is expected to contribute from her earnings render Amy ineligible for a Pell Grant. And, because of the provisions in the SEOG program restricting awards to students with exceptional financial need, she cannot receive an SEOG grant. Her grant aid comes from the college and from the state of Ohio, which is subject to annual appropriations.

LeAnn Carter

LeAnn is a senior at Ohio Dominican. Her father works for a construction company where he made \$43,754 last year. Her mother works in the home. The Carters' own their home, which is valued at \$35,000 and is paid for. They have \$500 in savings. LeAnn was not able to work last year.

LeAnn Carter
Ohio Dominican College

College Expenses

Tuition & Fees \$5,660
Room & Board 1,500
Other Expenses 1,960

Total Costs: \$10,120

Minus

Family Contribution

Parents' Income \$43,754
Parents' Assets \$35,500
Student's Income \$ -0-

Parents' Contribution
from Income \$7,212

Parents' Contribution
from Assets \$ -0-

Student's Contribution
\$900

Total Family Contribution: \$8,112

Equals

Financial Need: \$2,008

Financial Aid Package

Ohio Choice Grant \$ 578
Stafford Loan \$1,430

Financial Aid: \$2,008

110

Based on the Congressional methodology, her parents are expected to contribute \$7,212 toward LeAnn's expenses. Because LeAnn's father is fifty-seven years old, the family's modest assets are "protected" from assessment in the formula -- the protection allowance increases with the age of the oldest parent. Thus, her parents' contribution is derived solely from their income. LeAnn is expected to contribute a minimum of \$900. The family's total contribution, then, is \$8,112 -- \$7,212 from the parents and \$900 from the student.

Since LeAnn lives at home, her expenses at Ohio Dominican College this year are expected to total \$10,120 -- \$6,660 for tuition, a \$1,500 room and board allowance, and \$1,960 for other expenses, such as books, supplies, and transportation. Subtracting the total family contribution of \$8,112 from her expenses yields a calculated financial need of \$2,008.

LeAnn's estimated need is met with an Ohio Choice Grant of \$578 and a \$1,430 Stafford loan. If LeAnn returns for a fifth undergraduate year, she may have to do so without the Ohio Choice Grant, which is in danger of being phased out for families with incomes above \$40,000. She doesn't qualify for any federal grants, nor does she qualify to borrow even half of the maximum Stafford loan to which she would be entitled if she demonstrated greater need. Her parents have found it extremely difficult to come

come up with \$7,200. LeAnn would be happy to take out additional loans, but she is prohibited from borrowing more under the Stafford program to help meet the family's expected contribution.

Megan Holde

Megan is senior at Ohio Dominican College in fashion merchandising. She comes from a rural area of Ohio where her father is a farmer and her mother is a homemaker. There are seven in the Holde family -- Megan's parents and four siblings ranging in ages from nineteen to nine-year-old twins. The nineteen-year-old son works on the farm to help the family.

Her father earned \$19,722 last year -- not what we would ordinarily define as "middle income." But the family's circumstances are typical of many of our students that come from hard-working farm families. The family owns a home worth \$35,000, with a mortgage of \$3,500. They owe \$193,000 on the farm, which is valued at \$350,000. Megan worked as a sales clerk during the summer and part-time during the school year, earning \$2,969. She also has \$1,050 in the bank, saved from summer and school-year earnings.

Under the congressional methodology's system of need analysis, the parents are expected to contribute \$424 to their daughter's educational expenses. Megan, however, is expected to contribute 70 percent of her earnings and a percentage of her savings, to total \$2,855. Since her savings represent a portion of her reported

Megan Holde
Ohio Dominican College

College Expenses

Tuition & Fees \$6,660
Room & Board 3,680
Other Expenses 1,515

Total Costs: \$11,855

Minus

Family Contribution

Parents' Income \$19,722

Parents' Contribution
from Income \$-750

Parents' Assets \$188,500

Parents' Contribution
from Assets \$1,174

Student's Income \$2,969

Student's Contribution
\$2,855

Student's Savings \$1,050

Total Family Contribution: \$3,279

Equals

Financial Need: \$8,576

Financial Aid Package

Ohio Choice Grant \$ 578
Ohio Instructional Grant \$1,650
Ohio Dominican College Grant \$1,000
Perkins Loan \$1,300
Stafford Loan \$4,000

Financial Aid: \$8,528

earnings, her wages are effectively double-counted and assessed twice in the need analysis formula. The total family contribution towards Megan's educational expenses is \$424 plus \$2,855, or \$3,279.

Megan lives on campus, and her expenses for the current academic year will total \$11,855. The family's expected contribution of \$3,279 is subtracted from the total costs, yielding a calculated financial need of \$8,576.

Megan received a \$578 Ohio Choice Grant and a \$1,650 Ohio Instructional Grant. The college met her remaining need with a \$1,000 college grant, a \$1,300 Perkins loan, and a \$4,000 Stafford student loan for a total aid package of \$8,528. Megan is not eligible for a Pell Grant or an SEOG grant, which the college must reserve for exceptionally needy students who are Pell-eligible. She borrows from two loan programs to meet her need for funds, and must borrow at the maximum level in the Stafford program.

Mr. Chairman, we have spent time today focusing on the difficulties faced by middle-income families in meeting the costs of postsecondary education. We would not come to you and your committee with the kinds of problems we have discussed without offering corresponding solutions.

I will state our recommendations briefly. Some of our recommendations I am sure will be echoed in other testimony you will hear, since the issues involving middle-income families

affect students in all sectors of postsecondary education. We would be pleased to work with you and the members of the subcommittee and your staffs to further explore any of the concerns we have touched on today or to further develop any of our recommendations.

Following are our suggestions for changes to the Higher Education Act to address the needs of middle-income students and their families. We continue to actively explore a number of proposals with our membership and our colleagues.

- * Increase the maximum Pell Grant to \$4,000 and, in subsequent years, adjust the maximum award annually based on the Consumer Price Index.
- * Expand eligibility to families with incomes up to \$43,000 by changing the formula used to determine individual awards in the Pell Grant program. The maximum award of \$4,000 would be composed of a \$2,500 component for living expenses and a tuition component -- 25 percent of tuition, not to exceed \$1,500. Future adjustments in the maximum award would be split equally dollar for dollar between the living cost and tuition components of the formula.
- * Review the statutory need-analysis formulas for dependent students to assure accuracy and reasonableness in the level of expected contributions they produce for both students and parents.

- * Modify the treatment of married independent students without dependents in the congressional methodology so that these students are treated similarly to single independent students without dependents.
- * Simplify the statutory definition of an independent student by eliminating current conditional criteria and extending independence only to students who are twenty-four years or older, graduate and professional students, students with legal dependents, veterans, orphans, and wards of the court.
- * Revise need-analysis formulas to exempt at least some portion of college savings from the computation of expected family contributions.
- * Increase authorization levels for the campus-based programs and the SSIG program.
- * Leverage additional funds for the campus-based programs by establishing an overall matching requirement for the three programs of 25 percent. (The current match rate is 10 percent for Perkins, 15 percent for SEOG, and 30 percent for College Work-Study.)
- * Provide greater flexibility for campuses to meet individual student needs appropriately and prudently by expanding the authority for institutions to transfer up to 25 percent of campus-based funds among the programs.

- * Broaden eligibility for loan programs to middle-income students by eliminating nonliquid assets (such as equity in a home, family farm, or family business) from statutory need-analysis formulas.
- * Raise Stafford loan limits to levels that restore the value lost to inflation over the past ten years to the following: \$3,500 for freshmen; \$5,000 for sophomores, juniors, and seniors; \$10,000 for graduate and professional students.
- * Facilitate parental borrowing to meet expected contributions and recognize the increased cash-flow needs of middle-income families by removing the current \$4,000 borrowing limit on PLUS loans.
- * Create expanded loan pay-back alternatives and consolidation options to provide students with the most flexibility to meet their repayment obligations. A number of proposals merit renewed attention, such as those that offer loan forgiveness for public service, plans that tie loan repayments directly to the increased lifetime earning power provided by a college education, and proposals that tie repayment to service in critical jobs.

Even with these changes, parents with moderate incomes must be encouraged to plan ahead and save for the education of their children. While we recognize that the proposals that follow fall outside of the subcommittee's jurisdiction, we include them here

because we also need your leadership on these issues. They are critical components of a comprehensive strategy to address middle-income family needs:

1. Establish specific tax incentives for college savings.
2. Restore the tax deductibility of interest paid on education loans.
3. Expand the ability of families to establish IRAs and allow families to withdraw funds to pay the college expenses of their children or grandchildren.

This concludes my testimony, Mr. Chairman and members of the subcommittee. I thank you for the opportunity to testify, and I would be happy to answer any questions you may have.

* * *

Mr. SERRANO. Thank you very much, Sister.

Let me first say that Chairman Ford had to go to a very special meeting to begin the work on passage of the civil rights bill. He needed to be excused for a while so I will sit in for him.

We will now hear from Mr. Dennis Martin.

STATEMENT OF DENNIS J. MARTIN, ASSISTANT PROVOST AND DIRECTOR OF FINANCIAL AID AT WASHINGTON UNIVERSITY, ST. LOUIS, MISSOURI

Mr. MARTIN. Thank you, Mr. Chairman.

My name is Dennis Martin. I am an Assistant Provost and Director of Financial Aid at Washington University in St. Louis. I would like to thank you and the members of the subcommittee for both the opportunity to be here, and also for the real contribution that has been made in transforming our society with the commitment to student aid programs over the last decade. It is a real opportunity to thank you for that on behalf of the students who I have seen who have benefitted directly from these programs.

Listening to the panel this morning and contemplating the panel this morning, it is clear that there is no shortage of challenges before this group and that this reauthorization takes on great significance and great challenge. It presents an opportunity for needed improvements and for change. As we look ahead, I hope we can recognize that although the basic structure for Federal student aid does, I think, work very well, new pressures, new challenges and new demands create an impetus for change and perhaps even a consensus for it.

One of the priorities that are new involves the needs of middle income families who are struggling to manage the costs of college today. Today's middle income families find that their purchasing power has been much eroded over the last decade. Many economists have pointed out that it is only because of the advent of two working parents that middle income families over the last 10 years have been able to keep pace not just with college costs but with the basis costs of living.

I suppose the question to think about since this option has already been exercised for so many families is what lies ahead for the next 10 years. How will middle income families cope inasmuch as in many cases, most are already represented by two parents who are working.

A recent study by the consortium on financing higher education helps suggest how some of these trends impact on the college enrollment decisions of today's students. I will just point out a couple of findings from that study. It is describing some depth in my written remarks. I suppose the key finding is that over the last decade there has been a steady and predictable drift of middle income families away from high tuition colleges and universities. Interestingly enough, this drift is not isolated just to independent colleges, but also at the State flagship universities across the country, we are seeing these trends as well. So it clear as we see this drift that middle income families are finding it more and more difficult to manage the expenses that are before them.

I must tell you that there is not a day that doesn't go by in my life where I do not see firsthand and appreciate in real terms the enormous sacrifice that parents are making to send their children to college today.

At Washington University, about 60 percent of our students are receiving financial aid. Most of these students are receiving assistance through the Federal programs. Significantly, most of them are also receiving university-provided assistance, which over the last decade or so has increased exponentially in the face of the demand for assistance and the relative flat growth of Federal and State programs. About 90 percent of our students received university scholarship funds that complement the Federal programs that they are utilizing. We view the cost in providing this assistance as an educational expense that is important for us, for our students who in turn become one of our greatest assets. So we are investing in them but to a significant extent as is demonstrated on a chart in my written testimony that shows over the last 10 years how our program has grown in relation to the Federal and State programs. On page 10, you will see that institutional grant dollars have grown from \$5 million in 1980-81 to nearly \$20 million in the 1990-91 academic year.

Despite this enormous commitment to student aid, the university's resources are limited, the demand for them is intense. Even with the scholarship program briefly described, we are unable to fully meet the needs of all students who come to us for assistance.

Given this backdrop, I think there are several priorities that I would urge the Congress to consider as it contemplates this reauthorization.

First, access to student and parent loans under attractive terms with increased borrowing limits is essential for today's students and their parents. Unlike the aggregate data that I know troubles the members of Congress which suggests the enormous grant loan imbalance at place overall, the fact is that at a place like Washington University, there is no grant loan imbalance. Our students are borrowing at levels very consistent over the past 10 years and have not seen their loan levels increase nor has the relationship of the debt burden to their income increased over time.

In great part, this is due again to the significant commitment of grant dollars that we provide to our students in order to make it possible for them to enroll and in our efforts to package assistance that is sensitive to the debt obligations that students will incur. The fact is that student loans work for students at Washington University. They are the single most important form of Federal student assistance for our students.

The second point: The nature of the Federal student aid system must continue to be needs-based. The needs assessment must reflect the unique diversity in college and the differences in college costs as well. One could envision that within an overall needs-base structure, there might be refinements and new ways to think about program eligibility for such programs as Pell grants, the campus-based programs and the Stafford loan. In fact, one definition of middle income students would be that middle income for Federal student aid purposes begins where Federal eligibility for the Pell grant program ends. In this sense, one would think of the Pell

grant program as it has traditionally been viewed as the basic level of assistance for the most needy students in our country and that once that level of need has been addressed, other programs would be created, other eligibility would be created for programs that can impact the needs of other kinds of students. In this regard, for instance, it would be useful to consider a change in the Stafford loan program eligibility that would indeed exclude the treatment of liquid assets, nonliquid assets, home especially, and farm assets from the calculations of a student's eligibility to borrow. As has been pointed out, many middle income families with assets of this kind have been closed out of this program when students of this kind are often best served through the loan program.

The third point: The campus-based programs must be maintained. These are the document programs that make the most difference for our students seeking to enroll in high tuition schools and improvement in SCOG to contemplate would be to give institutions who have demonstrated strong retention and graduation records increased allocations in order to provide larger grant amounts from the Federal Government for students in their junior and senior year. In this year, it is to recognize the academic performance, academic persistence and success.

Finally, if there were only one recommendation for middle income families that I could make, it would be that Congress take the leadership in developing a meaningful, well-planned national college savings program. Such a program would offer families secure investments, a reasonable rate of return in relationship to the inflation and college costs, unlimited college choice.

One idea which admittedly is perhaps controversial, perhaps falls under the category of radical reform, would be to try and fold the problem of the guaranteed student loan default costs into the problem of a need for college savings. To blend these two problems together and to create a long-term solution that would address each problem. In such an arrangement, parents and other investors would finance loans to needy students utilizing the Federal subsidy structure now in place for the Stafford loan program, introducing institutional risk sharing would do much, I think to restore some integrity to the program and to limit the costs of the Federal Government for defaults. Federal subsidies, rather than flowing as incentives to commercial lenders to provide commercial credit to students would instead flow to families and students to encourage them to stay for college.

I have attached a discussion paper to my written remarks that go into this at some greater depth.

These are some thoughts on middle income families and the difficulties they are facing in sending their children to college. A meaningful Federal response can be focussed on immediate and I think short-term issues as well as longer-range aspects of this.

I am finished and very pleased to answer any questions that you have.

[The prepared statement of Dennis J. Martin follows:]

insert # 7

REMARKS BEFORE THE HOUSE SUBCOMMITTEE ON POSTSECONDARY EDUCATION
HEARINGS ON THE REAUTHORIZATION OF THE HIGHER EDUCATION ACT
MAY 9, 1991, WASHINGTON, D.C.

I am Dennis J. Martin, Assistant Provost and Director of Financial Aid at Washington University, in St. Louis, Missouri. I am very grateful for the opportunity to appear before members of the House Subcommittee on Post-secondary Education as part of the series of hearings on the Reauthorization of the Higher Education Act. My 16 years of experience in administering student financial assistance programs has allowed me to see, first hand, the leadership this body has brought to educational policy in this country. To Chairman Ford and Congressman Coleman in particular I express my appreciation on behalf of the countless students who I know to have benefited greatly from the student assistance programs you have supported over the years. In the current climate we too often overlook how instrumental federal student assistance has been in transforming our society. Despite well documented problems, the basic configuration of student aid in this country works.

Introduction

For reasons that I believe become clear as we listen to the panelists called before the Subcommittee today, this Reauthorization presents the occasion for much needed change and improvements in student aid. As we look ahead,

we must recognize that although the basic structure of federal student aid has worked in the past, new pressures, new challenges, new demands create an impetus, perhaps even a consensus for change. The challenge before the Congress, it occurs to me, is to marshal a vast, comprehensive agenda that touches upon a wide variety of economic, domestic and educational priorities that demand our attention.

One of these priorities involves the needs of middle income families who now struggle to manage the costs of college. The higher educational pursuits of children from middle income families, the traditional college-going student, are now greatly influenced by concerns about the cost of going to college. Today's middle income student typically comes from a family with two working parents, who have had little opportunity to have saved for college, who have limited investment expertise, most often more than one child, and who are likely to have modest retirement benefit plans.

In discussing the needs of middle income families it is important to depart from this premise: there is no question that the federal emphasis (particularly in a program such as the Pell Grant) should be on the most needy and economically disadvantaged students. We should also stand firm on the fundamental policy objective that no student be denied access to his or her higher educational pursuits on the basis of financial factors alone. This ideal has long guided public and institutional policy efforts. It is not always attainable, given the limits of resources and the intense demand for them; but I believe it is the ideal to which we should continue to aspire.

Issues Facing Middle Income Families

With respect to the needs of middle income families, there seems little doubt that sending a child to college can be a financial hardship. Articles with titles like these call attention to the problem: "Working Class Students at Selective Colleges: Where Have They Gone?" ("College Board Review", Winter 1987-88, Hassan and Reynolds) and "Caught in the Squeeze: Financial Aid and the Emotional Middle Class" ("College Board Review", Winter 1990-91, Quinn). The popular media, be it television, radio, newspapers and such periodicals as "Money" magazine, have seized upon this subject. Perhaps one of the clearer articulations of this problem comes from Dr. Frank Levy, professor of economics at the University of Maryland's School of Public Affairs. In an article published in the Summer 1989 "College Board Review", Dr. Levy makes this point:

From the end of World War II through 1973, median family income grew steadily, never going more than three years without setting a new record (in real terms). In 1947, it stood at \$14,868 (in today's dollars). By 1973, it stood at \$30,966. In the intervening years, income inequity was not changing much ... but the middle class was growing because the whole income distribution was moving to a higher ground. My income doubled; your income doubled; inequality between us (and the shape of the income distribution) was not changing dramatically, but we were both better able to afford a single-family home, a car, two cars.

a washer and dryer, and the other trappings of a middle class life. The middle class was growing because more people were able to purchase a middle class lifestyle.

After 1973, incomes stagnated. Being in the middle of the income distribution no longer guaranteed a middle class lifestyle and fears of a vanishing middle class began to spread.

Dr. Levy goes on to point out that since 1973 individual wages and salaries indeed stagnated, but living standards did not. Importantly, the demographics of the work force changed, as "large numbers of women entered the labor force; the biggest baby-boom cohorts came of age and entered the labor force; and these later baby-boomers married relatively late and had small families."

Despite the seemingly tranquil period of low inflation and low unemployment in recent years, middle income families find their purchasing power is much less than that of middle income families in the early 1970s. This rings especially true in terms of paying for college. Many economists have pointed out that the only way families have been able to make ends meet over the last ten years has been to rely upon a second income. Indeed, among Washington University financial aid recipients the majority of students come from households where both parents work. The earning power of these households has suffered a good deal in the last ten years, but more importantly, what prospects do the next ten years hold? How will middle

income families, many of whom already have both parents working, cope in the future?

A recent study conducted by the Consortium on Financing Higher Education (COFHE) illustrates how these trends impact upon college enrollment decisions of middle income students. The report, "Tracing the Economic Backgrounds of COFHE Students: Has There Been a Middle-Income Melt?" includes an examination of national income distribution data for families whose children are in the college going age. In comparing 1979 data with projected incomes for 1989, the researchers "find an increase in the proportion from below middle income families of 8 percentage points, a decline in the middle income proportion of 2 percentage points, and a decrease in the proportion above middle income of 6 percentage points." (Schapiro, O'Malley, Litton, 1990)

We have a compound problem. Not only has the purchasing power of the middle class diminished; in more recent years, upward mobility has been halted and even declined. These trends impact the college decision making process in very meaningful ways as the COFHE report points out:

- (1) *Over the last decade the percentage of students from middle income families enrolling at the high tuition independent institutions has declined. (Family incomes of \$40,000-\$60,000 are the focus of this finding.)*

- (2) *A substantial proportion of this decline is due to the decrease in such families in society at large.*
- (3) *State flagship universities, as opposed to smaller state regional colleges and universities, have also experienced decreases in students from middle income families, thus paralleling the trend at the higher tuition independent institutions.*
- (4) *Despite the fact that current financial aid programs are effective in making high cost education affordable for middle income students, many do not apply to these institutions because they over-estimate the costs.*

In my opinion, information about the availability of financial aid and making the case for higher education in cost/benefit terms for students and parents is a job for colleges and universities, not the federal government. However, beyond this basic informational level, the reports described above document the economic strain middle income families confront in sending their children to college. This is a very real factor that requires federal attention.

A Brief Description of Financial Aid at Washington University

There is not a day that goes by without my realizing the enormous sacrifice students and parents make to fulfill higher educational pursuits. Washington University is a high cost school. Our tuition in the coming

academic year is \$15,950. Our total costs range from \$22-\$24,000 per year. Despite these costs, our enrollments have held steady. In part this is due to a successful financial aid program that combines federal and state funds with significant institutional resources. In the 89-90 academic year, approximately 60% of our undergraduates received some kind of financial assistance. Of those who received any kind of aid, 13% received an SEOG, 18% a Pell Grant, 41% a CWS job, 55% a Perkins Loan and 55% a Stafford Loan. Most of these students receive assistance from more than one federal program. These data suggest the importance of the federal programs in enabling students to help themselves meet our costs by working and borrowing.

The majority of aided undergraduates (nearly 90%) receive Washington University scholarship funds. The partnership between federal student assistance and institutional support is the key underpinning of our financial aid program. We view our cost in providing financial aid as an educational expense and an investment we make in our students, who in turn become one of our greatest assets.

At Washington University, because of our institutional commitment to scholarship aid, the grant/loan imbalance that is well documented in national aggregate terms does not exist. Despite increases in our costs, the Stafford loan borrowing level (in terms of numbers of students and amount borrowed) has remained flat and has actually declined over the last ten years as shown in this table:

-7-

Washington University
Undergraduate Stafford Loan Activity

<u>Academic Year</u>	<u># of Students</u>	<u>Total \$</u>
80-81	1,924	\$4.2 million
81-82	2,380	\$5.7 million
82-83	1,957	\$4.7 million
83-84	1,973	\$4.7 million
84-85	2,166	\$5.2 million
85-86	2,064	\$5.0 million
86-87	1,948	\$4.7 million
87-88	1,816	\$5.1 million
88-89	1,670	\$4.8 million
89-90	1,684	\$4.9 million

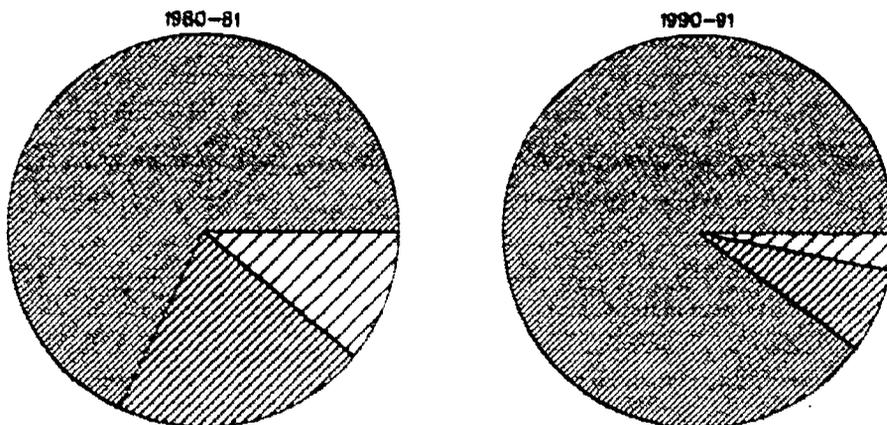
More importantly, our analysis of cumulative undergraduate debt of our students relative to projected starting salaries demonstrates that, on average, the debt/income ratio of our graduating seniors is unchanged over the last six years. Our low default rate attests to the integrity of our students, the quality of their undergraduate experience and suggests as well a greater capacity for student loans to help them and their families meet our educational costs. Above all else, these data remind us that the Stafford Loan program, from the perspective of Washington University students, is the single most important form of federally sponsored assistance today.

The critical factor in maintaining manageable debt levels and the grant/loan balance is the dedication of institutional resources in the form of scholarship assistance to our students. It is well known that the purchasing power of federal grant aid has steadily declined, especially from the perspective

of independent colleges and universities. To maintain enrollments and especially to promote academic quality and diversity in our student body, we have no choice but to increase our funding of scholarships for needy students. As the following charts illustrate, Washington University now dedicates significantly more of its own resources to its student aid program than was the case a decade ago, when federal grant support had greater impact for our students. In the current academic year, 90% of the grant support Washington University undergraduates receive is from University controlled sources. Federal grant support (Pell and SEOG) makes up 7% and Missouri State Grant support about 3%. In the 80-81 academic year, Washington University funds represented 68% of the total, Pell and SEOG represented 21%, and the Missouri State Grant represented 11%.

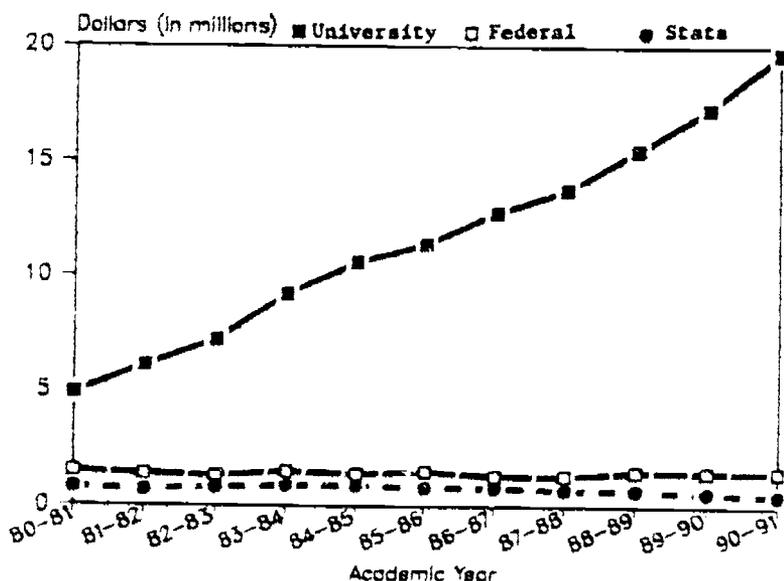
DISTRIBUTION OF SOURCES FOR UNDERGRADUATE GRANT AID
 FEDERAL, STATE AND WASHINGTON UNIVERSITY SOURCES
 ACADEMIC YEARS 80-81 AND 90-91

▨ University □ State
 ▨ Federal



Arrayed in this manner, these data reflect the relation of institutional, federal and state grant assistance at an institution like Washington University. A more dramatic representation of the institutional commitment to financial aid is seen in the following chart which plots the dollar volume (in current dollars, unadjusted for inflation) of these aid sources over the same timeframes. Over the period examined, federal and state aid sources are relatively flat while institutional funds climb from nearly \$5 million in 80-81 to nearly \$20 million in 90-91.

EXPENDITURE LEVELS, CURRENT DOLLARS, BY UNDERGRAD AID SOURCE
FEDERAL, STATE, WASHINGTON UNIVERSITY SOURCES



In addition to these features of our student financial aid program, the University has developed and expanded an innovative financing plan that can be used by parents to manage our costs over a ten year period with added protection against yearly inflation. Our Cost Stabilization Plan has become the model for similar programs at other high tuition institutions. Importantly, CSP has become a financial vehicle for many middle income families.

However, despite this enormous commitment to student aid, the University's resources are limited and the demand for assistance is great. Even with the scholarship program described above, there are some students whose financial needs cannot be fully met. Middle income students are especially hard hit by the fact that annual and aggregate student loan levels have not been increased in several years while, over the same time, eligibility criteria has tightened. Not all middle income parents can participate in innovative financing programs; not all have adequate assets for college needs as well as retirement and other family needs. Families with multiple children in college, especially those who value the education offered by independent colleges and universities, face significant difficulties and often demonstrate high levels of need. The frequency of divorced and single parent households presents a host of unique and difficult problems for students from middle income families.

The Federal Role in Assisting Middle Income Students:Immediate, Short Term Policy Issues

Given this backdrop, there are several immediate, short-term priorities I believe the Congress should consider in this Reauthorization. These are listed below, in the priority order I believe appropriate:

- (1) Access to student and parent loans, under current, attractive borrower terms with increased annual and aggregate amounts, is essential.

Whether the vehicle for this is the current Stafford Loan/PLUS structure--which has the obvious appeal of using federal funds to leverage much greater amounts of commercial credit for needy college students--or a new direct loan program--given the opportunities provided by credit reform legislation--is an important policy question requiring further consideration and debate. *Either way, the fact is student loans, as they are currently configured, work for students attending institutions like Washington University. Students need access to loans under reasonable repayment terms; they show great willingness to invest in themselves and their education; almost all of our students repay their loans (the latest USED Stafford default rate for Washington University is 1.8%); when asked, our borrowers express appreciation for the opportunity to have borrowed. As mentioned earlier, Stafford Loans in particular have become the most effective form of federal assistance for our undergraduates. We cannot afford to lose this ground.*

- (2) The nature of federal student aid must continue to be "need-based" and the need assessment must reflect our unique diversity in college going options as well the differences in college costs. Within the overall need analysis system, specific program eligibility criteria can and should be developed to better target federal programs. It could be argued, for instance, that Pell Grants as the foundation level of assistance should be directed to neediest students. This is the long-standing tradition of the program. A working definition of "middle income" for federal student aid purposes might be that middle income begins where Pell Grant eligibility ends. In this way, remaining in a need-based context, programs like SEOG and Stafford GSL in particular can be most effective.

Considering program eligibility in terms like this might be useful in creating new opportunities. For instance, in the case of Stafford GSL the removal of home and farm assets from the computation of eligibility would provide much needed and significant relief to middle income families who often find themselves excluded from the current federal student aid system due to the assessment of non-liquid assets.

- (3) The Campus-Based programs, SEOG, CNS and Perkins NDSL must be maintained. These are the federal programs that make the most difference for students seeking to enroll at schools like Washington University. Recent data compiled by ACE from the 1990 National Postsecondary Student Aid Study demonstrates that, overall, 27% of Campus-Based funds

go to students from families with incomes above \$30,000; at independent colleges and universities 46% of these funds help middle income families. Any federal policy interest in assisting middle income families must incorporate the longstanding and effective Campus-Based programs.

Not surprisingly, disproportionate numbers of our disadvantaged and minority students benefit from SEOG which allows us to package greater levels of grant assistance (each year) than we would otherwise be able to provide. These students, who have strong academic credentials, typically receive total grant assistance in the area of \$10,000 with \$2,000 of this being an SEOG and the rest comprised of a smaller Pell Grant and the balance being institutional assistance. Many of these students come from middle income families.

An improvement in SEOG to be considered would be to give institutions with strong retention/graduation records increased allocations in order to provide larger grant amounts for students in the junior and senior year--backloading, if you will--to recognize and reward persistence and academic progress.

With our loan collections under the Perkins program and annual federal capital contributions, we generate approximately \$4 million each year for needy undergraduate and graduate students. If this program were

eliminated, what form of assistance would be available to replace these funds?

College Work-Study promotes retention, offers students much needed term-time earnings and maintains an age old principle of working your way through college. Given the increases in costs it is no longer feasible to expect students to do so entirely on their own ... but in fact many students work hard to finance their college costs, in large part thanks to the federal support available under CWS.

The Federal Role in Assisting Middle Income Students:

Longer Range Policy Issues

If there were only one recommendation for middle income families I could make for this Reauthorization, it would be that Congress take the leadership in developing a meaningful, well planned national college savings program.

Since the days of Duquesne University's effort to offer a tuition guaranteed payment plan, to the state of Michigan's attempt to do so on a state-wide basis, we have learned a great deal. Institutional and state-specific plans have sputtered and failed because they are by definition too narrow in focus and counter to the wide reaching options and offerings fundamental to higher education in the United States. The notion of guaranteed tuition--specific to certain institutions--has also been a troubling part of these programs.

Despite the public appeal, such guarantees often impose severe risks on states, institutions, and ultimately taxpayers.

What's needed then is a national college savings program, offering families secure investments, reasonable rates of return in relation to college cost inflation, and unlimited college choice. Families, especially middle income families, need incentives to save. With a nation-wide program, one could envision a college fund that would invest large pools of money, which could be highly diversified and well managed.

We labor about how we might deal with college savings of this order on the need analysis side of the equation, but I'm convinced this is putting the cart well before the horse. Once the initiative is seized to develop a national college savings plan, how we deal with its results will become a much more tangible issue to resolve. Clearly, some incentives should exist to encourage college savings.

There are many ways to think about a college savings plan. One idea would be to fold the problem of Stafford GSL costs and defaults and the problem of college savings together to create a long-term solution that speaks to each. The attached discussion paper outlines such a proposal in greater detail. The concept calls for the creation of a national student loan bank that borrows from parents and others (who are encouraged to invest in a college savings program) and lends to students under terms similar to those of the current Stafford GSL. We believe such a program could be implemented

without any new federal costs, and that introduction of institutional risk sharing for student loan defaults would be one important means of improving the overall federal student aid system.

These are some ideas about the challenges middle income families face in sending their children to college. A meaningful federal response can be focused both on immediate, short-range issues and longer term solutions.

Fortunately, we do not need to start from scratch but can build instead upon the solid foundation of federal programs that have helped millions of students since the Higher Education Act was first conceived. The time is right for improvement, change and innovative leadership. I very much appreciate the opportunity to discuss the needs of middle income families and how a federal response might be directed. I'd be happy to address any questions. Thank you.

DJM/LET

May 1, 1991

USING COLLEGE SAVINGS TO FINANCE STUDENT LOANS

Among the toughest questions in higher education finance are how do we reduce defaults in the expensive and seemingly intractable federally guaranteed student loan program and what can be done to encourage families to save for the growing costs of a college education. The answers may lie in a coordinated solution.

THE CONCEPT

The Loan Problem. The number of borrowers who fail to repay their Stafford guaranteed student loan program continues to soar. Consequently, federal costs escalate. To reduce federal costs related to defaults greater risk sharing is essential. The federal government alone can no longer be expected to shoulder the sole burden when borrowers fail to repay. Recent efforts to tighten program regulations may, in time, produce marginal results. But, regulations, as detailed as the government tries to make them, will never replace appropriate self-interest. It is critical that lenders have a financial stake in the security of the loan. Representatives from these financial organizations, however, are uniform in their rejection of the notion that they should share some of the default risk. They complain that the profit in the program is only marginally sufficient to keep them involved and if they were forced to assume some part of the risk, students from the poorest families would have less access to capital.

The Saving Problem. Not all families can afford to save for higher education. For those families whose current income just meets current expenses, a public college savings policy can do little. However, for many families the major obstacle to college savings is the existence of an adequate savings vehicle -- one which is safe and offers a rate of return that will exceed inflation after taxes are paid. Surprisingly, it is not very easy for the average saver to find such an investment. Bank accounts, for example, now return about 5 percent. If a family is in the 28 percent bracket and pays a 6 percent state income tax, the net return to passbook savings is only about 3.4 percent. After subtracting an inflation factor of 4 percent, the families real return is **LESS THAN ZERO**. The recent revisions to U.S. EE Savings Bonds are welcome and demonstrate a real interest on the part of policymakers to address this concern. However, for most middle income families, the opportunities are limited. In spite of the addition of a tax subsidy to some savers, the return is modest. And even with this extra tax advantage, the appreciation of the bonds is not likely to keep up with college costs. Historically, families would still have been far better off investing in their homes.

In fact, by examining the financial markets from 1926 to 1990¹ it is clear that no fixed income investments -- even corporate bonds -- keep pace with inflation after 25 to 30 percent is taken out for taxes. Is it necessary to subsidize college savings if we want to offer families an attractive yield? In general the answer would be yes except that the Stafford Student Loan program may offer a unique opportunity.

Solution. The creation of a student loan bank that borrows from parents and lends to students could help resolve both problems without any additional cost to the government. The first step would be to charter a national college savings bank. The bank's mission would be to loan money to students. Its source of capital would be families who want to save for college. Currently, the federal government guarantees that financial organizations participating in the program will earn a rate equivalent to T-Bill + 3.25 percent and the government fully insures the loan. This proposal calls for that same rate of interest but participating colleges and schools would co-insure 15 percent of the loans. Although commercial lenders have rejected sharing the risk, educational institutions have an interest which extends beyond the loan transaction. Schools and colleges want to insure that qualified students have access to capital. Consequently, these institutions should be willing to co-insure some reasonable part of the loan.

If the bank earns T-Bill plus 3.25 percent on its loans, it could pay parents T-Bill plus 2 percent on their savings. Today that would be about 8 percent -- 3 percent over bank deposits and 1 percent over US Savings Bonds. After factoring in a 4 percent inflation rate and taxes the net return would be about 1.4 percent. From the 1.25 percent spread that the bank earns (T-Bill + 3.25 minus T-Bill + 2), 1 percent would be used for administrative expenses and .25 percent would be used to create a default reserve.) This default reserve would be pro-rated on an institution's specific basis to be used in meeting the institution's 15 percent share of default commitments.

The new loan program could be essentially transparent to student borrowers. That is, the terms could remain exactly as they had been under the Stafford Loan Program. However, it would probably be worthwhile to use the momentum of reform to make modest improvements. For example, the length of the loan could be extended and an option for "balloon" payments could be offered to graduates who expect their repayment ability to grow with time. These changes would permit such needed increases in the yearly and maximum loan limits for qualified students.

If a saver withdraws the funds for non-postsecondary education expenses, the rate of return they would earn would be

¹. Stocks, Bonds, Bills and Inflation: 1990 Yearbook.
Ibbotson Associates, Chicago: 1991.

lower than that earned for college savings, say T-Bill - 2 percent. The windfall profit that the bank would have earned can be re-directed into a need-based student aid plan for participants. This provision would raise the return earned by families least able to pay for college expenses and would help deflect the criticism that parents who save for college risk losing student aid.

CONCLUSION

The above discussion just sketches the plan. All of the parameters can be changed including the possible addition of tax advantage. The essential notion is to make greater use of current government funding, and to provide both greater access to credit financing to current students and meaningful savings incentives to parents and others in anticipation of future college needs. All of this can be done while creating some significant savings for the federal government by reducing loan defaults.

NATIONAL COLLEGE SAVINGS/LOAN BANK

The following discussion begins with the assumption that the described National College Savings/Loan Bank would serve as a replacement for the current Stafford Guaranteed Student Loan program. In this scenario, Stafford Loans would be phased out, without penalties to borrowers or institutions, and the new program would be phased in. Other approaches could be taken. It's conceivable, for instance, that the current Stafford Loan program and the new program could co-exist. If this were the case, further elements in the new program would be required. These would include incentives for colleges and universities to participate and more attractive terms for students in the new program. For purposes of this discussion, however, we assume that the new program is intended as a replacement.

QUESTIONS/ANSWERS

(1) How would the program be phased in?

In the year the new program is established, all first time borrowers would be directed to the National College Savings/Loan Bank. Renewal borrowers would continue to receive loans through prior established lenders until such time as the student's educational program is complete, or further borrowing is not required. In four to ten years, commercial lenders would be phased out.

(2) How would capital be raised for student loans, estimating a need of about \$10B-\$15B at a steady state level, four years out (estimate \$3B in year one, \$5B in year two, \$7B in year three)?

Deposits by savers would be the primary vehicle for raising capital for loans. Assuming rates (and tax benefits for college savers) are attractive, savings activity could be adequate to meet the demand for loans. In addition, student loans could be made on the basis of a line of credit in which institutions of higher education would be invited to invest in the program. In this arrangement, institutions would provide working capital, earning interest on the investment at T-bill +2%. As an example of how this might work, a consortium of independent private colleges and universities, with adequate financial reserves and a social commitment to make financing of higher education accessible to a wide range of students at all institutions of higher education (public or private) could provide significant capital, up front. Thirty such institutions, investing \$50M per year would generate loan capital of \$1.5B per year.

Public institutions interested in joining in this endeavor could use their "foundations" for the purpose of investing in student loans.

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(3) How would the 15% institutional default coverage work?

Under this proposal, institutions agreeing to participate would commit to finance up to 15% of the loan dollars of borrowers in default. In calculating this amount, the institution would be liable only for the amount of loans in default used by the borrower at that institution.

The 15% represents the maximum institutional exposure. A small portion (.25) of the routine Special Allowance Payment the National College Savings/Loan Bank earns would be used to create an ongoing default reserve that would be proportionally available to institutions (based on the current percentage of borrowers they enroll) to cover default costs before the institution is required to cover any of these expenses.

This offset would enable a wide range of institutions to participate, although any institution could select not to participate in the program. The 15% default exposure is a small price to pay, even for the lowest cost (most highly subsidized) institutions. For public institutions, to the extent it is necessary, state appropriations can be earmarked for this purpose.

(4) In the case of private colleges and universities, would estimates for defaults be booked as contingent liabilities?

Yes. Each institution would have to determine the likely default rate of its students and establish an appropriate reserve.

(5) Does a National College Savings/Loan Bank create a huge, federal bureaucracy?

Quite to the contrary, a structure can be envisioned that would operate most efficiently. Important delivery features such as electronic funds transfers, the establishment of a line of credit for drawdown of funds to institutions before the loan application process is complete, and other features such as these would permit students to have access to loan funds for tuition payments when they are needed, without long delays and frustrating procedures.

(6) What would the role of state GSL agencies be in such an arrangement?

There is nothing in this proposal that would prohibit state GSL agencies from functioning as they do now. Indeed, while the lending would be centralized at the federal level, important operational efficiencies are possible utilizing the strengths of state agencies and their localized attention to students and institutions.

(7) What about the current origination and insurance premium fees?

At the outset, such fees to students would remain in place in order to guarantee adequate capital reserves to the National College Savings/Loan Bank. In time, perhaps after only one year, such fees would be eliminated and students would realize significant cost savings.

DJM:mcb

Mr. SERRANO. I have no questions. I want to thank you both for your presentation. The picture you gave us accurate.

I do have one concern. It is probably a question that we should be asking ourselves. What do you think will be the reaction to secure more support for the families that you are talking about? What do you then think will be the reaction on the campuses, and in State organizations, and communities throughout the country as we move in this direction, if that is what we attempt to do? Since we, in this country always seem to somehow manage to either intentionally or not intentionally pit one group against the other. If we move more and more in this direction as many of us feel that we should, do we run the risk of running into trouble with other segments of the community which will claim that we are dealing with a community that should not be dealt with?

Mr. MARTIN. I appreciate the question and the problem. The way I look at it would be to suggest that it need not be an exclusive solution that you craft. That instead we must recognize that the fundamental role of the Federal Government's programs really should be directed to students who demonstrate financial need. There should be a great effort to help the lowest income and disadvantaged students in this country. We should not shirk that responsibility. But we should recognize that there are other challenges and other dimensions to this problem as well.

My own view is that by carefully crafting the Federal programs in a way that speaks to these various problems, we can do a better job with some significant new money, but perhaps with better reorganization of the current money in ways that help a wider net of students who have financial need and accomplish multiple interest that the Federal Government has.

Sister MATESICH. We do have some suggestions that you will be looking at in more detail later. For example, for a restructuring of the Pell grant program, yes, it will cost some more money, but not as much more money as one might anticipate giving the more effective way it will address the needs of students. This restructured Pell grant would help some of the families that I am talking about here. Removing the nonliquid assets, a certain significant portion of a family farm or a family home from the needs analysis would have an effect that would be of assistance to a broad range of families.

So it is difficult in a time of limited resources to figure out how to allocate those resources in an appropriate manner. But I think what has happened over the past 10 to 12 years is that this whole segment of the population has been cut out of access of assistance that they desperately need. This is kind of the core of the population. I think if you look at some studies, it is really the first generation college students in many cases. The students from middle class, lower middle class that are the school teachers, the social workers, the people who are committed to helping other people like their own families move ahead and move on up farther into the middle class. I think we are going to lose a lot if we make it difficult or impossible for these families to have their children in college. So it is a tough problem but I think you have to tackle it.

Mr. SERRANO. Even though it is a tough problem, you both, agree that if we craft it properly, if that is what we choose to do, we do not need to get into a competition between two people in need.

Well, thank you very much. Thank you.

Our next panel is panel three: Dr. Reggie Wilson, Senior Scholar of the American Council on Education, Washington, DC; Mr. Cesar M. Trimble, Vice President Hispanic Association of Colleges and Universities, Washington, DC; Dr. Ann L. Bryant, Executive Director of American Association of University Women in Washington, DC; and Dr. Robert A. Corrigan, President, San Francisco State University, San Francisco, California.

Thank you so much for joining us and for your patience in waiting. We will begin to my left with Dr. Wilson. Keep in mind, of course, that your comments go into the record so that if you have a 55-minute presentation, you do not need to read every word of it. In fact, we will applaud you loudly if you do not read every word of it.

STATEMENT OF DR. REGGIE WILSON, SENIOR SCHOLAR OF THE AMERICAN COUNCIL ON EDUCATION, WASHINGTON, DC

Mr. WILSON. Thank you, Mr. Chairman.

Thank you for the opportunity to appear again before this committee on the important issue of Higher Education Reauthorization and to be able to speak on behalf of minority and disadvantaged students, particularly focussing my remarks on African-American students because my colleagues on this panel will be speaking to other issues.

The American Council on Education has an Office of Minorities in Higher Education as well as an Office of Women to look at those protected groups who are under-represented in a number of areas. In that regard, we represent all minority groups. But on this particular occasion, we have been asked to focus our remarks on African-American students. I might mention that the American Council on Education does issue an annual status report on minorities in higher education. The documentation of much of my remarks is contained in that report. I have brought some copies of that report for the committee. Others in attendance are welcome to write ACE and purchase those reports for \$10.

In speaking particularly to the concerns of African-American students in higher education, it is important to recognize that there has been progress. I think in order to balance my remarks, it is important to recognize that progress while understanding that African-American students have overcome substantial socioeconomic obstacles and have continued racial discrimination in American society.

Some of that progress can be stated very succinctly. High school graduation rates, for example, have improved from 60 percent to 77 percent. Some of that has been mentioned in the earlier testimony of Art Hockman and Mr. Stedman.

Drop-out rates have diminished considerably. However, they still remain high in inner cities. The national assessment of educational progress scores have steadily improved. We are very pleased with that. SAT scores and ACT scores are at their highest level for mi-

norities, so that the quality of the student body has improved. Blacks are now taking more high school math and science courses than previously, although that is still below the national average. Blacks in college are majoring more in math-based fields than before. Those are all indications of progress that has occurred during the past several decades. Nevertheless substantial barriers continue to exist for African-Americans' higher education. We want to focus on those barriers because they address directly the concerns that have been expressed by other participants in previous panels.

Black college participation rates have declined over the past 15 years, and need not detail that since the first panel talked in some detail about the decline. Art Hockman talked about tuition and economic barriers that prevent minority and low income students to participate. Mr. Stedman talked about college participation rates which agrees with the data that we document in our American Council on Education report. We have also done an analysis by income levels. One of the things that was distressing to us was to find a substantial number of middle income blacks with low participation rates contrary to those of some other groups.

The decline of black males has been alarmingly low. That has been a lower participation rate than for any other group than higher education.

The decline of blacks in teacher education has been particularly startling because that was the one area where African-Americans were represented almost commensurate with their numbers in the population. But that has declined from 12 percent to 5 percent participation rates. Poverty and unemployment rates have increased at the same time that college tuition has nearly doubled in the past 10 years making access for minorities even more difficult. The increased use, and this was not mentioned in the previous panels, but I think it is an important consideration. The increased use by States and institutions of standardized tests has had a significant impact on access for minorities to higher education and the competition for college slots as a consequence of more people applying for college. As Art Hockman talked about, the bumping down consideration that many higher income students because of the increasing cost of education are bumping down into the public flagships which then pushes the competition for low income and minority students. We are also concerned and have spoken to previous panels of the Congress on the increasing incidence of racial harassment.

Finally, our concern about the retention and graduation rates which are below average. We make a number of significant recommendations that are in the testimony and as a consequence, I won't go into all of them. But certainly we support the concerns of others speaking to the increased availability of student aid grants, the necessity of those to cover more of the tuition increases that have been going on for the past several years above the inflation rate and also recognizing that many indeed a substantial plurality of minority students are part-time students and are nontraditional in that sense and not completing degrees in 4 years. In fact, the average that we now use is a six-year graduation rate to be more accurate to the reality of student lives. We support the awarding of minority targeted scholarships. I have testified on the Senate side to

this same issue. We echo the sentiments expressed by Secretary Designate Lamar Alexander that he is for inclusion and not for exclusion. We hope that he maintains that posture in looking at this issue. We are submitting recommendations on minority scholarships to the Secretary. He has asked us to assist him in making those determination . Continued support for expanded Federal programs, such as the trio programs, the EOP programs, which have a 30-year track record of increasing college participation. We know that those programs have had more to do with increasing participation of high-risk students. Also, we think that there ought to be provided incentives for institutions that are making progress and improving retention and graduation rates. Access is not enough. When you find that African-American students on average after 6 years of undergraduate study, only 27 percent have completed a baccalaureate degree, access is not sufficient. We need to concentrate on retention and graduation. Encourage the partnerships between 2 and 4 year institutions that will increase minority student graduation. An excellent example is the partnership, for example, between LaGuardia Community College and Vassar College. That has significantly improved student completion of 2 year programs and graduation from 4 year programs.

I know you want to move on to the other members of the panel and the other recommendations that we have and the testimony, I think, will be corroborated by some of the other comments. Thank you very much.

[The prepared statement of Dr. Reggie Wilson follows:]

U. S. House of Representatives
Subcommittee on Postsecondary Education
May 9, 1991

Reginald Wilson, Ph.D.
Senior Scholar
American Council on Education

MINORITY ACCESS TO POSTSECONDARY EDUCATION

African American Progress and Barriers

Historical Background

Black participation in higher education in America's majority institutions, in any substantial numbers, is a relatively recent phenomenon. As recently as two decades ago the majority of Blacks in college were in Historically Black Colleges and Universities (HBCUs). However, two revolutions in Federal Initiatives, Supreme Court actions and Congressional laws gave considerable impetus to Black and other minority participation in higher education that dramatically changed both the number of these participants and their geographic distribution throughout American higher education institutions.

Black participation, however, despite its dramatic increase was more tenuous than permanent during this period of expansion. Wilson and Melendez (1988) note most of the increase in Black undergraduate student enrollment was in community colleges from which transfer rates to four-year schools and ultimate attainment of degrees is minimal. Moreover, many Black faculty were in ethnic studies and compensatory programs which were not tenure track positions. Many administrators were directors of TRIO programs and special services.

Table 12-1
Participation in Faculty by Race and Ethnicity
1979

	TOTAL	WHITE	BLACK	HISPANIC	ASIAN PAC IS	AMBL IND ALASKA
NUMBER	491,288	416,703	19,499	6,779	13,896	1,309
PERCENT	100	84.8	4.0	1.4	2.8	0.3
1981						
NUMBER	467,824	439,871	19,678	7,367	14,381	1,431
PERCENT	100	94.0	4.2	1.6	3.1	0.3

SOURCE: U.S. EQUAL EMPLOYMENT OPPORTUNITY COMMISSION. EDUC. WORKS EDUCATION STAFF INFORMATION, 1981

Table 12-2
Participation in Administration by Race and Ethnicity
1979

State / Admin / Mgr	TOTAL	WHITE	BLACK	HISPANIC	ASIAN PAC IS	AMBL IND ALASKA
NUMBER	187,446	168,888	7,809	1,333	979	139
PERCENT	100	90.2	4.2	0.7	0.5	0.3
1981						
NUMBER	158,837	146,899	8,831	1,377	1,207	110
PERCENT	100	92.4	5.6	0.9	0.8	0.4

SOURCE: U.S. EQUAL EMPLOYMENT OPPORTUNITY COMMISSION. EDUC. WORKS EDUCATION STAFF INFORMATION, 1981

Historically Black Colleges and Universities

HBCUs played a unique role in the education of Black Americans that had not been experienced by any other ethnic group, and therefore their history is deserving of separate elaboration to augment the revolutions in Black higher education discussed in the preceding section. Historically Black colleges and Universities (HBCUs) have for over 125 years provided higher education access for the overwhelming majority of Blacks.

Before desegregation these institutions educated the overwhelming majority of Black college graduates in the nation including the majority of physicians, lawyers, and teachers.

During their over one hundred year history, HBCUs not only were the nearly exclusive avenue of access to higher education but, with their nearly open door policies, took in both the best prepared students and many who would not have been readily admissible to any college. And, by disregarding customary admission criteria, were able to successfully educate scholars in defiance of the predictive validity of traditional standardized tests.

Community Colleges:

_____ The substantial portion of the dramatic enrollment increase of Blacks during the 1960s and 1970s had been in the community colleges. The most astonishing

development in post-World War II higher education, the community colleges grew from approximately 200 to nearly 1100 institutions by 1975. Because of their traditionally "open admissions policies," community colleges were more accessible to minorities whose primary and secondary educational preparation was often not competitive for entrance into selective four-year colleges. Moreover, since a majority of these institutions were developed in the northern and western United States, the trend of Black enrollment during the past two decades has increasingly been outside of the south and into community colleges.

TABLE 12-4
RELATIVE BLACK ENROLLMENT TRENDS IN BLACK COLLEGES, WHITE
COLLEGES, AND COMMUNITY COLLEGES FOR SELECTED YEARS
(In thousands)

	1970	1980	1984
HBCU	313	323	313
FWI	881	879	868
Total	1,093	1,101	1,081
HBCU %	28	29	29
C.C. %	41	43	43

Source: Annual Status Report, 1984 (American Council on Education)

Community colleges, while significantly increasing access, did not substantially contribute to increasing baccalaureate degree production because of low transfer rates of Black students to four-year schools. Despite most Black community college students expressing a desire to complete a BA degree, less than 15 percent transfer to a four-year school and fewer still graduate.

Higher Education Desegregation:

When Judge John H. Pratt's order to dismantle 10 previously segregated state higher education systems was upheld by the U.S. Court of Appeals in 1973 (*Adams v. Richardson*), plans were required to be filed indicating how these states

would integrate the student bodies, faculties, and administrations of their public colleges and how they would "enhance" their historically Black colleges. In the nearly 17 years since that order, the states have moved with various degrees of compliance to implement these plans.

The NAACP Legal Defense Fund (LDF), which filed the original Adams suit, maintained that "on virtually every measure, [the] states have failed to meet their desegregation targets" and their goals for enhancing traditionally Black institutions, "goals they themselves set in plans approved by [EDs] Office of Civil Rights." Moreover, LDF charges, "the disparity in college-going rates between Blacks and whites have consistently worsened in the last decade." Black participation has declined at all levels and that decline is compounded by the "states' aggressive efforts in reform at elementary and secondary levels [which] has hurt Blacks' college enrollment; the reform movement has escalated high school graduation requirements without emphasis on getting Black and disadvantaged students into college preparatory tracks." (Education Daily, 1987)

Comparison of total enrollment figures in public institutions between 1980 and 1984 in Adams states indicates that only four states had increased the overall Black enrollment at both two-year and four-year institutions. Those states were Georgia, North Carolina, Oklahoma, and Texas. Alabama and Louisiana had increased enrollments at four-year institutions but those at two-year schools had declined.

Black participation in faculty positions between 1977 and 1983 declined in all but seven Adams states - Florida, Georgia, Kentucky, North Carolina, Oklahoma, Ohio, and Pennsylvania. Black participation in administration for this same period increased in 11 of 19 Adams states - Arkansas, Delaware, Florida, Georgia, Louisiana, North Carolina, Ohio, Oklahoma, Pennsylvania, Texas, and West Virginia

Higher education desegregation did not provide the solution to black access to higher education that some optimists in the 1970s had expected. Indeed, more stringent requirements for access to higher education (higher test scores, more academic courses) have been enacted in the Adams states than in all other states. The imposition of these standards, combined with the Reagan administration assault on equal opportunity programs, has had a substantially deleterious effect on minority participation in higher education during the 1980s. It is important to remember that the Adams ruling on higher education desegregation was handed down in 1973; after litigation most state plans were approved by 1980, with implementation begun in 1982 and 1983. Thus, the actual impact of Adams enforcement in higher education was only felt for about five years before Judge Pratt dismissed the case.

Current Status of Black Participation:

In addition to the impact of the Reagan administration policies, certain other measurable factors have contributed to the declining participation of Blacks in higher education including the following facts:

- Fact: There are more American Indians, Hispanics, and Blacks below the poverty line today than there were ten years ago.
- Fact: Hispanic unemployment is about 50 percent higher than the rate for whites and Black unemployment is two and one-half times as high.
- Fact: The gap in life expectancy between Blacks and whites has grown worse for Blacks since 1984.

Fact: Infant mortality for Blacks has grown worse in the past ten years.

Fact: Despite increasing high school graduation rates for both Hispanics and Blacks, both groups proportional enrollment in higher education has sharply declined since 1976.

The impact of the declines in undergraduate enrollments over the past decade are now having similarly devastating effects on degrees granted to Blacks at the undergraduate, graduate, and doctoral levels.

Table 12.6
BACHELOR'S DEGREE BY RACE/ETHNICITY FOR SELECTED YEARS

	1976		1981		1983		1987		PERCENT CHANGE 1976-87	PERCENT CHANGE 1983-87
	TOTAL	PERCENT	TOTAL	PERCENT	TOTAL	PERCENT	TOTAL	PERCENT		
AFRICAN AMER.	57,122	6.4	60,475	6.5	57,475	5.9	56,234	5.7	-4.3	1.6
WH.	25,624	5.1	24,311	5.2	23,018	4.8	22,499	4.7	-12.3	3.2
WOMEN	11,488	5.8	10,148	7.8	14,437	7.9	14,288	6.7	-1.7	1.2

Table 12.7
MASTER'S DEGREE BY RACE/ETHNICITY AND SEX FOR SELECTED YEARS(1)

	1976		1981		1983		1987		PERCENT CHANGE 1976-87	PERCENT CHANGE 1983-87
	TOTAL	PERCENT	TOTAL	PERCENT	TOTAL	PERCENT	TOTAL	PERCENT		
AFRICAN AMER.	20,245	6.6	17,153	5.8	13,729	5.8	13,287	4.8	-31.8	-0.3
WH.	7,889	4.7	6,158	4.3	5,288	3.7	5,153	3.6	-34.0	-0.9
WOMEN	12,136	8.7	10,975	7.4	8,759	6.2	8,717	5.9	-26.5	-0.5

Table 12.8
TRENDS IN DOCTORAL AWARDS TO U.S. CITIZENS BY SEX, 1975-1988

AFRICAN AMER.	1,225	1,204	1,222	1,212	1,047	922	893	918	822	767	688	55.1
WH.	504	451	409	409	443	413	427	379	322	317	311	-46.7
WOMEN	699	688	553	516	584	509	526	533	505	450	499	-18.8

SOURCE: U.S. DEPARTMENT OF EDUCATION, EQUAL EMPLOYMENT OPPORTUNITY COMMISSION, "DATA ON EARNED DEGREES" (COMPILED FROM INSTITUTIONS OF HIGHER EDUCATION BY RACE/ETHNICITY 1975-87)
U.S. DEPARTMENT OF EDUCATION, CENTER FOR EDUCATION STATISTICS, "DEGREE OF EDUCATION STATISTICS, 1965-87, PP. 122-23"
U.S. DEPARTMENT OF EDUCATION, CENTER FOR EDUCATION STATISTICS, "DEGREES CONFERRED" SURVEYS, 1983, 1987

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The only area where Blacks have shown modest degree increases in at the first professional degree level. However, these increases were insufficient to offset losses at the lower degree and doctoral levels.

Table 12.9
FIRST-PROFESSIONAL DEGREES BY RACE/ETHNICITY AND SEX FOR SELECTED YEARS(1)

	1976		1981		1983		1987		PERCENT CHANGES 1976-87	PERCENT CHANGES 1983-87
	TOTAL	PERCENT	TOTAL	PERCENT	TOTAL	PERCENT	TOTAL	PERCENT		
AMERICAN ANGEL	1,894	4.3	1,971	4.1	1,829	4.3	1,885	4.8	26.3	12.3
MEN	1,016	3.8	1,172	3.4	1,623	3.4	1,206	3.9	-8.9	11.1
WOMEN	878	7.8	1,199	8.1	1,486	8.8	1,338	6.3	133.8	12.7

Focus on Pre-Collegiate Education:

What factors must be addressed in improving Black academic achievement in elementary and secondary schools that will enhance collegiate access?

First, we know that minorities take fewer high school academic courses in preparation for college than do whites.

Second, the quality of education in inner-city and in predominantly minority schools is markedly inferior to that in suburban and middle-class schools. It is still true, as it has always been, that those with the most resources are provided the best education, and those requiring the most help are given the poorest resources and have of them the lowest expectations.

Not only educational practices but teachers attitude and expectations of students differ between schools which are effective and schools which reinforce subordinate status and expectations of failure. These facts remain true despite the massive amounts of money we have spent on school reform in the last decade.

Elementary and secondary schools which are educationally effective adopt a comprehensive approach in which there is collaborative involvement of administrators, parents, teachers and support staff, all committed to improving the school climate, pupil academic performance, and teaching staff development. This includes:

- 1) A learning model is established that is characterized by a set of high, purposive and accelerated goals
- 2) Time devoted to learning is increased by eliminating such chores as school announcements, attendance taking, unnecessary room changes and other tasks which do not contribute to learning.
- 3) Contracts are established with parents to assist in school governance by identifying acceptable school behaviors and enforcing them, while also identifying expected after-school activities that parents will monitor.
- 4) A heavily language-based curriculum underlies all subjects, including mathematics, to increase student conceptual and analytic skills.
- 5) Periodic and systematic assessments are carried out to assure that students are achieving goals and to assure accountability of school staffs.

- 6) In-service training of teachers is established in classroom organization and management, and in techniques of positive reinforcement to increase desirable classroom behavior of pupils.

CONCLUSION

Progress:

It is important to recognize the progress that has been made by African Americans in education while overcoming substantial socioeconomic obstacles and continued racial discrimination:

- o High school graduation rates have improved from 60 percent to 75 percent since 1970.
- o Dropouts have diminished while still being high in inner cities.
- o National Assessment of Education Progress scores have steadily improved.
- o SAT and ACT scores are at their highest level.
- o Blacks take more high school math and science courses than previously, though still below the national average.
- o Blacks in college major more in math-based fields than before

Barriers:

Nevertheless, substantial barriers continue to exist for African Americans in higher education.

- o Black college participation rates have declined in the past 15 years
- o Participation by black males is alarmingly low
- o Decline of Blacks in teacher education is at its lowest level.
- o Poverty levels and unemployment rates have increased

- o College tuition has doubled in the past 10 years making minority access even more difficult.
- o Increased use of standardized tests and more competition for college admissions has also restricted access.
- o Incidents of racial harassment have also increased.
- o Black college retention and graduation rates are far below average.

RECOMMENDATIONS

The national leadership of the Congress in supporting increased access for minorities to higher education has been a courageous beacon to the nation in these times of economic stringency. The Congress needs to continue to send a strong signal that it supports increased access and "inclusion not exclusion" in the words of then, Secretary of Education designate, Lamar Alexander. It needs to make apparent to the nation that it supports diversity initiatives, without quotas, but with clear goals to remove the historic barriers of racial discrimination and poverty to improve the participation of African Americans in higher education. In that spirit, we make the following recommendations;

1. Increase the availability of student aid grants, raise the amount of the maximum award recognizing that many minority students are part-time and do not complete their degrees in four years.
2. Support the awarding of minority-targeted scholarships by states, institutions and private donations on the basis of need and merit.
3. Continued and expand strong support for Federal programs such as

TRIO and EOP which have a 30 year track record of increasing college participation for high-risk poor and minority students.

4. Provide incentives for institutions which make progress in improving the retention and graduation rates of minority students.
5. Reward partnerships between colleges and high schools, and between 2 year and 4 year colleges which increase the minority student graduation pipeline.
6. Encourage innovative admissions strategies - such as nominations of GPA, portfolios, essays and teacher recommendations - that do not rely almost exclusively on standardized admission tests.
7. Continue and expand the support for historically black colleges and universities which have consistently been in the forefront of successfully educating professionals and leaders in the African American community.

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Mr. SERRANO. Thank you, Dr. Wilson.
Mr. Trimble.

STATEMENT OF CESAR M. TRIMBLE, VICE PRESIDENT HISPANIC ASSOCIATION OF COLLEGES AND UNIVERSITIES, WASHINGTON, DC

Mr. TRIMBLE. Thank you, Mr. Chairman.

My name is Cesar Mario Trimble. I am the Vice President of HACU, the Hispanic Association of Colleges and Universities.

In order to perhaps provide a little bit more perspective to the comments, I would like to share with you—

Mr. SERRANO. Incidentally, I say Cesar, but I would never say Cerano because the stenographer would never get. So I do not roll my R's in my name.

Mr. TRIMBLE. I would like to provide some comments about the association and who we are and perhaps who we are not.

The Hispanic Association of Colleges and Universities is a relatively young national association of colleges and universities. We are a coalition of public and private, nonprofit 2 year and 4 year colleges and universities where at the institution the minimum Hispanic enrollment overall is 25 percent.

There are about 112 of these institutions. Typically, they are your less visible type institutions, the community colleges, the Lamar College in New York, the Florida International University, the Texas ANI in Kingsville, the California State University, Los Angeles—lower wealth type a institutions and you can find them in the nine States where you'll find the Hispanic population from California to Texas, Florida, Illinois, New York and New Jersey, the Island of Puerto Rico.

These 122 institutions represent about 4 percent of the colleges and universities, but we enroll almost one-half of all the Hispanics and higher education.

The association exists to promote the development of the member colleges and universities and to improve the educational opportunity for Hispanic students. Part of the way that we attempt to do this is by meeting the needs of business industry and Government to the kinds of resources and products of our institutions.

The reauthorization of the Higher Education of 1965 is taking place, we think, within a brilliant window of opportunity when many demographers and many economists and many futurists have really offered us a challenge that as we proceed into the 21st Century that it is in the Nation's best interest to produce more engineers, scientists, technologists, teachers, health professionals. The challenge has to be mixed with the reality that of the 21st Century, about one-third of the population will be a minority. The reality of the demographics into the 21st century is that that has already happened in some parts of the Nation. In some parts of the Nation, some regions can pretty well be described as being predominantly Hispanic as it is in South Texas and in other States.

The demographics of the Hispanics, I think, have been pretty well documented. I do recommend to all of us—the publication of the American Council on Education, Minorities and Higher Education, it has a special section this year that focusses on Hispanics in

education and the demographics of that Hispanic. Most of the statistics that are in my written comments were referenced from that publication.

I think we all pretty well understand that the Hispanic is the fastest growing minority group. Sometime early in the 21st century, it will be the largest minority group in the Nation. That reality has already happened in some parts. We are a young population. In being young, the birth rates are such that combined with immigration and migration patterns, we will continue at a much quicker pace than the non-Hispanic part of the population.

As this demographic reality continues, there will indeed be more Hispanic serving institutions of higher education—those having the minimum 25 percent Hispanic enrollment.

The Hispanics still exist quite a bit in poverty, low income because as in the Nation, there still remains a close correlation between economic disadvantage and cultural difference. The Hispanic is, in terms of high school graduation, almost one-half do not graduate from high school as compared with about 21 percent of the non-Hispanic population that are non-high-school graduates.

As we take a look at the almost half drop-out rate and we take a look at an almost half or a half graduation rate, we at HACU take a look at drop-out rates and graduation rates with a great sense of concern in that from what we have heard from AT&T and IBM, the Department of Defense, is that many of the high school graduates of today are not ready for the workplace.

Many of the high school graduates today are under-prepared. They are not ready to attempt a college education. If that is the case, then I will submit to you that perhaps the success rates of our schools might be closer to 20 or 25 percent.

The Higher Education Act of 1965 and the reauthorization, the summary comments and recommendations that HACU would like to make is that as a national association of colleges and universities that are Hispanic serving, we strongly encourage precollegiate focus. The failure of Hispanics and other groups in the Nation are not failures that happen at the 10th, 11th, 12th, 13th, 14th or 15th grade. It is because of something that did not happen or something that did happen at the lower grades.

So precollegiate programs are strongly recommended by HACU. Along the same lines, HACU itself has committed itself to a predominantly precollegiate type activity called the Hispanics Students Success program. I have offered a description of that along with my testimony.

Student financial assistance is critical to the types of students that are served by our member colleges and universities. Loans versus grant kind of issues will be coming before you. Also the increasing of the minimum types of grants and the maximum grants, I think, are going to be very challenging in a time that we are faced with addressing program integrity and the kinds of things that we need to do to decrease fraud and abuse. I would caution that as we proceed with those two, that we be careful not to over-react with some issues that might tend to inadvertently hurt a certain group that was not intended by the Congress as we experienced last year and as we are trying to weed through some of the legislative proposals that currently have the potential of affecting

negatively a tremendously large number of limited English speaking citizens and recent immigrants. That is the ability to benefit kind of issue.

Title III. Our recommendation is that you strongly consider initiating Hispanic serving institutions part of Title III. The specific \$30 million appropriation to fund that particular initiative. The history of targeting resources within Title III has been there from the very beginning. The original intent of Title III, and I think that the Hispanic serving institutions initiative and the recommendation is a great complement to the Higher Education Act of 1965.

TRIO. As stated earlier about when failure tends to be experienced is not the reality of where it took place. It is that TRIO in our opinion must be expanded to reach the lower grades. At the very least, the middle schools. Many of the programs that are in place today tend to identify academic successes. We encourage that changes be considered that will help us create academic successes.

Again, I offer that the process that we are all engaged in is taking place within a brilliant window of opportunity for all of us and for the Nation.

I suggest, as in my written remarks, with the closing comment that is a quote from "Workforce 2000." That perhaps if we don't move in the direction of addressing the needs of the Nation, that the brilliant window of opportunity that exists in the 1990s might be missed as we go into the 21st Century and we have to deal with the types of results that that would mean.

Thank you very much from our member colleges and universities. I will be glad to answer any questions that you might have. [The prepared statement of Cesar M. Trimble follows:]

**Testimony
to
The Subcommittee on Postsecondary Education
Hearing on the Reauthorization of
the Higher Education Act of 1965
Washington, D.C.
May 9, 1991**

by

**Cesar Mario Trimble
Vice President
Hispanic Association of Colleges and Universities**

Mr. Chairman and members of the Subcommittee, I am Cesar Mario Trimble, Vice President of the Hispanic Association of Colleges and Universities -- HACU. As director of HACU's Washington, DC office, I appreciate this opportunity to speak with you about some of the critical issues that impact the reauthorization of the Higher Education Act.

To place my observations in perspective, I think it best to first offer an overview of the Hispanic Association of Colleges and Universities. HACU is a national association of colleges and universities where Hispanic students constitute a minimum of 25 percent of the institutions' overall enrollment. The 112 institutions that currently meet this membership criterion are located in Arizona, California, Colorado, Florida, Illinois, New Jersey, New Mexico, New York, Texas and Puerto Rico. These "Hispanic-serving institutions" (HSIs), which are two-year and four-year, public and private, nonprofit colleges and universities, enroll about 45 percent of all Hispanic postsecondary students in the United States.

HACU seeks to establish working partnerships between the member colleges and universities and corporations, governmental agencies and individuals. The HACU goals are:

1. promoting the development of member colleges and universities;
2. improving access to and the quality of postsecondary educational opportunities for Hispanic students; and
3. meeting the needs of business, industry and government through the development and sharing of resources, information and expertise.

HACU was established as a collaborative effort of institutions of higher education to more effectively address, at the national level, the needs of Hispanic students and those institutions which serve them. However, my comments today address not only the needs of Hispanic students and their institutions, but also those that the public and private sectors -- for example IBM, the U.S. Department of Defense and AT&T -- have expressed to HACU as being crucial for the nation to remain competitive in a world economy.

We simply must produce more scientists, technologists, engineers, teachers, and health professionals as we approach the 21st century.

As was reported in *One-Third of a Nation*, "A decline in educational attainment by any substantial population group is cause for deep concern - especially at a time when technological advances and global competition put a premium on trained intelligence, advanced skills, and a high degree of adaptability."

Demographics

Hispanics have emerged as one of the fastest-growing "population groups" in the nation. It is estimated that between 1980 and 1989 the Hispanic population in the United States increased by 39 percent; during the same period, the non-Hispanic increase was 7.5 percent. The total Hispanic population in 1989 was estimated at about 20 million; however, as has been reported, it is difficult to achieve an accurate count of the U.S. Hispanic population. Many who work with Census data argue that Hispanics have been under-counted.

It is important to note that as a population group, Hispanics are younger than their non-Hispanic counterparts. The median age of Hispanics is 25.9 years, while the median age of non-Hispanics is 33.2 years. An important relationship exists between youth, future workforce needs in the nation, and formal schooling requirements.

Hispanics can be found in almost every region of the U.S.; however, by and large, the major concentrations of Hispanics can be found in nine states and Puerto Rico, the same regions where HACU's member institutions are located. These Hispanic-serving institutions are unique in that most were not founded initially to serve Hispanics. Instead, they became "Hispanic-serving" as a result of changing demographics, immigration and migration patterns, and the availability of federal financial aid.

It is predicted that Hispanics will become the largest minority population group early in the 21st century. Likewise, the number of HSIs is expected to increase during the same period of time.

In the United States, there is a close correlation between economic disadvantage and cultural difference, which certainly is the case for many Hispanics. Recent studies report that 11.8 percent of the nation's non-Hispanics live in poverty, while 26.7 percent of Hispanics exist in poverty.

Educational Achievement

The American Council on Education reports that for Hispanics "among adults age 25 and older in 1989...almost half (49.1 percent)...had not finished high school, compared with one fifth, or 21.2 percent, of non-Hispanics."

Numerous corporations and government agencies have communicated the relative importance of high school success to HACU. The issue of academic success in our schools is much more severe than drop-out rates alone would lead us to believe. A 55 percent graduation rate does not accurately reflect a school's academic success rate. It does not account, for example, for the great number of students who graduate from high school, but who are underprepared. Many reports have documented that high school graduates are often not adequately prepared for the work place or to pursue a higher education.

Although the number of Hispanics enrolled in higher education has increased in the last ten years, the overall Hispanic college participation rate has declined. The enrollment patterns of Hispanics continue to be such that they are proportionately in greater numbers in two-year colleges and lower-wealth institutions.

We at HACU believe that the Higher Education Act, through its various titles, is well positioned to meet some of the unique needs of Hispanic students and institutions. Radical changes to current legislation would not be required to achieve progress among those population groups that are in greatest need of improving academic achievement. Toward that end, we recommend the following:

A. Student Financial Aid (Title IV)

The number of Hispanics living in poverty is on the rise; this situation can have only a negative effect on efforts to improve Hispanic educational attainment levels. In fact, the recent decline in Hispanic college participation rates can be attributed primarily to economic factors. In the same decade in which the numbers of Hispanics living in poverty increased, collegiate financial aid programs shifted in emphasis from grants to loans. Tuition rose faster than inflation and, in terms of constant dollars, financial assistance did not keep pace. Economically disadvantaged students had a more difficult time paying college expenses with financial aid.

To assist Hispanic families in finding ways to pay for college educations for their children, HACU supports the revision of federal financial aid policies, specifically,

1. the establishment of the Pell Grant program as an entitlement or of proposals which would allow for more grant aid and less loan aid to the more economically disadvantaged students;
2. the evaluation and modification of current formulae for determining individual student need, to eliminate those features that place undue financial expectations on low-income students and their families;
3. the certification of eligibility for financial aid should be automatic for those who have qualified for Aid to Families with Dependent Children (AFDC) and other federal programs.

HACU recognizes the need for the HEA reauthorization process to address the critical issue of "program integrity." Our member colleges and universities are committed to the elimination of fraud and abuse in the various Title IV programs. However, we recommend that as certain proposals are being considered, the higher education community be consulted. It is possible that a particular proposal might have a negative impact to a group of students that the original legislation had not intended. I offer one case in point. Last year, we experienced the results of several proposals which were intended to reduce loan defaults and abuse. In particular, the "ability to benefit" requirements that are a result of the 1991 budget reconciliation process have the potential to adversely affect many limited-English-speaking (LEP) students.

HACU member colleges that enroll and assist large numbers of LEP and lesser-prepared students are of the opinion that the original intent of the Congress was not to exclude this very important student population from participation in the student aid programs.

Many HACU community and junior colleges enroll large numbers of students in English-as-a-second-language, vocational education, and remedial programs. These students often do not have high school diplomas; some probably could not pass the tests approved by the Education Department right now. But, as a result of their participation in college-sponsored programs, they have the potential to become productive members of society in the future.

B. Developing Institutions (Title III)

Because most Hispanics are products of low-wealth environments, resources are of key importance in meeting the future work force requirements of the nation and in improving the educational success rates of Hispanic youth. Programs to train, educate, recruit and hire Hispanics will have a positive impact on the ability of Hispanic-serving institutions to prepare Hispanic students so they can help the United States advance and prosper in the 21st century.

To enable the Hispanic-serving institutions to meet this challenge, HACU recommends that an HSI initiative within the current Title III program be enacted with a concomitant authorization and appropriation commitment that would result in minimum funding for the HSI initiative of \$30,000,000.

C. TRIO

The various programs under Section 417 (TRIO) are essential to reaching out to low-income, disadvantaged students. We fully support these programs. However, we recommend that their focus be expanded to include students in grades 6-9. The college failure or dropout was not created at that grade level. The 11th grade dropout was not caused at that level. Most school failures are created at the lower grades; therefore, our focus should be at those lower grades.

HACU believes that outreach programs are the means of maintaining Hispanic students in the school systems. Attached to my testimony is a brief report describing the HISPANIC STUDENT SUCCESS PROGRAM (HSSP)-- a comprehensive outreach program designed by HACU that provides services to thousands of students in grades K-14, as well as their parents, their teachers and the community. Although the HSSP is primarily a precollege program, it provides services that encourage school-college partnerships.

We at HACU commend you for facilitating these hearings as we move through the Higher Education Act reauthorization process. We are of the opinion that not much modification is needed in the current legislation; however, we strongly encourage the "strategic targeting" of resources toward economically disadvantaged students and the institutions where those students attend.

These are not issues unique to Hispanic and other minority population groups. They are the issues of economically disadvantaged communities and they are critical to ensuring that the nation achieve its maximum potential in human resource development to meet the challenges of the 21st century.

Given current demographic projections and the future needs of the nation, the process of reauthorization of the Higher Education Act of 1965 is taking place within a window of opportunity. I would like to close today with a quote from *Workforce 2000*:

"If the policies and employment patterns of present continue, it is likely that the demographic opportunity of the 1990s will be missed and that by the year 2000 the problems of minority unemployment, crime, and dependency will be worse than they are today. Without substantial adjustments, blacks and Hispanics will have a smaller fraction of the jobs of the year 2000 than they have today, while their share of those seeking work will have risen.

"Each year of delay in seriously and successfully attacking this problem makes it more difficult. Not only will the jobs become more sophisticated and demanding, but the numbers of new workers entering the workforce will begin to increase after 1993. Now is the time to begin investing in education, training, and other assistance..."

Members of the subcommittee, I urge you to consider the modifications to the Higher Education Act that I have suggested here today to ensure that Hispanic Americans will have access to the nation's higher education system. Through education, Hispanics can take their places as productive members of American society.

Chairman FORD. Thank you very much.

The sound that you heard is that we have to vote. We are going to take a short recess to allow members to go cast their vote on sending some aid to the Iraqi refugees. Then we will be back and proceed.

[Whereupon at 12:10, a recess was taken.]

Mrs. LOWEY. Dr. Bryant, we welcome you to this hearing. You may go ahead.

**STATEMENT OF ANNE L. BRYANT, ED.D., EXECUTIVE DIRECTOR,
AMERICAN ASSOCIATION OF UNIVERSITY WOMEN**

Ms. BRYAN. Thank you. I was wondering about how the pecking order went on this, but now that a woman is in charge, I am glad I am next.

I am Anne Bryan, Executive Director of the American Association of University Women. In addition to our educational foundation, which funds over \$2 million to women in graduate education and also research in K through 12.

Congressman Lowey was referring to our poll and roundtable that we held recently which I am going to get into because I would like to talk a little bit about the Title V elements of this Higher Education reauthorization.

AAUW has 135,000 members in the 50 States and the District of Columbia and a number of other areas. The reason we are happy to be here today is because similar to 6 years ago, AAUW has had a great interest in the Higher Education Act. Our work on the inclusion of part-time students, although that was many years ago, I think it has benefited not only women but adults in higher education.

At that time, we really looked at four major issues. Thanks to an enlightened Congress, we did get into the Higher Education amendments of 1986. There are really some key pivotal issues, and I would like to address them today.

One was extending eligibility for the Pell grants and campus-based aid to part-time students, modifying the needs analysis formula to provide a child care allowance in the cost of attendance and allowing displaced homemakers to waive the value of their home in the calculation of expected family contribution.

Finally, altering the definition of independent students to make single parents living in their parental home eligible for the new child care allowance. Since those hearings, there have been two major studies. They have both been done by the National Center for Education Statistics. The first study in 1986 and 1987 couldn't really measure in essence the effect of those higher education amendments because they had just been passed. So the recent data of 1989-90 which has yet has not been thoroughly analyzed, but our Staff did do a sample from that analysis. That subsample is outlined in the paper that I have presented to you in writing. I am going to touch on some of those statistics because I think they are terribly interesting.

The comparison of the 1987 and 1990 data suggests that there is a slight trend toward parity between men and women and the amount of financial aid awarded. I am going to be focussing my

comments on what has happened to women in financial aid and what is important to continue to watch and to support.

The gap between the average award to men and women has literally almost disappeared for Pell grants, college workstudy and Perkins loans. That is the very good news. However, the gap between the average award for women and men has more than doubled for the supplemental education opportunity grants which of course goes to the neediest students.

The gap between men and women increased from men earning 7 percent more than women in 1987 to 22 percent of men earning more than women in 1990—men earning 22 percent more. So I think this gap—and we can go into it a little bit before, some of the questions asked in the first panel about why this award level is changing, I think we could address. Our feeling is that the critical issue here is that particularly for Hispanic women and black women, they are choosing to go to institutions for vocational education and community colleges where the tuition award is lower.

The interesting variations in the race patterns of the ones I want to go to now is that Hispanic men generally fare much better than Hispanic women. The average total Federal aid to Hispanic men was 34 percent higher than the award to Hispanic women. The average Title IV award was 37 percent higher in the supplemental education grants.

The average awards to black men is 80 percent higher than the average award to black African-American women—80 percent.

Asian American women tend to borrow more than Asian American men. The average total of Title IV loans is 36 percent higher for Asian American women.

There are some interesting comparisons which I am not going to go into but which are in the paper about institutional aid versus Federal and State aid. Again, the comments this morning about the distinction between those two areas, I think is important. Institutional aid tends again to favor the male as opposed to being a more equal level.

One of the issues that we have talked about before which I know is controversial and thank heavens the University of Michigan congressman has left because it is a big issue for universities of Michigan. But one of the issues that we think needs to happen is that athletic scholarship aid needs to be broken out. The disparity for men and women certainly could well be contributed by that.

The 1990 data also reveals that the average calculation of the cost of attendance is lower for women than for men and that this difference is due almost entirely to the lower allowance for tuition and fees for women. Because women's average tuition costs were so much lower, their aid awards covered a slightly larger proportion of their cost of attendance.

The single exception occurs in the case of Hispanics where 73 percent of men's cost of attendance are covered by total Federal aid compared to 42 percent of women. This data raises some intriguing questions about the relationship between tuition costs, availability of financial aid and the choice of colleges and future career expectations of women.

Further analysis is needed to determine the causes of this pattern of higher tuition expenses for men. Again it goes back to that

vocational school versus community college versus four-year institution.

Overall, this analysis suggests that the changes made in the 1986 higher education amendments have resulted in some increased equity in student financial aid for women, particularly in the Pell grants, Perkins loans and college work study program. We continue to be concerned, however, about the various disparities in other programs and particularly for student, Hispanic women, black American women and Asian American women who seem to be assuming a disproportionate debt load.

The recommendations that we submitted are more numerous, but I am going to highlight just a few. First of all, we recommend that the equity in student financial aid for women should be maintained. The continuation of the kind of data collection that is happening is terribly important. We believe that most of the gains in equity for women and student financial aid have resulted from a far more realistic assessment of their cost of attendance; particularly child care and that the change we would recommend here is that we base the allowance for child care on actual expenses rather than leaving the child care allowance for institutional discretion. I believe now the current cost is around \$3,500 as the average cost of child care.

In addition to preserving and strengthening provisions of the Higher Education Act that have a direct affect on women entering are already enrolled in postsecondary education. AAUW urges Congress to pay attention to the factors that affect the educational experiences of girls in elementary and secondary school.

Last fall, AAUW commissioned a nationwide poll of 3,000 girls and boys between the ages of 9 and 15 or 4th and 10th grades. A key finding in our poll was the existence of a circular relationship between liking math and science and their future career expectations and aspirations and self esteem. As they grow, girls experience a dramatic decline in self-esteem and a corresponding drop in girls' interest in math and science. The combination of that has a devastating consequence for workforce issues.

I think Peter Smith in the first earlier talked about the workforce issues and the math-science relationship.

Two out of three entrants in the workforce in the year 2000 we know are going to be women. We know that there a number of jobs, particularly higher paying jobs, management level jobs that will require math and science skills—analytical, problem-solving skills. To meet those needs, we need to focus on certainly the K through 12 arena.

With regards to that, you have to look at who is responsible with certainly all of parents and school board members and administrators. But the primary group of people who can help us in this arena are teachers. The Title V program within the Higher Education Act is what I would like to focus my final comments on.

Teacher recruitment, retention and development are all within the Title V programs. There remains relatively little funding and shockingly little attention under the Higher Education Act. We believe that it is critically important for this committee to look at strengthening the Title V section and to look at strengthening the gender equity provisions under Title V.

Mid-career teacher training programs should include training in both gender fair and culturally sensitive teaching practices. Training in gender equity and then teaching a multi-cultural student population should be a required component of professional development programs for educators that are funded under the Higher Education Act.

Special attention should be paid to the need to recruit, retain and retrain women and minority teachers in fields in which they are under-represented and to increase the numbers of women and minorities who hold administrative positions at all levels of pre-school, elementary and secondary.

The latest data that I looked at says that—and this is 1989 and 1990 data, only 4.2 percent of all superintendents of K through 12 institutions are women—4.2 percent. Reggie and I were joking a little bit earlier. It has been a dramatic doubling since 4 years ago where it was 2.8 percent. What you can do with data.

Two-thirds of all the public school teachers are women, but only 20 percent of all the principals are women. Now you have to ask then who are these young girls and then college students who are thinking about going into education as a future career? What are they looking at? What is their future potential?

We were also sharing a little bit about the great need for minorities to go into education. As we know, there has been a drop in minorities going into especially K through 12 education. Clearly, it is about a salary issue. If you could earn more in another profession and you get all the way through college, it certainly is not a temptation to go into a field where salaries are lower.

We really commend the MCES for making available the data to us to give you these findings today. We encourage further efforts to resolve the problems that I have outlined. We think it is terribly important that the data that is collected desegregate between race and gender so that we can continue to track what is happening to women, Hispanic women, black women, particularly minority women within higher education.

We used in our poll report and in the roundtable that Congresswoman Lowey attended a wonderful quote from my colleague, David Satker. It relates to the whole issue of math and science education. He ponders that if the cure for cancer is in the mind of a girl, we may never find it.

Thank you very much.

[The prepared statement of Anne L. Bryant, Ed.D. follows.]

1/24/90



Access to Higher Education for Women and Girls

Testimony Submitted to the

House Subcommittee on Postsecondary Education

May 9, 1991

by

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AMERICAN ASSOCIATION OF UNIVERSITY WOMEN
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I am Anne Bryant, executive director of the American Association of University Women, the AAUW Educational Foundation, and the AAUW Legal Advocacy Fund, and vice-chair of the National Coalition on Women and Girls in Education. It is a privilege to represent the 135,000 members of AAUW in testifying before this Subcommittee on the very issue that is our core mission: education and equity for women and girls.

Six years ago, AAUW testified during the last Congressional reauthorization of the Higher Education Act. At that time, we presented a picture of the status of women in higher education and outlined some of the factors that prevent women students from having the same educational opportunities as men. The key issues for women that we identified at that time included the fact that the pattern of women's educational experience too often resulted in less access to financial aid at every level--federal, state, and institutional. Most part-time students are women, for instance, and regulations that excluded part-time students from receiving financial aid disproportionately affected women students. Congress addressed these inequities in the Higher Education Amendments of 1986; changes made at that time in the financial aid system included extending eligibility for Pell Grants and campus-based aid to part-time students, modifying the needs analysis formula to provide a child care allowance in the costs of attendance, allowing displaced homemakers to waive the value of their home in the calculation of expected family contribution, and altering the definition of "independent student" to make single parents living in their parental home eligible for

the new child care allowance.

Since those hearings five years ago, the National Center for Education Statistics has conducted two studies of postsecondary student aid, providing advocates and policymakers with detailed information about student assistance that had been previously lacking. The first study, for the 1986-1987 academic year, was published three years ago. I am particularly pleased to be able to share with you today some preliminary analysis of the data from the most recent of those studies, for the 1989-1990 academic year, recently made available to us by NCES. Although it is too early to evaluate the entire impact of the changes in the student financial aid system mandated by Congress in the 1986 Higher Education Act reauthorization, our preliminary analysis provides a snapshot of the current status of women financial aid recipients, and comparison with the 1987 data suggests certain emerging trends that warrant further analysis. I would like to reiterate that this analysis is preliminary, and is based on a subsample of the entire study; these results are therefore suggestive, rather than definitive.**

Comparison of the 1987 and 1990 data suggest that there is a slight trend toward parity between women and men in the amount of financial aid awarded. The gap between the average award to women and men had essentially disappeared for Pell Grants, the College Work-Study, and Perkins Loans. The gap between the average award for women and men has more than doubled for the Supplemental Educational Opportunity Grants, however. In 1987, the difference between women's and men's average award was 7% of the average

award to women; in 1990, the gap was 22% of the average award to women. Partly for this reason, the gap between the award for women and men for total federal aid had declined by only one percent.

Analysis of the 1989-1990 data suggests that while a higher percentage of women students are receiving financial aid than men, their average awards are smaller in every program except the Pell Grants, College Work-Study, and Perkins Loans (where the differences are statistically insignificant). (See attached figure, "Federal Aid"). There are interesting variations in this pattern by race, however. Hispanic men generally fare much better than Hispanic women; the average total federal aid award to Hispanic men was 34% higher than the award to Hispanic women, and the average Title IV award was 37% higher for Hispanic men than women. In the Supplemental Educational Opportunity Grants program, the average award to black men is 80% higher than the average award to women. Asian-American women tend to borrow more than Asian-American men; the average total of Title IV loans (except PLUS) is 36% higher for Asian-American women.

Comparing the picture for federal student aid with that for state and institutional aid also provides some interesting insights. (See Table 1 below). The 1990 data show virtually no difference in the average amount of state aid awards overall to women and men, while average awards of institutional aid to women remain lower than those to men. As a result of these patterns, the average total aid package--combining federal, state, and institutional aid--is lower for women.

Table 1. Average Total Aid (Federal, State, and Institutional)

	<u>Total Aid</u>	<u>Total Grants</u>	<u>Total Loans</u>
Women:	\$ 3605	\$ 2247	\$ 2707
Men:	3843	2398	3047

The 1990 data also reveal that the average calculation of the costs of attendance is lower for women than for men, and that this difference is due almost entirely to higher allowances for tuition and fees for men. In the Pell Grant program, women's average costs for room, board, books, and other non-tuition expenses were essentially equal to men's, while their child care costs were 50% higher than men's child care costs. Tuition and fees were the only expenses that were lower for women than men, resulting in lower total costs for women. (See Table 2). Because women's average costs were so much lower, their aid awards covered a slightly larger proportion of their costs of attendance. The same pattern holds true for the calculation of costs of attendance using the Congressional Method, which applies to the other Title IV programs. The single exception occurs in the case of Hispanics, where 73% of men's costs of attendance are covered by total federal aid, compared to 42% of women. (See attached figure, "Congressional Method."). This data raises some intriguing questions about the relationship between tuition costs, availability of financial aid, and choice of colleges for women. Further analysis is needed to determine the causes of this pattern of higher tuition expenses for men.

Table 2. Pell Grant Costs of Attendance

	<u>Women</u>	<u>Men</u>
Tuition	\$ 2206	\$ 2515
Room, Books	854	840
Child Care	25	16

It is impossible to tell whether these results reflect permanent changes or a random variation for the 1989-90 academic year only. Overall, this analysis suggests that the changes made in the 1986 Higher Education Amendments may have resulted in some increased equity in student financial aid for women, particularly in the case of Pell Grants, Perkins Loans, and the College Work-Study Program. We continue to be concerned about the various disparities in other programs, and for particular groups of students--particularly Hispanic women, who are receiving a much lower proportion of their costs than Hispanic men; Asian-American women, who seem to be assuming a disproportionate debt load; and black, low-income women, who are receiving 80% less SEOG aid than their male counterparts. Our recommendations based on this analysis are:

- * The provisions of the Higher Education Amendments of 1986 that were adopted to ensure equity in student financial aid for women should be maintained. The results of these changes, as they evolve over the next few years, should be closely monitored and evaluated. The Postsecondary Student Aid Studies are providing invaluable assistance in this area, and should be continued.

* We believe that most of the gains in equity for women in student financial aid have resulted from a more realistic assessment of their costs of attendance, particularly child care. We recommend that the allowance for child care be based on actual expenses rather than leaving the child care allowance to institutional discretion.

In addition to preserving and strengthening provisions of the Higher Education Act that have a direct effect on women entering or already enrolled in postsecondary education, AAUW urges Congress to pay attention to the factors that affect the educational experiences of girls in elementary and secondary school. We know that educational and career aspirations take shape well before a student begins postsecondary education. All the financial assistance in the world won't ensure truly equal educational opportunity for female students if we don't instill girls with the confidence to pursue any field of study that interests them.

Last fall, AAUW commissioned a nationwide survey of 3,000 4th through 10th grade girls and boys. A key finding of our poll was the existence of a circular relationship among liking math and science, self-esteem levels, and career aspirations. As they grow, girls experience a significantly greater drop in self-esteem than boys. The resulting "self-esteem gap" and a corresponding drop in girls' interest in math and science have devastating consequences for the future of girls and the future of the nation.

Two out of three new entrants to the workforce in the next decade will be women. The number of jobs that require training in

math and science will continue to grow as we enter the twenty-first century. To meet our employment needs and maintain our economic competitiveness, we must end patterns of gender bias that discourage more than half of our nation's students--our nation's girls--from continuing interest in the careers of the future.

Congress can address this issue through the programs funded under Title V of the Higher Education Act: Educator Recruitment, Retention, and Development. Title V programs receive relatively little funding, and shockingly little attention, under the Higher Education Act, but we believe that they are critically important to increasing the number of female students who aspire to higher education. We recommend that Congress consider the following strategies to strengthen gender equity provisions of Title V.

- * Midcareer teacher training programs should include training in both gender-fair and culturally sensitive teaching practices.

- * Training in gender equity and in teaching a multicultural student population should be a required component of professional development programs for educators that are funded under the Higher Education Act.

- * Special attention should be paid to the need to recruit, retain, and retrain women and minority teachers in fields in which they are underrepresented, and to increase the numbers of women and minorities who hold administrative positions at all levels of pre-school, elementary, and secondary education.

Another area needing increased attention is the collection and analysis of data about students. Efforts to define critical

issues for students and to assess the effectiveness of Higher Education Act programs are hampered by inadequate information. The data that is available in published form is often not tabulated by gender. We commend NCES for making available to us the data to do the above analysis, and encourage further efforts to resolve this problem.

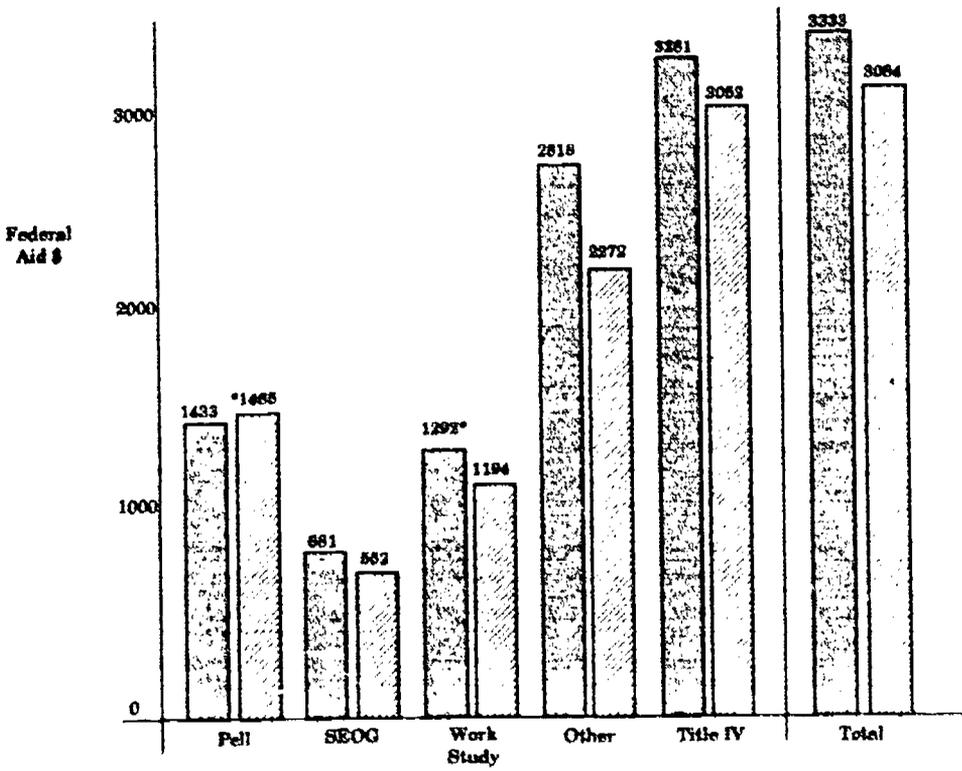
Inadequate data analysis is especially harmful to minority women. Unless Congress requires that data be disaggregated and reported by both race or ethnicity and gender, we will continue to have an incomplete picture of the status of minority women in higher education. As a result, issues critically important to ensuring that those women have equal access to postsecondary education will be ignored.

On behalf of the American Association of University, I thank you for this opportunity to testify, and for your interest in ensuring equitable educational opportunities for our nation's women and girls.

Note

**These results should be regarded as preliminary and suggestive for three reasons: First, most of the changes in the financial aid process mandated in the 1986 amendments did not go into effect until 1988 or 1989. The 1989-90 data therefore represent, at best, the first year with all the changes in place. Second, the populations in the 1987 study and the 1990 study are not entirely equivalent; the 1987 data does not include students who first enrolled in the spring semester, or students from Puerto Rico. In comparing 1987 data and 1990 data, it is assumed that deviations from the observed patterns will be randomly distributed among these populations. Third, the calculations were done on a subsample rather than the full sample of the study in order to speed the analysis.

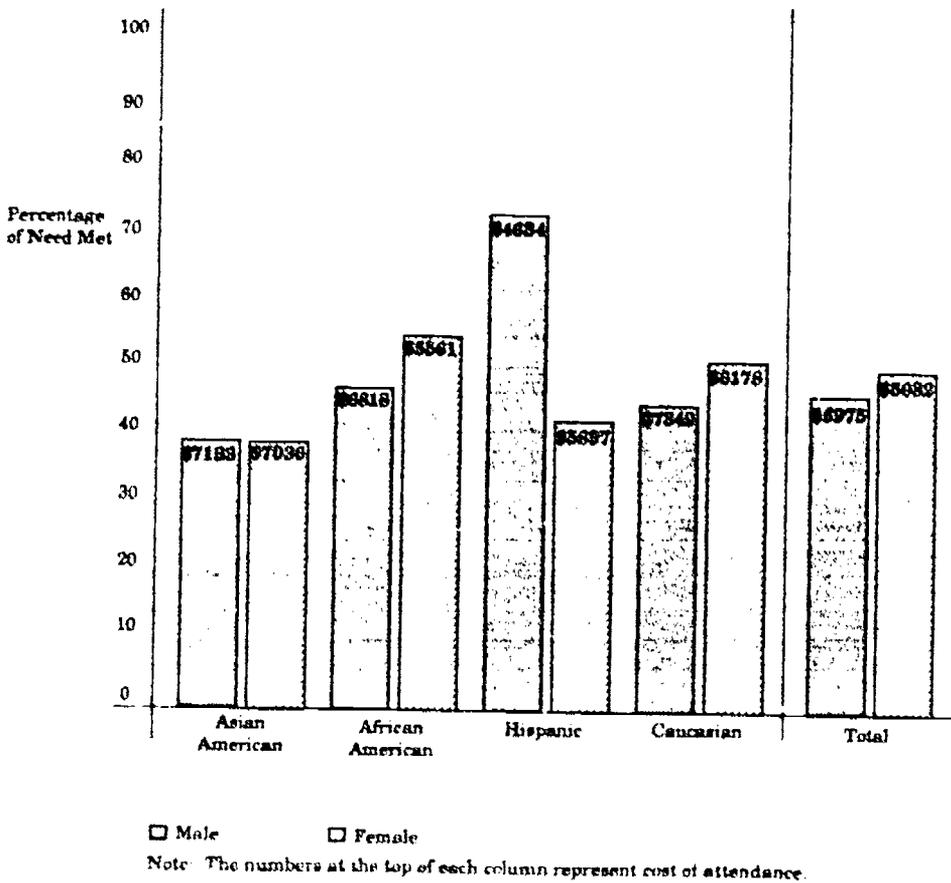
Federal Aid



■ Male □ Female

* The standard deviation is larger than the difference

Congressional Method
Costs of Attendance and Percentage of Need Met
(All Federal Aid Rec.)



Mrs. LOWEY. Thank you very much, Dr. Bryant.
Dr. Corrigan.

STATEMENT OF ROBERT A. CORRIGAN, PRESIDENT, SAN FRANCISCO STATE UNIVERSITY, BOARD CHAIR, ASSOCIATION OF URBAN UNIVERSITIES, REPRESENTING THE COALITION FOR ADULT AND PART-TIME STUDENTS

Mr. CORRIGAN. Thank you, Madam Chair. I am Robert Corrigan, I am President of San Francisco State University. I wear several other hats in being with you today. I am also chairman of the board of the association of urban universities and one of the 26 co-chairs of the coalition for adult and part-time students. I am also very conscious of the fact that it has been a long morning and that you do have my written testimony. I will just touch on a couple of key points and move on to some illustrative material.

It seems to me that one of the things that this panel so clearly indicates is what your committee was pointing to many, many years ago. That what we had thought about as the typical traditional student population is no longer. Even at a time in which your committee was wrestling with what we thought was a great problem then, that there would be a decline in the number of people in higher education.

Of course, we have seen that rather than a decline, we have seen a very interesting and important shift in the mix. Indeed, some of us in the urban sector, so to speak of public higher education, have come to talk about not the minority population in our universities, but we talk increasingly about the new majority. In point of fact, if you are looking at the population that we are serving in the United States now and particularly in the large urban public institutions, it is exactly the population that is being described in this panel. It is the black population. It is the Hispanic population. It is a female population.

Of course, it is also the population that I want to talk to you about for just a few moments. That is the adult and the part-time student population. Not so many years ago and indeed when I was an undergraduate at a university in America, the notion was that college students was somebody between the ages of 18 and 22 who came to a four-year education that was completed in eight semesters. Normally they took four courses a term and even rarely in those days did people go to a summer school. It was considered quite unusual for somebody to drop out for any period of time or to go beyond the 4 years. What we see now, as Dr. Wilson has pointed out, is that we are more used to talking in terms of 6 years as opposed to 4 years for the completion of a degree.

I think perhaps getting to a point that Peter Smith was grappling with a little bit earlier this morning, it may be that one of the reasons that we don't have quite the data that some of you are looking for in terms of completion of degrees and this sort of thing is because that even the longitudinal data that we have now is not adequate. I would submit to you that places like San Francisco State University, we ought to be looking at 8 years and not even at 6 years if we really want to understand.

Secondly, we need to understand that a student does not necessarily any longer graduate from the same institution that he or she starts with. That is not just simply going from the community college to the four-year institution; it also suggests going from the private to the public or the public to the private.

When I was the chancellor of the University of Massachusetts at Boston, I used to joke a good deal with President Kenneth Rider about the population that we were serving jointly.

Statistically, the single largest source of transfer students that I had at the University of Massachusetts, Boston, were students who came from Northeastern University. Similarly, the largest single transfer group that Northeastern dealt with were students who came from the University of Massachusetts at Boston. In other words, even in that community, there was a great deal of moving around. If we added into it what would happen with a student who chose to go for the first 2 years close to home, the Boston campus of the University of Massachusetts and then move on to the amorous campus for the more traditional experience, you see that we have a population that is moving around.

It is also interesting to see the extent to which this population is outside of what we think of as the standard age group for college students, what we have been taught, I think, in the movies of our youth and even in the television programs of today. The old images are no longer true.

Fifty-eight percent of America's college students are indeed outside the one standard age group of 18 to 21. Forty-three percent are over 25. Eighteen percent are 35 or older. As has already been indicated, 53 percent of our college students are women, and that percentage increases. At my institutions, 55 percent of the students are women. I should also point out that at my institution, better than 50 percent of the students are considered to be minority students. As I have said, I think that that is a term that is fast losing its usefulness because minority students are indeed the majority population on my campus.

One of the most striking statistics is that 43 percent of the students that we are serving in higher education now are attending school part-time. In other words, the traditional student is no longer the norm. Two-thirds of our enrollment now is nontraditional. I think if there is any committee of the Congress that understands this, it is your committee. It is like preaching to the converted to remind you what I feel that I must—that far too often we think in terms of outmoded norms about students.

We would like to see obviously legislative policy and funding to support higher education more clearly reflect the fact that that population is changing rather significantly. I think it is too bad in a sense, too, that we come here to testify before you. It could be so much more dramatic if we could take you to one of our nontraditional campuses and give you a sense of what that population is like as you see it on your own grounds.

If I can for just a moment or two, what I would like to do is to describe several students who are indeed typical of the students that I have at San Francisco State University but who we would define I think for purposes of the panel such as this as nontraditional. If we were walking across the campus, you might have the

opportunity to talk to Cassandra Brown. She is a black woman in her 30s. She is now the head nurse in the pediatric intensive care unit at San Francisco's Mt. Zion Hospital. She earned both her undergraduate and her masters degrees at San Francisco State. But as a student, she was already the mother of twins. While a student with us, she gave birth to a third child. She did work and she studied full time while earning a masters and writing her thesis on nursing administration.

I could introduce you to Wesley, 36, also black who hopes to complete his bachelors degree in electrical engineering in December. While taking a heavy course load each semester, he has been working part-time as a technical assistant at an engineering and architectural firm to support his wife and three children who range in age from 4 months to 15 years.

In order to continue his studies this term, he has had to take out a student loan to help with the expenses.

Or Hilda Fleming is a retired public school counselor. At age 72, she is an example of an individual enriching her own life through higher education while at the same time making a contribution to the world in which she lives. For the last 5 years, while taking classes, she has been part of our university's community involvement center, which places hundreds of students each semester in internships throughout the Bay Area. She is now a part-time supervisor trainer on that staff. She continues to take classes for her own enrichment. Having received her masters degree in counseling and guidance from our institution back in 1964, Hilda now feels that through her work at CIC, she has given back to the institution what it has given to her.

There is LaShas Gatlin, 56, working toward her undergraduate degree in radio-television. She got married right after high school and raised a family. It wasn't until she was registering her son at a community college that she decided to take a class herself—a video class. Now she knows exactly what she wants to do as she approaches the age of 50. She wants to teach junior college students how to make a living making industrial videos rather than preparing them, as she says, for channels 4, 5 or 7. At the moment, she is providing housing for her three children, a son-in-law, and two grandchildren. She said it hasn't been easy, especially since she is no longer eligible for student aid. But she supports herself working 20 hours a week compiling a data base of Bay Area agencies involved in homelessness, to eventually link them with students from Bay Area colleges and universities interested in doing internships with agencies dealing with the homeless.

Finally, let me mention to you Jamesetta Smith, a single parent of a 13- and a 6-year-old who expects to complete her master of social work degree next spring. At 37, she works full time as a secretary in our psychology department. She has been a key participant in setting up a highly successful volunteer program at a senior center in a black neighborhood in San Francisco designed to deal with the problems of isolation of elders in the community. She also served on the Human Relations Commission that I appointed 2 years ago, and made a substantial contribution to that.

I could give you many, many more of the illustrations of the kind of student that we consider to be the normal student at our institu-

tion that not so many years ago would have been easily defined as unusual and nontraditional.

In my written testimony, I pointed to the need for our financial aid packages and the funding that we get from different programs to recognize the fact that this student population is increasingly the norm and we should break down the barriers that now exist that keep them from getting access to the kind of aid that they truly need to complete their studies.

I, too, am prepared to answer questions.

[The prepared statement of Robert A. Corrigan follows:]

*C*oalition for *A*dult and *P*art-time *S*tudents

TESTIMONY

by

DR. ROBERT A. CORRIGAN

President, San Francisco State University

Board Chair, Association of Urban Universities

Representing

THE COALITION FOR ADULT AND PART-TIME STUDENTS

before the

SUBCOMMITTEE ON POSTSECONDARY EDUCATION

COMMITTEE ON EDUCATION AND LABOR

UNITED STATES HOUSE OF REPRESENTATIVES

Hon. William D. Ford, Chairman

Thursday, May 9, 1991

217 Eastburn House Office Building

Washington, D. C.

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Mr Chairman, members of the Subcommittee on Postsecondary Education. I am Robert A. Corrigan, president of San Francisco State University, Chairman of the Board of the Association of Urban Universities, and one of 25 co-chairs of the Coalition for Adult and Parttime Students.

I thank you for inviting me to be a part of this panel on the non-traditional student population---which more and more, we are learning to think of as the "new majority". I have, like more and more university presidents these days, had the opportunity, and the pleasure of presiding over campuses where the new majority was very much in evidence. That experience is shared by more and more of my presidential brethren, at both public and private institutions.

Let me expand for a minute on the concept of the New Majority. There was a time, not long ago, when college attendance was taken for granted by the children--especially the sons--of those who had themselves attended college, and was largely outside the expectations of those whose parents had not. Economic status was a major determinant. And that meant high economic status. Students were largely male, and almost exclusively white. On many campuses, Jews and Catholics were made to feel unwelcome.

Those practices--some formal, many more simply "understandings", deliberately and with malice aforethought, kept the numbers of Jews and Catholics down. The numbers of blacks and Hispanics virtually non-existent.

Those prejudices began to erode with the GI Bill, and as the world's experience in the 1940's showed us where that kind of thing could ultimately lead.

The battle against that kind of exclusivity was not easy. But the practices and the attitudes that needed changing were easy enough to spot and to combat.

Not so with our deeper assumptions about who "ought" to be going to college-- assumptions which are rooted, not in malice, but in habit; not in prejudice, but in rational-seeming assumptions which appear valid, primarily because they are so familiar.

Mr. Chairman, when you first joined this subcommittee, the consensus among higher educators was that the 18-22 year old cohort of full-time students was diminishing in size, and that as a direct result, college enrollment was going to shrivel, and the higher education enterprise would be in for tough times indeed.

A few people, including members of this subcommittee itself, kept saying, "wait a minute. There are other people out there whom you can educate. You don't perpetually have to replicate the freshman class with which Andy Hardy went to college." But for the most part, people in my business said to people in your business, "no. That's who we have educated, and that's who we should educate, and let's try to do more of the same". Finally, in 1965, you and your colleagues wrote a Higher Education Act, assuming that new kinds of people would want to go to college.

Well, Mr. Chairman, you were right, and we were wrong. The 18-21 year-old cohort has indeed shrunk, but the classrooms have not. Today, 58% of America's college students are outside the once "standard" age group. 43% are over 25, 18% are 35 or over. Today, 53% of our nation's college students are women, and the numbers are growing not only in the long-time co-educational institutions, but in schools which once feared the tread of a woman's footstep. 9% of our college students are Black; 5% are Hispanic, 4% are Asians

And a growing number---43.4%---Are attending school part-time. In fact, Mr. Chairman, if you want to assume that the "traditional student" is an 18-21 year-old attending school full time, then 2/3 of the student enrollment is non-traditional, either going part-time or outside that age group, or both. Almost 15% of the 18-21 year-olds are going part-time; 37.8% Of the 22-24 year old group, and 73% of those over 25 are attending part-time.

These numbers, or some of them, make sense when measured against the society our colleges and universities should be serving. In the total population of slightly under 250 million Americans, 51.2% Are female, 89.6% are outside the 18-24 age cohort, 12.1% are Black, 9% are Hispanic and 2.9% are Asians. In short, what you tried to do in the 1965 Higher Education Act has begun to work.

It could work better. The enrollment rates of minority students, in particular, could be higher than they are. It is true enough--and much to your credit, that the numbers of Black Americans and Hispanic Americans and older Americans on campus are higher than in the past.

But the college-going rates of those three populations have not increased. More blacks and more adults of all races are on campus. But the population includes more blacks and is generally older, and the rate at which blacks and older students go to college has not increased hand-in-hand with the total numbers. Part of that is the problem of the universities and the colleges. And the universities and the colleges are doing their best to meet those problems, to encourage people of all races and all ages to enter our ever-more-open doors. Part of it--a small part of it--can be addressed legislatively.

One part of the problem lies in the barriers--some statutory, some based merely on practice, and on the unconsidered assumptions of people who would be rightly offended if they were criticized as practicing discrimination. In 1986, your committee identified and eliminated one such barrier when you removed the requirement from the act that students had to attend at least half-time to even apply for student aid.

We at the Coalition hope you will retain that provision when you reauthorize the act. And there are other barriers you ought to note, and for which the solutions are less obvious.

In many states, those who administer Unemployment Compensation simply look upon a student as someone trying to avoid work, rather than someone trying to prepare for a better job. The UI system ought to take clearer note of the way in which our workforce more and more demands high skills and technical competence, and a student making satisfactory progress toward a degree or certificate should be expressly held to be involved in work training for UI purposes.

In some states, welfare recipients are required to abandon college courses and take low-paying or menial jobs instead, or else lose their eligibility for welfare benefits. It is ironic, but true, that the very welfare recipients who are trying the hardest to improve their prospects by their own efforts should be deemed to be less interested in self-help than those who will accept a dead-end job as an end in itself.

Your agenda today is packed, and I will not expand on that point. I have attached to my testimony an outstanding recent study of barriers to adult higher education opportunities, which covers most of this ground in detail. I recommend it to your attention, and for your action.

There is a view, that the growth of the new majority population on our campuses is part of a problem--that it is somehow linked with loan defaults, with rising costs, and with the other ills that afflict campuses.

Mr. Chairman, part-timers, by definition, do not contribute to loan defaults, since part-timers, by a statutory provision we are not urging be changed, are ineligible for guaranteed loans altogether.

Mr. Chairman, the new majority has been described in some analysts' work and in an occasional editorial, as part of the problem. It is not. The new majority is not part of the problem. It is evidence of a partial solution. It is not, as some would have it, evidence of the failure of our higher education system. It is evidence of our--and your--most important triumph of this half-century.

In conclusion, Mr. Chairman, let me say that higher education today is a far more accurate reflection of the population the country and the economy needs to have it serve than it has ever been in the past. That accuracy is in no small part a direct result of the legislative actions of this subcommittee--under your leadership and that of your distinguished predecessors---Mr. Williams, Mr. Simon, Mr. O'hara and Mrs. Green, and with the support in most cases of the members on both sides of the aisle. You have gone in the right direction. You still have miles to go and promises to keep, but follow your instincts and your precedents and you cannot go far wrong.

**Examples of Nontraditional Students at
San Francisco State University**

Examples abound of nontraditional students who are returning to school, starting over, struggling to make changes in their lives. At San Francisco State University, there are such students as:

Cassandra Brown, a black woman in her 30s, who is now head nurse in the pediatric intensive care unit at San Francisco's Mount Zion Hospital. She earned both her undergraduate and master's degrees at San Francisco State. As a student, already the mother of twins, she gave birth to a third child. She worked and studied full-time while earning her masters and writing her thesis on nursing administration.

Then there's Wesley White, 36, also black, who hopes to complete his bachelor's degree in electrical engineering in December. While taking a heavy course load each semester, Wesley has been working part-time as a technical assistant at an engineering and architectural firm to support his wife and three children, who range in age from four months to 15 years. In order to continue his studies this semester, Wesley had to take out a student loan to help with expenses. He says it can be difficult at times, but getting an education is worth the sacrifice.

Hilda Fleming is a retired public school counselor. At 72, she is an example of an individual enriching her own life through higher education while at the same time making a contribution to the world in which she lives. For the last five years, while taking classes, she has been part of SF State's Community Involvement Center, which places hundreds of students each semester in internships throughout the Bay Area. She is now a

part-time supervisor-trainer on the CIC staff, and continues to take classes for her own enrichment. Having received her master's degree in counseling and guidance from SF State back in 1964, Hilda now feels that through her work at CIC she is giving back to SF State what it has given to her. "It's very gratifying for me to be part of CIC," she says. "It gives me a chance to do something for people and for State."

LaShaa (pronounced La-SHAY) Gatlin, 46, is working toward her undergraduate degree in radio-television. LaShaa got married right after high school and raised a family. It wasn't until she was registering her son at a community college that she decided to take a video class herself. Now she knows exactly what she wants to do: teach junior college students how to make a living making industrial videos, rather than preparing them, as she says, "for Channels 4, 5 or 7." At the moment she is providing housing for her three children, a son-in-law, and two grandchildren. She says it hasn't been easy, especially since she is no longer eligible for student aid. She supports herself working 20 hours a week compiling a data base of Bay Area agencies involved in homelessness, to eventually link them with students from Bay Area colleges and universities interested in doing internships.

Jamesetta Smith, a single parent of a 13- and a 6-year-old, expects to complete her Master of Social Work degree next spring. At 37, she works full-time as a secretary in the Psychology Department at San Francisco State to support herself and her family. She has been a key participant in setting up a highly successful volunteer program at a senior center in a black neighborhood in San Francisco, designed to deal with the problems of isolation of elders in the community. She also served on the Human Relations Commission I appointed two years ago, and made a substantial contribution as secretary to the commission.

Ausberto Beltran, 22, and his family came to the U.S. eight years ago from El Salvador, seeking a better life. Still working to improve his English, Ausberto says his mother wanted the family to come to the U.S. because of the educational opportunities here. Now a junior, he is studying mechanical engineering, taking 13 units this semester and working at two jobs -- tutoring students and working as a parking lot attendant. He says, "I am not alone in having to work and go to school at the same time. Some engineering students have to work as many as 30 hours a week. It is hard but we do it because education is so important." Ausberto also finds time to serve as vice president of the campus chapter of the Society of Hispanic Professional Engineers.

Jill Gallagher, an accountant and tax preparer in her 40s, came back to school, she says, because she hungered for a more humanitarian occupation. She became inspired after meeting immigrants who had recently moved to the United States, and she decided to enter SFSU for a master's degree to teach English as a second language. Jill supports herself working part-time as an accountant, and has applied for an internship to teach English to international students.

Judith Paccash, a 44-year-old mother of 11-year-old twins, had to try twice to earn her undergraduate degree, which she will do next month at commencement exercises at SF State. Judith first enrolled at SF State in the 1970s, but had to leave in 1979 after only three semesters because of family matters -- a marriage and the birth of her children. It wasn't until 1988 that she was able to return to finish what she had set out to do more than 10 years before. But her studies won't end with graduation. She plans to begin work on a English composition teaching certificate and then ultimately go on for a doctorate in English literature.

Ann Wolanin, 41, has returned to school after a successful first career as wife and mother. Ann attended Michigan State right out of high school, left after two years, moved to California, and got married. Now that her daughter, 10, and son, 7, are older, she has decided to return to school to become a nurse. She began taking science classes at City College in San Francisco three years ago. She transferred to San Francisco State for the spring 1990 semester. Now a senior, she had hoped to begin taking nursing classes this spring, but the waiting list is long for students needing nursing classes at SFSU. She's now on the top of the list to begin class work in the fall. Ann's husband is an electrician. She contributes to her education by waiting on tables on weekends.

Mrs. LOWEY. Thank you very much, Dr. Corrigan. I want to assure you that although I look forward to visiting your particular institution, I do represent Westchester County where we have a wide range of institutions of higher education, from the private schools such as St. Lawrence to Westchester Community College to King College.

So I am very well aware of the fact that there are a lot of different types of students out there. Certainly as we reauthorize the Higher Education Act, we welcome all of your input so we can address the individual concerns. I do thank you very much.

I would like to begin with Dr. Bryant. Perhaps we could expand upon your testimony. I was particularly privileged to participate in that forum, which you hosted. I welcomed the results of the survey and I welcome the input from the experts who testified and presented information that day.

I was particularly interested in the conversations that I had with Carol Gilligan, concerning the fact that two-thirds of our teachers are women. She felt that there was an incredible opportunity through sensitivity training and through small group discussions to influence them. As you probably know, I am very concerned about how we get more young girls in science and math, and how we encourage women as they are proceeding along in their education to enter the fields of science and math. As you also probably know, I have introduced legislation, H.R. 2142, to address this issue, because it is a great concern to us. Certainly as we look at our recent experience in the Gulf, with 27,000 women participating in all phases of that operation, I think it is more important than ever that we now look at ways to encourage more women to enter these fields.

I wonder if you would give us any additional comments by way of elaborating on your recommendations in that area. Do we focus our efforts on the elementary level? Certainly my bill takes care of the whole spectrum, beginning with elementary and in the upper levels. We hear of experiences of young women, certainly on the postsecondary level, who met an exciting teacher that encouraged them to enter the math and science professions, or a particular woman who was offered a wonderful stipend in that regard.

I wonder if you could comment on the whole spectrum of opportunities that we could address in legislation?

Ms. BRYAN. Absolutely. We are thrilled with the legislation that you have introduced because it does get out so many important issues. You have touched on a couple of areas. One is teacher training.

As you look around the country at teacher colleges and schools of education within institutions, one of the issues that we think is terribly important is this issue of gender, sensitivity and multi-cultural sensitivity training. One of the fascinating studies that has been done by the Saters—you met Myra at that roundtable—was to videotape teachers and what happens to teachers in the classroom.

Even the most feminist teachers have no idea of what, after years of her own enculturation, not to mention male teachers, just some of the items that we have become aware of: that is, that teachers call on boys three and four times as much as they call on girls.

You ask the question why? Well, it is because boys raise their hands first. Actually, boys raise their hands before they know the answer to the question, which we have always thought of as amusing. Girls think they are supposed to know the answer before they raise their hands.

When you say this to any adult woman she will smile because most of us have rehearsed the question five times over in our head before we answer the question.

So it is little things like that. I was talking to a teacher the other day who said, "You know, I heard that comment. Now I train myself to call on a girl every other time in my classroom." She said it took 2 months and suddenly all the girls' hands were going up. So it is a behavioral issue that literally doesn't take millions and millions of dollars to solve. It does take consciousness.

I think in response to your question about where does the training need to take place? It certainly is in this retraining package. We don't want to wait and then have a whole new generation of teachers to have to come into our system. We would lose so much talent. So one of the issues that we really think is important to address is the retraining issue—getting the funding there to help teachers now become more aware of these issues.

The second leg of your question was: Should it be elementary? Should we focus on middle school or high school?

I think that clearly the elementary and middle school in terms of our research and Carol Gilligan's research would be the focus. It is around the age of 11 and 12 that these girls start dropping in self-esteem, dropping out of math and science.

But I will say that in the collegiate education, the teaching of math and science is probably—and I am sure I am stepping on toes—is the most appalling we have. Sheila Tabias, in a book called, "They Are Not Dumb; They Are Different," talks about what is going on in college teaching of math and science. It is, unfortunately, being taught by "the experts" who are teaching it in the same, quite frankly individualist and not cooperative learning way that it has been taught forever. So I think we really need to get at the way math and science is taught in higher education as well.

Mrs. LOWEY. How about the counseling services that are being offered on the high school level?

It seems to me that we have to create more collaboratives, more partnerships, get women role models into the high schools, give the women the idea that, yes, they can enter these fields. As we all know, we have a major problem because of the paucity of women in those fields.

How much emphasis do you think we should place on that effort?

Ms. BRYAN. One of the areas that the American Association of University Women is really looking into is that whole issue of the guidance counselors. It was mentioned earlier this morning that it is a terribly critical role. Those guidance counselors were either urging women to go into college or to go into technical fields.

I think it is very important that it is a partnership with guidance counselors and administrators and teachers. I think that quite frankly teachers have more influence in a lot of ways than even the guidance counselors or good teachers. I think it is terribly im-

portant that we work together with guidance counselors because they do have tremendous influence.

Mrs. LOWEY. The other area that I think we have to address, and I mention it in the bill, is really making an effort to recruit our best students in these areas—a talent search. I think that this has to again be a collaborative effort. I would like to be able to create those partnerships where we bring industry in, where we bring the business sector in, and not only train our counselors and our teachers, but I do feel that we have to be very sensitive to that.

I wonder if any of the other panel members would care to expand on this before we move forward?

Mr. CORRIGAN. If I could for just a moment? It is very interesting to the extent to which teaching had once been a most respected profession and for different immigrant groups or minority group after minority group had been seen as an important step up, so to speak, in the social ladder, then for a long period of time—particularly in terms of that so-called captive market of women, it disappeared.

I think we are seeing a coming back and an interest in teaching the same way we are in nursing. That people now see teaching again as a profession that they can devote themselves to. It is interesting that in some communities we are finding family resistance. For example, the largest, I think, Filipino population probably outside of Manila is in Daley City adjacent to San Francisco. The last I heard there were only four Filipino teachers in a Daley City school system.

The San Francisco school must be about half Chinese at this point in time; yet the number of Chinese women teaching in the public schools of San Francisco is terribly small. It is not just simply because they can go into computer careers or something like that, but because a population that so treasures teaching in one environment has been led to believe that it is not a treasured occupation in this country and that it could even be a threatening occupation. So I think there are things that we can do together to make this seem a more inviting profession for populations that have not really risen to the challenge in the way that they had, let's say, in a previous age.

It is interesting, I would say finally to note, the number of young people that I see now—freshmen and sophomores in colleges and universities who are now looking towards careers in elementary and secondary education and the quality of the students who are now looking at it has risen significantly.

Mrs. LOWEY. Dr. Corrigan, I am delighted to hear that. I must say that my own informal sample as I travel around my district does not testify to that. Unfortunately, I'll speak a group of 300 youngsters. I ask, "how many of you want to be a teacher," maybe I get three or four hands. Yet, I keep hearing that it is turning around.

Just to pursue that for a moment, let me say that we are all very concerned about that. In the long run, we talk about higher salaries, greater self-esteem, greater images for teachers. In the short run, if you were to suggest three things that we could do—well, one thing that we could do, in the Higher Education Act to encourage our best and brightest to enter the teaching profession, given the

realities of the United States of America in 1991, and our budget deficit, what would you suggest?

Mr. CORRIGAN. The thing that comes to mind immediately, of course, is either a new or expanded loan forgiveness program. It is something that is over and over again that you have heard testimony on today. It speaks to the burden that low income individuals have when they decide to go into professions that are low paying.

But I really do think that you are talking some long-range. The reality of it is really long-range. I often talk about—I wish Congressman Ford were here.

My background is blue collar, as well, and so I say this very deliberately. I often describe teaching as the only profession in which the people who are in the profession are treated like blue collar workers. In other words, teachers in the elementary and secondary schools do not control their environment the way other professionals do. They do not get the respect.

In school system after school system: they can't control the classroom; they can't order the text; they can't see to it that broken light bulbs get replaced. They have no control over their lives. The more that you can do to encourage school systems and superintendents and school boards to think about teaching truly being a profession, that can be as important from my point of view as the monetary rewards.

By the way, your comment that Michael Dukakis often times used to talk about having gone back to Brookline High, his old high school, to give the high school graduation speech and asked of this bright group of people who were graduating how many were going to be teachers, one person in that high school class—I think as Michael tells the story—said that she was going to be a teacher.

I must tell you, what I am seeing, at least on the West Coast, is a resurgence of interest on the part of young people in teaching as a profession.

Mrs. LOWEY. I don't want to belabor the point, but I would be interested to know whether the major factor there is the current economic times and whether that is causing more and more of our young people to look at teaching or whether there are other reasons. Could you address that?

Mr. CORRIGAN. It would only be a guess, but I suspect that it is not the economic factors. I think that we go through cycles with young people. Sandy Astin's reports and other materials tend to suggest a student population that is much less, shall we say, narcissistic and more other directed to use a different kind of terminology and looking for ways of being of service. I would like to believe that that is one of the things that is bringing them back into teaching.

Mrs. LOWEY. I hope so. I thank you.

Dr. Wilson, I do want to say that the bill which I have introduced also addresses the issue of under-represented minorities in the fields of math and science. I wonder if you would care to comment and add to the discussion?

Mr. WILSON. Certainly that is an area where we have some considerable concern. Those are areas where minorities are typically and traditionally under-represented. A good deal of that has to do with prior preparation in what characteristically are inferior

inner-city schools. Indeed, in some schools, we observe that advanced curricula in trigonometry and calculus are not even offered in some of the high schools. So even those students who are capable of succeeding with higher level math don't have the opportunity. Therefore, when they get to college, even assuming they have graduated and have a high school diploma, without having that prior preparation, they are already a step behind.

Even in institutions as prestigious as the University of California, Berkeley, students who come from the top of their class in order to be admitted to Berkeley, coming from schools in which minority students predominate are often at a disadvantage in majoring in math and science because they haven't taken the prerequisites in high school. So the failure rates in calculus and other advanced classes tend to prevent them from majoring in those areas.

In fact, one of the focusses on the curriculum in math and science at Berkeley has been a very exemplary program in increasing the success rate of black and Hispanic students in math and science by improving their participation in calculus and in trigonometry. That has increased the number who are majoring in math and science.

So we are very grateful and supportive of your introducing that element into your legislation in order to increase those numbers. It is very critical.

Mrs. LOWEY. Thank you. Dr. Trimble, do you have a comment on that?

Mr. TRIMBLE. I would like to echo what my colleagues have mentioned. I applaud your initiative.

I don't have real hard data on the number of Hispanic teachers and whether there are a greater number of Hispanics studying the teaching to become teachers. I will offer, as you have, a very informal survey that I have conducted over the past 12 months. Every Hispanic friend or colleague that I have that is about my age, I asked them if they have a college-aged child. If the response is yes, the second part of the question is: Are they in college? If the answer is yes, I say: What are they studying? I have yet to get a response that any of my colleagues have a child in college studying to become a teacher.

I think that is very telling in terms that the colleagues that I have mostly are all college graduates. We were first generation. The second generation doesn't want to become teachers. Most of the first generation graduates got into education at one level or another.

Also, in terms of the training and retraining, we don't have really the luxury of time to grow a whole new crop of teachers. I will share a true story with you. A friend of mine is the Director of Personnel at Laredo United. Laredo is about 90 percent Hispanic. It is in Texas along the U.S.-Mexico border. He gave me a call because he was getting ready to go out of State. He had a personal question and a personal issue that he needed to deal with.

I was curious. I said, "Why are you going out of State?"

He says, "I am recruiting teachers."

"Where are you going?"

"Iowa."

I said, "What about Hispanic math teachers?"

He said, "We don't even try to get Hispanic teachers any more. We'll take what we can. Iowa seems to be a good place this year."

About a week later, I got a call from a friend in Dallas who had been in a school district who said that he was on his way to Laredo to recruit Hispanic teachers because he was hired specifically to go out and recruit Hispanic teachers.

What I suggested to him is that my two friends meet at Dallas-Fort Worth Regional Airport and have a cup of coffee and save the Dallas Independent School District a lot of money.

I would also like to comment about the teaching of math and science and the potential that that has for the lower grades. Our experience has been through the Hispanic Students Success program, that by and large if you take a look at when a child takes algebra, it is probably the best single predictor to academic success. The younger or the lower grade that the child attempts algebraic concepts do strengthen indeed the potential. I recommend that those who might be interested in learning more about that, the Educational Testing Service, the College Board, I think have a program that they developed called Algebridge, which is specifically to help lower grades become more used to the algebraic kinds of concepts.

At the College of Engineering at one of our member institutions, the dean there in terms of recruitment and retention at the university level in the College of Engineering, his comment is: If there was one program and one program only that he could fund, it would be to have a summer institute for middle school teachers in the region that is served by the university because the kids who come to the College of Engineering are under-prepared and lesser prepared.

Now there are two things to look at that: Number one, it takes longer and it takes a greater effort. It tends to be expensive, but the other issue that was mentioned in the first panel is the issue of value added at our types of institutions—if you take a look at the engineering products or the graduates in the Colleges of Engineering, and you take a look at the type of characteristics that the person brought with them, it is that the value-added issue is that the results are probably much greater at our types of institutions than at the more visible institutions.

Thank you.

Mrs. LOWEY. I thank you very much.

Dr. Wilson, in your testimony when you talking about barriers, you referred to incidents of racial harassment; that they have increased. I am particularly interested in this area. I have been familiar with various programs that have been put forth by some private organizations to encourage racial harmony. I wonder if you could address these issues? Are there programs of which you are familiar, with which you have worked, that you could share with us?

Mr. WILSON. Yes. I am on the board of the National Violence Prevention Center which is housed at Towson State University in Maryland. I also work with the National Institute Against Prejudice and Violence in Baltimore, which has been a primary organization attracting data on race related crimes that have occurred both in the general public and on college and university campuses. A good deal of their data, by the way, we cite in our annual status

reports on minorities and higher education. Part of their documentation indicates that from 1975 to about 1989, the number of incidents increased from an average of about 31 a year to over 300 incidents of racial violence on college campuses.

In speaking in 1989 at the hearings on the establishment of the Crimes Statistics Act, I addressed our concerns. As you know, we were pleased Crimes Statistics Act was passed. We will now be able to collect more accurate data.

As I travel around the country to various colleges and universities, we do see the beginning of the establishment of programs to try and increase stability on college campuses. Some of those programs have, unfortunately, just tried to do a kind of quick fix of prohibiting certain kinds of behavior. That is not the way that is most successful. Indeed, most institutions that have attempted to establish codes prohibiting certain kinds of speech and behavior have found those codes knocked down by the Court because they tend to restrict First Amendment rights of free speech.

I think the institutions that are making the most progress are those who recognize this is an educational issue. It is not a prohibition issue. You don't stop racism and hate crimes by just prohibiting their expression. You stop them by educating students, by sensitizing students and institutions like U. Mass Boston and like U. Mass Amherst that have instituted some programs to bring students into those kinds of situations where they deal with various cultures and understanding the differences or have had considerable success.

Dr. Corrigan in his previous life at U. Mass Boston made substantial progress in increasing diversity on that campus and in doing an exemplary job. I think he is doing the same thing at San Francisco State.

U. Mass Amherst has an exemplary program. Unfortunately the program was not established until they had a riot on campus. Too often institutions don't recognize the need to deal with racial animosity until some incident occurs. We have been trying to educate educators that you don't wait until something happens.

You recognize, in fact, that conflict is a fact of life in American society and that you prevent that by establishing educational programs, sensitivity programs, programs in multi-cultural awareness, having students introduced to various cultural sensitivities. Unfortunately in some of the climate today, institutions that have done that have often been criticized for doing it. Stanford University introduced a multi-cultural requirement in its curriculum and found, including the occupants of Pennsylvania Avenue, criticizing them for doing that.

I think if we are going to deal with the society that these various panels have talked about, including Cesar Trimble, that we will have an increasingly minority population over a third by the end of this century that we are going to have to recognize that institutions of higher education have to establish multi-cultural sensitivity that will allow people to be civil to each and to live together in this society.

Mrs. LOWEY. Thank you, Dr. Wilson. I know the committee would appreciate your giving us information concerning the best of those programs. We will be looking at them as we reauthorize the

Act. I would appreciate any information you have. I wonder if you would care to add to that, Dr. Corrigan?

Mr. CORRIGAN. I would be pleased to. I think there are a number of different elements, and Dr. Wilson has spoken to it.

First of all, one needs to think very, very seriously about the curriculum to which we are exposing both majority and minority students at the institution. Far too often in the past we saw ethnic studies type of programs as being there simply for ethnically minority students. What we had to learn very, very quickly was that we had to change the nature of the total curriculum.

Secondly, and this is my favorite hobby horse, I guess, I have been involved in this sort of thing since 1968. I helped to develop an Afro-American program, actually, at the University of Iowa in 1968. Our focus then and our focus today tends to be heavily on undergraduate programming and teaching. We continue to ignore what goes on in graduate schools; to wit, we are producing the same kinds of teachers. But the people who are going into the program are going through the same kinds of curriculum now that they were going through 20 years ago.

That means if they have the Ph.D. in English, they are likely to be teaching American literature as if the writings of blacks and Hispanics and women, for example, were not as plentiful as they are. They may still be teaching American History as if it were the history of a white middle class male, anglo-saxon population. That is the exaggeration, but in point of fact, I think we have spent less time focussing on what the training of college teachers should be from a multi-cultural situation.

The final point I would make is that—and others have commented on this as well. Some of our biggest gains were made at a point in time when the economy was moving ahead in which the gains that we made in human and interactions—these kinds of relationships were really incremental gains. They were made on the increment, so that nobody was in a sense paying for what somebody else got.

The most dramatic thing that I discovered when I got to U. Mass Boston in 1979 was that white students from South Boston and Dorchester felt that they were being discriminated against by our financial aid office. I looked into it. They weren't, but all of our literature spoke as if people for whom we were providing financial aid were black and Hispanic. But the whites from South Boston and Dorchester had exactly the same kind of economic and social profile as the blacks and the Hispanics.

Once we recognized that, and began to deal with that, then an awful lot of the hostility that was there disappeared, but they were competing for the same dollar. One group thought the other was advantaged.

I suggest as we go into extraordinarily difficult times now in higher education in California where we are not as bad as Massachusetts, but we are getting there. There is going to be a lot more people going after the same resources. I think some of the conflict that is going to come about as a result of people really feeling that they are being deprived of something that is their due because another group appears to have a special advantage.

Mrs. LOWEY. Let me just say—and then certainly I would like to hear from you, Dr. Bryant—certainly I feel that in my district all the time.

This committee is certainly looking at ways to address the needy students and the middle income students. I personally think that it is a tragedy that in the United States at this time, that we can't afford to provide an opportunity for every youngster. The low middle income and the middle income student are definitely being squeezed. They are caught in a vice. They don't necessarily want the needy student or the minority student not to get what they deserve, but they are feeling that they are not getting what they deserve.

I know this committee would like to work to insure that as many youngsters as possible get that opportunity.

Dr. Bryant.

Ms. BRYANT. I just wanted to echo that the issue of race harassment and sexual harassment are very closely aligned on college campuses. It is also a two-pronged strategy. One is that when you bring men and women together and you enable them to talk about sexual harassment, the barriers begin to come down. Just as in the curriculum area, if you can begin to look at ways that the importance of women as role models and as authors and as scientists and engineers are put into the curriculum, then again that feeling of being put down goes away.

I think it is important for us to remember that all the experimentation in math and science curriculum when we have attempted to teach minorities and girls better, the resulting curriculum teaches all students better. That is so important to reinforce. We are finding it over and over again.

But we have to get that message out, because otherwise it is the feeling that the poor white child and his or her parents is saying, "Oh, well, all the attention is being given to these special groups."

In fact, we learn better as we look at how to better reach these traditionally under-served groups.

Mrs. LOWEY. Thank you. I know that we would like to continue the discussion, but unfortunately, we are going to have to bring this distinguished panel to a close. We certainly welcome your continued information, your continued input, as we move forward in reauthorizing the Act. I specifically would welcome individual success stories on the issues which we discussed today.

I thank you very, very much for your participation.

[Whereupon, at 1:25 p.m., the subcommittee was adjourned to reconvene at the call of the Chair.]

[Additional material submitted for the record follows.]

DONALD M. PAYNE, MEMBER OF CONGRESS

MAY 9, 1991

OPENING STATEMENT:

**HEARING ON THE REAUTHORIZATION OF THE
HIGHER EDUCATION ACT AND COLLEGE COST**

**MR. CHAIRMAN, LET ME COMMEND YOU FOR
CALLING THIS HEARING THAT WILL FOCUS ON
THE COST OF ATTENDING A COLLEGE OR
UNIVERSITY IN THIS COUNTRY.**

**FOR THE PAST TEN YEARS, COLLEGE TUITION
HAS INCREASED FASTER THAN INFLATION.
THEREFORE, IF WE WANT TO ENCOURAGE
AMERICANS TO SEEK A POSTSECONDARY
EDUCATION, WE MUST BE PREPARED TO PROVIDE
ADEQUATE FINANCIAL AID PROGRAMS.**

**ACCESS TO A QUALITY EDUCATION WILL BRING
INCREASED OPPORTUNITIES FOR ALL AMERICANS
AND ESPECIALLY TRADITIONALLY
UNDERREPRESENTED GROUPS -- LOW-INCOME
PEOPLE OF COLOR AND WOMEN.**

**I WOULD LIKE TO WELCOME THE WITNESSES AND
I LOOK FORWARD TO HEARING THEIR TESTIMONY.**

**SUBMITTED STATEMENT OF THE
AMERICAN FEDERATION OF LABOR AND
CONGRESS OF INDUSTRIAL ORGANIZATIONS
TO THE HOUSE COMMITTEE ON EDUCATION AND LABOR,
U.S. HOUSE OF REPRESENTATIVES
ON REAUTHORIZATION OF THE HIGHER EDUCATION ACT**

July 29, 1991

The AFL-CIO is pleased to have this opportunity to share its views with the Committee on Education and Labor on the reauthorization of the Higher Education Act (P.L. 89-329).

This law has become an issue of growing importance to the AFL-CIO and its affiliates. Two specific trends have contributed to this development:

- Widespread recognition that the current system no longer provides students with genuine access to postsecondary education. For poor and middle class families alike, Federal student financial assistance has shifted from grants to loans. In earlier years, the Higher Education Act funded about three times as much in student grants rather than student loans; today, the proportions are nearly reversed, with \$12 billion in loans being made annually to 4.5 million students. In addition, the program has failed to keep up with rising educational costs.
- Ineffectiveness of the current system to serve the needs of the growing number of "nontraditional" students. This group includes students who are 25 and older, independent from parental support, or head their own households.

Thus, organized labor has an important stake in making the Higher Education Act more responsive to the educational needs of union members and their families.

Within this framework we have several key issues:

1. Expand grant aid to middle income students.

The current program limits Pell Grants to families with annual incomes below \$35,000 and the Bush administration is seeking to target the program more narrowly to serve the neediest students. The AFL-CIO believes that program eligibility should be extended to families with annual incomes up to \$43,300. This would restore the Middle Income Student Assistance Act passed in 1978 but gutted by the Reagan administration.

There is widespread agreement that the current arrangement of Federal grant and loan programs to postsecondary students is not performing as originally planned. For instance, an unacceptably high number of students default on their loans, especially among those enrolling in trade or proprietary schools. Many believe that any reauthorization of the Higher Education Act requires "righting the balance" between grants and loans, or ensuring that a greater proportion of financial aid is given in grants rather than loans, particularly to students from low-income families. Also, most agree that the maximum Pell grant should be increased considerably from the current maximum of \$2,400 to \$4,000 per year, rising each year with the cost of living.

To achieve a fairer and more effective program, the American Federation of Teachers, (AFT) has proposed a renewed commitment to the original vision of the program. In contrast to other higher education proposals, the AFT is advocating a clear and simple goal: that a reauthorized Pell Grant program provide genuine access and full support for every eligible student to attend college. This would be accomplished by coupling the Pell grant formula to the total cost of attending a public institution (a state college or university) for a full-time commuter student. Under the formula proposed by AFT, the most economically disadvantaged student would be eligible for the maximum \$4,000 annual Pell grant to pay for the following:

- up to \$1,500 in tuition (The average tuition at a state college is \$1,500.), and
- a \$2,500 educational cost allowance to pay for books, transportation, and board (The average cost of a commuter student at a state college is \$2,558 and does not include dormitory costs.).

Thus, students from the poorest families would be able to attend a college or university without student loans, fully supported by their Pell grants. Eligible students from middle income families would receive \$4,000 per year, minus the expected family financial contribution.

In contrast to the AFT's proposed formula, the current Pell Grant formula and the new formula proposed by many higher education associations is "tuition sensitive" and limits grants to pay for only 25% of tuition. Under these formulas, nobody is provided full access to higher education. All students would be required to pay for 75% of their tuition -- including the most economically disadvantaged student who chose to enroll in a state college or community college with the most affordable tuition.

In addition, the AFT proposal would not penalize any eligible student who chooses to attend a private college with higher tuition costs. The amount of the Pell Grant would be identical for this student using either of the proposed formulas. The AFT proposal would remove the penalty from students who choose to attend more affordable public institutions.

Any effort to strengthen the Higher Education Act will cost more money. By returning to the original vision for the program, the AFT proposes a simple and straightforward plan which provides a more compelling rationale to rally support for the major increase in funding that will be required. This plan offers basic and genuine access to a four-year college program at a public institution.

3. Better serve the needs of "nontraditional" students.

The profile of postsecondary students has changed dramatically. For instance, more than 40% of college students are above the age of 24, and at the community college the average age is 30. The number of part-time students continues to increase, and more students are independent of parental support or head their own families. Finally, the restructuring of the economy has resulted in many experienced workers returning to school for additional education or training.

Several specific modifications would enable the Higher Education Act to better serve the needs of these "nontraditional" students. These include:

a. Provide more equitable support for less than full-time and less than half-time students.

All part-time students, including those who are attending less than half-time, should be eligible to receive Pell Grants as authorized in 1986 but subsequently suspended due to budget constraints. In addition, work/study programs should be allocated more evenhandedly to part-time as well as full-time students.

b. Modify the system used to analyze the financial needs of "nontraditional" students.

Three modifications should be made:

1. Permit financial aid officers to use an individual's "expected year income" rather than past "base year income" for students who have become recently unemployed or whose income will be significantly reduced by attending college. Although authorized in 1986, financial aid officer discretion has been discontinued since 1988. Restoring this provision would assist many displaced workers seeking to return to school.
2. Include child or dependent care costs as one of the factors used to determine the family's ability to contribute. A maximum of \$3,000 should be allowed, which conforms to the average yearly cost for child care.

3. Exclude federal student aid as personal income in determining eligibility for food stamps or public assistance. Students should not be forced to choose between feeding their families or pursuing their education.

c. Strengthen high school equivalency programs at postsecondary institutions.

Many postsecondary institutions accept students who enroll without their high school diploma but have been determined able to benefit. Rather than restrict these students from admission or eligibility for Federal financial assistance, the institutions should be required to provide an approved high school equivalency program as part of the educational program of all ability-to-benefit students.

4. **Strengthen oversight of student financial aid programs by the U. S. Department of Education, state governments, and accrediting agencies.**

The unacceptably high rate of loan defaults is largely concentrated among proprietary schools that operate short-term, narrow, job-based training programs. The Federal government should assume primary responsibility for ensuring that all participating postsecondary institutions maintain standards of administrative and financial integrity; state governments should be required to implement a more stringent and effective licensing system for schools; and voluntary accrediting agencies should enforce more specific published standards of educational quality.

5. **Support expansion of cooperative education programs.**

Cooperative education programs at colleges and universities represent an exemplary approach to combining paid work experience and classroom learning. It also provides students from lower-income as well as middle class families with another alternative to financing college costs. Financial and technical support should be continued and enlarged to institutions seeking to expand postsecondary cooperative education opportunities.

6. **Expand teacher recruitment and development programs.**

To respond to an expected national teacher shortage, there should be a significant expansion of teacher recruitment and professional development efforts authorized under the current Higher Education Act. Specific proposals include a special Teacher Corps program for paraprofessionals already working in schools and veterans returning from the Persian Gulf or retiring from the military.

We believe, Mr. Chairman, that implementation of these proposals will make the Higher Education Act more responsive to the needs of all Americans.

CAMPUS ROADBLOCKS

How Federal Policies
Make It Difficult For
Adults To Go To College

By Lawrence N. Gold, Public Policy Advocates, Washington, D.C.

**CAMPUS ROADBLOCK:
HOW FEDERAL POLICIES MAKE IT DIFFICULT FOR ADULTS TO GO TO
COLLEGE**

"(In the past, the goal of industry) was high volume, standardized production in which large numbers of identical items could be produced over long runs. Every step along the production process was to be simple and predictable, so that it could be synchronized with every other step. Not any longer. Speed, innovation, diversity and information are today's weapons and they are turning the traditional role of labor on its head. From the factory floor to the corner office, the way Americans work is being over-hauled. Bureaucracy is giving way to teamwork. Central planning is succumbing to frontline decision-making. And the mind numbing repetition of factory work is yielding to shop floor workers who must work with computers and robots to solve complex problems.

To work in such an environment, workers must have far different skills than they needed in the assembly line era. In an automated factory, a worker doesn't tighten bolts. A worker operates a computer console controlling millions of dollars worth of complex machinery. That makes the individual worker central to the whole production process."

- Robert Reich

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ACKNOWLEDGEMENTS

We wish to thank the following organizations for their financial support of this project:

The American Council on Education

The Association of Urban Universities

The American Association of State Colleges and Universities

The American Association of Community and Junior Colleges

The Association of Community College Trustees

The American Association of University Women.

We also wish to acknowledge the great research contribution made to the project by two most able students from the University of Utah who were spending a semester in Washington, D.C., Corinna Freiman and Kathleen Weron.

Lawrence N. Gold,
Public Policy Advocates

INTRODUCTION

This study is based on the premise that federal policy should encourage, not impede, adults who have the ability and motivation to go to college. The study will identify roadblocks that federal laws and regulations now place in the path of adults trying to make their way through college, and will recommend concrete steps the government can take to enhance the productivity of the American workforce.

COLLEGE OPPORTUNITY FOR ADULTS IS IMPORTANT

Providing college opportunities for adults is important to the economy, to higher education, and to millions of individuals living at the economic margin.

Economic Benefits

Recent Department of Labor studies demonstrate that the American workforce will grow more slowly and will be older, more female and more disadvantaged. At the same time, the new jobs created will require much higher skill levels than today. **While 40 % of today's jobs are in low-skilled occupations, only 27% will fall into that category in 2000. At the same time, jobs in highly-skilled occupations will rise from 24% to 41% of the workforce.**

Similarly, the mean years of education required for employment in the year 2000 will rise to 13.5, and, as noted in a 1987 Committee for Economic Development report, occupations requiring postsecondary education are expected to account for 6.2 million of the 16 million jobs projected to be added to the economy from 1984 to 1995.

At the same time, these studies indicate that a growing share of the new skills needed in industry will have to be met by retraining existing workers. And, because tomorrow's jobs will rely on workers with general analytic and decisionmaking skills, on-the-job technical training will become less important. Business will often have to shift the locus of training to outside institutions.

Higher education benefits

Just as industry needs more college educated adults, so must higher education increasingly respond to the needs of adult students. Already, less than half of today's college students fit the "traditional" full-time, 18 to 22-year-old mold. More than five million students, over 40% of the college-going population, are older than 24, and the average age of community college students is 29. About a third of the adults in college attend full-time and the rest attend part time.

Given the decline expected in the 18 to 24-year-old population in years to come, colleges **must** look to adults to maintain enrollments. As Harold Hodgkinson notes in an Institute for Educational Leadership study, "The baby boom is now in the peak middle years of earning and learning. Adult education is the only growth component possible in postsecondary education."

Benefits to the Individual

Despite the enormous difficulties of returning to school-- the difficulties in handling academic work, the financial difficulties, the extraordinary family dislocations-- adults in ever larger numbers are looking to upgrade their education. The reason is clear: education pays. The earnings of college graduates are nearly double those of high school graduates. Unemployment rates for high school dropouts are about five times that of college graduates, and the trend toward highly-skilled jobs means more joblessness among the least skilled and less among the well-educated.

Those with the toughest obstacles to overcome in this changing workplace are people such as welfare recipients, displaced homemakers, dislocated workers and workers whose skills are rendered obsolete. Researchers Nancy Schlossberg and Ivan Charner, at a 1989 conference sponsored by the American Council on Education and the National Governors Association, call these people "at-risk adults-- those who are not employed at or near their productive capacity because of their personal circumstances or changes in the workplace."

In the past, the federal government has too often ignored at-risk adults, treated them as untrainable, and depended upon transitory, low-level work and public subsistence to "warehouse" them while efforts were concentrated on rescuing their "at-risk" children. But this strategy has proved both self-defeating and ineffective. The challenge of bringing at-risk adults into the economic mainstream--and the payoff for business, higher education, and for the individuals and youth they are raising--is enormous and cannot be borne by the private sector alone. The federal government must be a full partner.

EXAMINING THE FEDERAL ROLE

Every major human resource study in recent years emphasizes and re-emphasizes the importance of the federal role in encouraging education for adults. Workforce 2000 calls for "a greater federal role" in "improving the dynamism of an aging work-force" because "midlife, midcareer retraining faces so many personal, institutional and financial obstacles, yet offers such significant payoffs to the national economy." Similarly, the 1987 Human Resources Committee Report of the President's Commission on Industrial Competitiveness maintains that federal "investments in human resources, previously focused on basic preparation of new entrants through the elementary and secondary school system, must increasingly shift to address the needs of the adult population", and a forthcoming CED report calls for public policy reforms "to create more incentives for employers to invest in human capital."

The federal government, of course, operates a variety of programs aimed at providing financial assistance to needy college students, offering tax incentives for employer-paid training, and supporting adult education and training. **Too often, however, federal laws and regulations actually place obstacles in the path of adults-- particularly at-risk adults-- who might turn to college for their education and training.**

Sometimes the obstacles are unintended; other times, they may serve a program purpose but turn a blind eye to the educational impact. **In either case, many of these obstacles have a chilling effect on adult college attendance and might be torn down without significantly damaging other policy interests.**

This study examines roadblocks in a wide variety of federal pro-grams, and offers policy recommendations aimed at facilitating rather than discouraging adults from attending college. The policy areas which will be investigated are:

Student financial assistance;
Unemployment insurance;
Welfare;
Food stamps;
Vocational rehabilitation;
Dependent care;
Employee educational benefits;
Adult education;
Vocational/technical education; and
The job training partnership act.

The study brings together research in disparate areas, supplemented by interviews with policy-makers, employed and unemployed adults, and the people who work with them in schools, businesses and unions. Our hope is that the report will highlight the practical effect of a broad array of policy anomalies, show divergent policies in a new light, and thus help government leaders develop policies that fulfill the economic and educational potential of the adult workforce.

EXECUTIVE SUMMARY: FINDINGS AND RECOMMENDATIONS

The study has found ten program areas, administered by five federal agencies, in which the law, regulations or program practice place serious obstacles in the path of adults who might turn to college for their education and training. We believe that these obstacles could be torn down without damaging other legitimate policy interests.

STUDENT FINANCIAL ASSISTANCE

Administering Agency - Education Department

Finding:

Pell Grant eligibility is determined in part by looking at the family's "base year income." However, the study finds that "base year income" is not a reliable predictor of the financial capability of older, independent students who may be recently unemployed or who may be displaced homemakers or whose income will be significantly reduced by attending college. In 1986, Congress recognized this concern by permitting campus financial aid officers to exercise discretion in determining Pell Grant eligibility. This discretion, however, was withdrawn by appropriations legislation in FY 89 and FY 90.

Recommendation:

Congress should restore financial aid officer discretion. Among the factors triggering the use of such discretion should be a projected reduction of income during the enrollment period by ten percent compared to the base year. The U.S. Education Department should encourage financial aid officers to employ this discretion.

Finding:

Congress in 1986 provided that students attending college less than half-time are eligible for Pell Grants if they meet the program's need requirements. However, the eligibility of less than half-time students was withdrawn in FY 90.

Recommendation:

Pell Grant aid to students attending college less than half-time should be restored.

Finding:

Colleges rarely spend their federal campus-based student aid allotments on part-time students. To correct this, Congress in 1986 mandated that institutions devote at least a "reasonable proportion" of their campus-based student aid funds to part-time students. However, subsequent federal regulations have, in effect, negated the provision and released schools from having to fulfill this obligation.

Recommendations:

1. Congress should alter the campus-based application to assure that enrollment status is cross-referenced to income and dependency in the following manner:

Dependent Undergraduates

\$0-\$2,999

\$3,000-\$5,999, etc.

Independent Undergraduates

\$0-\$999

\$1,000-\$1,999, etc.

Dependent Graduate students

\$0-\$2,999, etc.

Independent Graduate students

\$0-\$999, etc.

Full-timePart-time

2. To begin to effectuate the "reasonable proportion" principle, Congress should require that institutions provide aid under their campus-based program allotment to at least 5% of their part-time students in the lowest income cohort.

Finding:

The new Congressional Methodology for evaluating student eligibility for campus-based student aid fails to account for differences in the financial situation of adult heads of household in the low income range.

Recommendation:

The Congressional Methodology should be amended to assure greater sensitivity to differences in the income and assets of adults with dependents, and family expenses should be fully counted at their actual level in assessing financial need.

Finding:

The Pell Grant formula only permits students to count \$1,000 of day care costs, regardless of the number of children or other dependents. This artificially low allowance reduces the grants of some students at low-cost institutions because Pell Grants cannot exceed 60% of total attendance costs.

Recommendation:

Dependent care costs based on a full-time maximum of at least \$3,000 per care recipient should be allowable educational costs in determining eligibility for Pell Grants, campus-based and loan programs.

Finding:

Students who must attend school less than half-time are in-eligible for either a Perkins or a Stafford loan. They must also begin loan repayment as though they were no longer in school and earning a living.

Recommendation:

All borrowers should be informed by the time they would enter repayment of their right to apply for deferral or forbearance in making repayment. Specifically, continued attendance on a less than half-time basis should be a criterion for granting deferral or forbearance.

Finding:

Federal student aid not directly attributable to tuition and fees is often counted against an individual's eligibility for welfare and Food Stamps, and beneficiaries of these programs are put in the impossible position of choosing between getting an education or feeding their children.

Recommendation:

All student financial aid under the higher education act should be clearly defined as contribution to the education-related costs of those who receive aid. Such aid should not be counted as personal income, in whole or in part, in determining an individual's eligibility for food stamps or welfare.

Finding:

Financial aid information habitually fails to reach part time and evening students, who make up the bulk of the adult student population.

Recommendations:

1. A doubling of the Educational Opportunity Centers program would assure greater outreach to this population
2. Financial aid training that the government currently conducts for high school counsellors should be expanded to include professionals who deal with adults-- human resource officers in business, labor counsellors and unemployment and welfare counsellors to name a few.
3. Easy-to-read, well-highlighted informational materials specifically targeted to adults should be required of all colleges that serve a large adult population.

UNEMPLOYMENT INSURANCE

Administering Agency-- Department of Labor

Findings:

The study found that too many states treat the idea of education and training for UI recipients as a highly suspect evasion of the responsibility to work, rather than a way for individuals to assume control over their own lives and careers. Claimants are often left unaware of the training option, decisions are made in an inconsistent, almost haphazard manner and postsecondary education is treated with suspicion.

Recommendations:

1. The Department of Labor should undertake a new and truly complete, state-by-state survey of state practice: from the kinds of notification the states employ, to the types of training they approve, to their manner of making decisions. It is time to stop pretending that the law is being administered properly, or that it doesn't matter what goes on in the field.
2. The Department of Labor, by regulation, should insist that the states clearly notify beneficiaries of the training option, and that they develop and employ objective criteria for evaluating training providers and approving training requests.
3. Federal unemployment law should be amended to place the burden on the state to prove that training proposed by the beneficiary is not satisfactory, rather than placing the burden on the individual to justify the training.
4. Finally, federal unemployment law should be amended to specify if the claimant is making satisfactory progress toward a recognized degree, constitutes approved training for the purposes of the UI program.

WELFARE

Administering agency-- Department of Health and Human Services

Findings:

The study found that welfare recipients are typically informed by their local caseworker that postsecondary education is not an allowable training activity, and that the recipient cannot continue to receive subsistence benefits unless he or she abandons college for a menial job or short-term training. Furthermore, federal financial aid in excess of tuition and fees is routinely counted as income and therefore reduces welfare eligibility.

Recommendations:

1. Welfare legislation should be amended to require that the states allow welfare recipients to fulfill their education and training requirement in college, if they so choose, as long as satisfactory progress is being made in school and the course of study is consistent with the individual's career goals.
2. The law should be amended to assure that student financial aid is not counted as personal income, in whole or in part, in determining an individual's eligibility for AFDC.

FOOD STAMPS

Administering Agency - Department of Agriculture

Findings:

Adults who want to attend college must meet special eligibility requirements to receive food stamps, including a requirement that they work 20 hours per week no matter how many courses they are taking. They may not deduct educational expenses from their income in applying for food stamps, but the student aid they receive is often deducted from their food stamp allotment.

Recommendations:

1. All federal student assistance should not be counted as personal income, in whole or in part, in determining an individual's eligibility for food stamps.
2. Documented education-related expenditures made by food stamp applicants should be made excludable from personal income in determining food stamp eligibility.
3. The policy of imposing a 20-hour per week work requirement on college students who otherwise qualify for food stamps should be abandoned. The requirement is extraneous to financial need, and only serves to unnecessarily prolong or interfere with the individual's ability to complete his or her education.

VOCATIONAL REHABILITATION

Administering agency-- Education Department

Findings:

The states and local VR caseworkers, hungry for quick closure of cases and perhaps underestimating the potential of their clients, often disallow or discourage VR beneficiaries from attending postsecondary education, especially individuals with severe handicaps.

Recommendations:

1. The Education Department should immediately begin to compile data on the employment and recidivism rates of VR clients rehabilitated through postsecondary education compared to other types of training. (Overall, one in eleven VR clients return to the program within three years of their initial rehabilitation).
2. Rather than focusing all program energies on case closure, Congress should ensure by law that evaluations of VR program performance are expanded to include the nature of the clientele served and the quality of the training in terms of career development and upward mobility.
3. The VR legislation should be amended to specifically require the states to approve college as an allowable form of training for VR recipients, as long as satisfactory progress is being made in school and the course of study is consistent with the individual's career goals. Furthermore, it should be required that all prospective clients be informed of their right to choose postsecondary education.

DEPENDENT CARE

Administering agencies: Department of Health and Human Services; Education Department

Findings:

The lack of accessible, affordable child care is a considerable obstacle to adults seeking a college education. We've found that Title XX state social services block grants rarely help adults meet day care costs, that the future of child care provided by welfare reform is questionable, and that other sources of potential federal support, including a higher education act program, are either unauthorized or unappropriated.

Recommendations:

1. Child care support under title XX social service block grants should be continued and enhanced, and the law should be amended to prohibit the states from disqualifying eligible recipients simply because they are attending college.
2. The campus child care program authorized under title IV of the higher education act to provide funding for on-campus day care centers should be reauthorized and funded.
3. The Senate Finance Committee, the House Ways and Means Committee and the House Education and Labor Committee should carefully monitor the implementation of welfare reform to assure that postsecondary education is not being unduly restricted by the states and that child care services are made available as mandated to eligible beneficiaries.
4. New child care legislation should be enacted to supplement federal support services to low-income adults trying to pursue a college education.
5. The higher education act should be amended to allow dependent care costs, based on a full-time maximum of \$3,000 per care recipient, to be considered in determining eligibility for Pell Grant and other federal programs.

EMPLOYEE EDUCATIONAL BENEFITS

Administering Agency: Internal Revenue Service, Department of the Treasury

Findings:

Section 127 of the tax code, which makes employer-paid educational benefits tax free to the employee, has been found to constitute a significant financial incentive for genuinely needy individuals to attend college, at relatively low cost to the federal treasury.

Recommendation:

In order to assure continuity of employer initiatives to promote the education and training of their workers, Section 127 of the tax code should be extended on a permanent basis.

ADULT EDUCATION

Administering agency: Education Department

Findings:

Many states use their discretion in awarding grants under the federal adult education act to largely bypass community colleges, while the federal law fails to buttress the role of community colleges as key providers of education for adults.

Recommendations:

1. The House Education and Labor Committee and the Senate Labor and Human Resources Committee should direct the U.S. Education Department to undertake a comparative study of different adult education providers-- including elementary and secondary schools, colleges, libraries and community agencies-- to see which produce the best results. The study should measure quantitative outputs like GED completion, job placement, subsequent participation in college and long term removal from public assistance. If some types of providers are found to perform systematically better than others, steps should be taken to encourage their participation and remove any obstacles to it.
2. Congress should remove the twenty percent cap on funding GED programs under the adult education act, because that cap limits the extent to which working age adults can use the adult education program to meet the rising educational requirements of today's job market.
3. The law should be changed to assure community college participation in state adult education advisory councils, and to require that local school districts solicit comments by colleges and community agencies on school district proposals to conduct adult education programs.

VOCATIONAL/TECHNICAL EDUCATION

Administering agency: Education Department

Findings:

Despite evidence that community colleges are especially good providers of vocational/technical education for adults, the states vary tremendously in how much they employ federal vocational education funds at the postsecondary level. Further, the study found that some states appear biased against postsecondary education, and the monies reported as "post-secondary" in nature may not really reflect postsecondary-level education. Despite all this, proposals have surfaced in Congress to impose a 30% cap on postsecondary spending.

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Recommendations:

1. Congress should reject any proposal to place a cap on postsecondary spending under the Perkins act, especially a cap that falls below current spending levels.
2. Instead of a cap, Congress should enact a floor for post-secondary funding of 30 percent. This floor-- and all accounting of postsecondary spending-- should be based upon community college and other postsecondary credit-bearing programs, not area vocational school programs.
3. The Education Department should conduct a study to determine and secondary programs are most likely to promote long-term self-sufficiency and productivity.

JOB TRAINING PARTNERSHIP ACT

Administering agency-- Department of Labor

Findings:

The Job Training Partnership Act rarely supports training for adults in postsecondary institutions because local decision-makers appear to distrust college programs, because federal performance standards fail to reward educational achievement, and because providers are often restricted to short-term, non-credit, open entry/open exit programming.

Recommendations:

1. The U.S. Department of Labor should conduct a study to determine the circumstances under which different kinds of providers are most likely to promote long-term self-sufficiency and productivity. The federal government should immediately begin to compile systematic data on the employment and recidivism rates of JTPA clients trained through postsecondary education compared to other types of training.
2. JTPA performance standards should be amended by legislation to count educational advancement as a successful outcome for adults under the same terms as it is counted for youth.
3. To assure that somewhat longer-term training options are not shut out of JTPA participation, JTPA legislation should be amended to prohibit local authorities from restricting JTPA participation to open entry/open exit programming or to non credit programming, especially when credit would otherwise be accorded for similar training.

A detailed examination of each of these program areas now follows.

STUDENT FINANCIAL ASSISTANCE

"Numerous problems face the adult who wants to return to college, such as ability to pay, calculation of financial aid eligibility, discouragement to apply and availability of information. Older students are not being sufficiently helped with their expenses, so they often have to either take one course at a time or not go at all."

--Financial Aid Officer, Maryland

"Priority is given to full-time students for financial aid; the application process is designed for 18-year-olds."

--Financial Aid Officer, Pennsylvania

The federal government invests almost \$10 billion annually to help financially needy individuals attend college. There are four types of federal aid programs:

- (1) the Pell Grant program, which provides direct government grants to the neediest students;
- (2) campus-based aid programs, under which professionals on campus assess the financial needs of students and offer them grants, loans and work-study jobs;
- (3) the State Scholarship Incentive Grant program, which provides grants encouraging the states to set up their own financial aid programs;
- (4) bank loan programs.

Pell Grants: The \$4.48 billion Pell Grant program is the foundation of aid for the neediest students - usually those with family incomes below \$25,000. Students apply directly to the federal government, which uses a standard formula to assess the student's financial situation and produces a grant eligibility number, or Student Aid Index (SAI). An SAI of 0 indicates maximum Pell Grant eligibility; as the SAI increases, eligibility decreases. The SAI is compared to the student's Cost of Attendance to determine the actual award amount. The maximum award for academic year 1989-90 was \$2,300 or 60 percent of the student's cost of attendance, whichever was lower. The average award was \$1,459.

Campus-Based Programs: Under the campus-based programs, the federal government allots funds directly to the colleges based on the number of needy students and costs they report. The aid is then distributed to students by financial aid officers at the colleges based on federal guidelines, campus priorities and professional judgment. Funds rarely go far enough to serve all students in need, or to provide them with nearly the level of aid they could use.

There are three campus-based programs. Supplemental Educational Opportunity Grants (SEOG) go to students demonstrating "exceptional financial need", with priority given to Pell Grant recipients. The maximum annual award is \$4,000, but the average amount awarded is only \$700. The College Work-Study program provides jobs for students, usually on campus. The average award is \$900. Perkins Loans are low-interest (5 percent) loans, up to a maximum of \$9,000 over a four year period, which must start being paid back nine months after the student graduates, leaves school, or drops below half time.

Eligibility for campus-based programs, as well as Stafford loans, is determined by a set of needs analysis formulas mandated by law, called the Congressional Methodology (CM). CM produces

an "expected family contribution" which, in conjunction with a "cost of attendance" allowance based on statutorily defined components, determines the student's approved level of support.

State Scholarship Incentive Grants: This program makes matching grants to the states to help them establish their own need-based student grant and work-study programs.

Bank Loans: The largest program is Stafford loans, which are made by a lender such as a bank or credit union and have an interest rate of 8 percent. Repayment begins six months after the student leaves school. The maximum a first or second year undergraduate may borrow is \$2,625, with \$4,000 allowed the last two years.

Students may not borrow more than their need less other aid. PLUS loans-- for parents helping to finance their children's education--and SLS (Supplemental Loans for Students) are variable interest loans without the favorable repayment conditions that apply to Stafford loans. Financial need is not a criterion for receiving a PLUS or SLS, but loans cannot exceed the cost of education minus other financial aid.

OBSTACLES TO FINANCIAL AID FOR ADULTS

For a variety of reasons, adult, independent students have a much harder time obtaining federal financial aid than younger, dependent students. For example, the latest data available from the the government's National Postsecondary Student Aid Study (NPSAS) show that:

-- Proportionally fewer older students than younger students and fewer part-time students than full-time students received grant aid, loan aid, or work-study aid. (70% of the adults in college attend on a part-time basis.) About 40% of students 23 or younger could rely on federal aid, while only 25 percent of students 30 and older received aid.

-- While the average college-going expenses of part-time students are at least half as high as the expenses of full-time students, the percentage of part-time students receiving aid was only one-fourth that of full-time students.

-- The average grant aid received by younger students was higher than the average grant aid to older students, while older students had to take on larger loans than younger students to stay in school.

We have identified eight factors in federal student aid law and program practice which appear to work to the disadvantage of adult students, especially adult students who themselves have dependents. These are:

-- Criteria such as "base year income" for determining Pell Grant eligibility that do not take the financial circumstances of older students into account.

-- Exclusion of students attending school less than half-time from Pell Grants.

-- Disproportionately small distribution of campus-based aid to older and part-time students.

-- Use of a "Congressional Methodology" that does not adequately take into account basic family maintenance expenses nor adequately distinguish degrees of need.

-- Inadequate accounting of dependent care expenses in determining student costs of attendance for student aid purposes.

- Loan ineligibility and payback requirements for students attending less-than-half-time.
- Conflict among welfare, food stamp and student aid eligibility.
- Lack of financial aid information reaching adults.

"BASE YEAR" INCOME, PELL GRANTS, AND AID OFFICER DISCRETION

The Pell Grant formula draws on an individual's financial data for the calendar year preceding the calendar year in which aid would begin; this is called the "base year." The idea is that the base year serves as a reasonable predictor of the family's financial circumstances when aid begins. For the parents of a traditional college student, this assumption may be valid because the earning power and assets of the parents can be assumed in most cases to be relatively consistent over the two years. Even for dependent students, however, the base year may be an inaccurate predictor as many students abandon the part-time jobs held in high school when they become college freshmen or sophomores.

In the case of an adult trying to start college, however, the "base year" income will probably not reflect the financial condition the individual would face when he or she begins taking classes. If the individual is starting college because he or she became unemployed, the "base year" income may well be considerably higher than the income the student will actually have at his or her disposal when classes begin. If the individual is newly widowed, the "base year" income may reflect a deceased husband's earnings. If the individual has been working full-time, or nearly full-time, he or she may now need to reduce work hours and earnings will decline. According to a just-published *CSS Reports* (Number 3, February, 1990), the estimated school year income reported to the College Board by independent students was 26% lower than the base-year income.

In the years prior to academic year 1987-88, after the Pell Grant aid determination was initially made, the program allowed students to submit information about certain "special conditions" to adjust their awards. Those conditions included loss of employment, loss of earnings due to disability or natural disaster, loss of untaxed income or benefits, separation or divorce, and death of spouse.

The 1986 higher education reauthorization act replaced the special condition procedure with a new provision under which college financial aid officers were given authority to use "expected year" income rather than "base year" income in assessing financial need, and in general to exercise professional discretion. This system was used for one year, academic year 1988-89.

It was taken out of the FY 89 budget, supposedly as a cost-cutting move, although there is no evidence that financial aid officers were actually using this discretion any more extensively than the "special conditions" had been used in the past. In fact, some believe the financial aid officers may even have used discretion to hike grants less than under the old system, out of fear of audits and questioning federal officials. Which system will be used in future years is still in doubt.

The system of financial aid officer discretion offers greater flexibility than the system of special conditions for the peculiar circumstances adults face in financing an educational change. For example, the special conditions system can be utilized to change the need assessment of adults who will reduce their work load from full-time to part-time when they attend college. However, the system has not accommodated persons who were under-employed, even working as much as 30 hours per week, but were not working full-time, when they have to reduce their work hours to attend college.

Recommendation:

Financial aid officer discretion should be restored. Among the factors triggering the use of such discretion should be a projected reduction of income during the enrollment period by ten percent compared to the base year. A standard of this nature is more sensitive than an "all or nothing" trigger (such as "loss of employment"), and is more appropriate than a trigger not tied directly on finances. The U.S. Education Department should clearly encourage rather than discourage financial aid officers from employing this discretion.

PELL GRANTS FOR STUDENTS ATTENDING LESS THAN HALF-TIME

A woman with a husband and three children has been working full-time and taking nine credits a term toward her B.A. during evenings when her husband is home. The husband and wife together earn \$28,000 and she is halfway done with her degree. The couple divorces. The woman needs to earn more money and takes a second job nights. As a result, at least until she can find a better job or get back on an even keel, she is dropping her course load to three credits a term, one-quarter time.

Until the 1989-90 school year, no matter how much financial need was exhibited by students attending school less than half-time, no matter how great a gap existed between their financial resources and college going expenses, they were ineligible for a federal Pell Grant. In 1986, Congress passed a provision opening Pell Grant eligibility to students attending less-than-half-time, but only for direct educational expenses and only for those in the greatest category of financial need. Since the provision went into effect, 150,000 students have received aid, over 40% of them over the age of 30.

In late 1989, however, as a cost-cutting measure, Congress suspended Pell Grant eligibility for students attending less than half-time. Students who have already gotten their grants may keep them in 1989-90, but no new grants were made after January 1, 1990 and no less-than-half-time students will receive grants in AY 1990-91.

The students whose aid is being cut off, like the woman cited above, are in the very neediest financial aid category -- people whose "expected family contribution", as determined by the government, is zero. (Full-time students could have a family contribution as high as \$2100 and still qualify.) Neither are they continuing education students; everyone eligible for this provision has to be making satisfactory progress toward a degree.

Recommendation:

Pell Grant aid to students attending college less than half-time should be restored. As U.S. Secretary of Education Lauro Cavazos reported to Congress, "such students deserve our encouragement and support and should not be denied access to training that may better their job skills or employment opportunity solely because they are unable to enroll for more than one or two classes at a time."

DISTRIBUTION OF CAMPUS-BASED FUNDS

Adult students, certainly those attending part-time, find it very difficult to obtain campus-based student aid funds. According to the NPSAS report, nearly six times as many students 23 or younger received SEOG funds as students 30 or older. Twelve times as many younger than older students received college work-study funds. Perkins loans were made to eight times as many students 23 or younger as students 30 or older. And, based on U.S. Education Department data for the 1987-88 school year, students attending less than half-time received just .045% of SEOG funds, 1% of work-study and .0351% of Perkins loans.

To assure fair treatment of part-time students in the campus-based aid programs, the 1986 higher education reauthorization act included the following requirement in Section 413C(d):

"If the institution's allocation under this subpart is directly or indirectly based in part on the financial need demonstrated by students attending the institution less than full time, a reasonable proportion of the institution's allocation shall be made available to such students."

The U.S. Education Department issued a regulation to implement the provision which, in effect, required colleges to do no more than continue business-as-usual. Institutions are required simply to submit a priority order list of the categories of students to which it intends to provide funds. If part-time students are not high on the list, the institution is under no obligation to give the part-timers a penny -- even if the school has hundreds of part-time students with comparable need to full-time students; even if the institution was allocated campus-based aid in part on the basis of its needy part-time student population.

Also, current application procedures fail to highlight the financial need demonstrated by part-time students. In applying for campus-based aid funds, institutions now list: (1) the number of dependent undergraduates eligible for aid, listed in \$3,000 income increments; (2) the number of independent undergraduates eligible for aid, listed in \$1,000 income increments; (3) dependent graduate students, listed in \$3,000 income increments; and (4) independent graduate students, listed in \$1,000 income increments. Although part-time students are included in these counts, there is no

cross referencing of dependency, income and enrollment status. Without that information, it is difficult to assure that the neediest students in all categories are targeted for aid.

Recommendations:

Stronger steps must be taken to ensure that the neediest part-time students in fact receive a "reasonable proportion" of campus-based aid as mandated by Congress.

1. Congress should alter the campus-based application to assure that enrollment status is cross-referenced to income and dependency in the following manner:

Dependent Undergraduates

\$0-\$2,999
\$3,000-\$5,999, etc.

Full-time

Part-time

Independent Undergraduates

\$0-\$999
\$1,000-\$1,999, etc.

Dependent Graduate students
\$0-\$2,999, etc.

Independent Graduate students
\$0-\$999, etc.

2. To begin to effectuate the "reasonable proportion" principle, Congress should require that institutions provide aid under their campus-based program allotment to at least 5% of their part-time students in the lowest income cohort.

CONGRESSIONAL METHODOLOGY

Another hurdle for adults with children seeking campus-based aid is the Congressional Methodology (CM) system, which college aid officers use to determine eligibility for campus-based funds. Under the system used prior to the 1986 reauthorization-- called the Uniform Methodology (UM)-- the actual costs of tuition, fees, and room and board were all counted as student costs. Income and assets were computed to determine the expected family contribution (EFC). Cost minus expected family contribution equaled the student's financial need.

The new Congressional Methodology, however, has shifted some of what used to be viewed as costs into the family contribution formula. CM now only permits the use of costs for a single person with the presumption that the costs of maintaining the family are covered in a "standard maintenance allowance" in the part of the formula used to compute the family contribution. This "standard maintenance allowance", however, is based on the lowest maintenance amounts in the 1967 Bureau of Labor Statistics measurement.

The result is, for families with incomes slightly above or below the standard maintenance allowance, the Congressional Methodology does not properly reflect gradations in the family's actual ability to meet its needs. As an example, if a person heading a household of four were earning \$150 a week with the following costs, the calculated need under the two difference methodologies shows greater insensitivity in the new methodology

Costs-

	Old	New
Tuition and fees	\$ 1,000	\$ 1,000
*Room & Board	9,900	4,500
Books	300	300
Transportation	500	500
Personal & misc	<u>675</u>	<u>675</u>
Total	\$12,375	\$ 6,975
Calculated FC	4,502	198
Need	\$ 7,873	\$ 6,777

* New formula only counts individual costs.

As Mark Heffron, financial aid analyst for the American College Testing service notes, the new system "represents a major shift in federal financial aid policy (which will be) particularly severe on low-income single parents." For example, he notes, students in the \$0-\$2,999 income range will be expected to spend an average of \$10,740 to maintain the families, over 700% of their income.

Partly for this reason, the NPS AS report concludes that, as would be expected, "on average, students with the lowest family incomes received the largest Pell awards, while those with the highest family incomes received the smallest Pell awards. (But for the campus-based aid programs that use the new Congressional Methodology), no consistent pattern of average award by family income emerged."

Recommendation:

The Congressional Methodology should be amended to assure greater sensitivity to differences in the income and assets of adults with dependents, and family expenses should be fully counted at their actual level in assessing financial need.

INADEQUATE DEPENDENT CARE ALLOWANCE

As elaborated in another chapter, one of the key factors adults must consider in going to college is child care. According to a Washington Post article on child care, the national average day care bill for a 3-year-old in a private center is \$66 a week, or \$3,432 a year. Costs for infant care are usually higher. The cost of child care is now a typical family's fourth largest expense, while low-income families spend 25% of their income for child care. Those costs, especially when multiplied by more than one child, present serious obstacles for an adult returning to school.

Despite these costs, the Pell Grant formula only allows students to count \$1,000 in day care costs, regardless of number of children or other dependents (such as aging or disabled parents.) This artificially low allowance reduces the grants of some students at low-cost institutions because Pell Grants cannot exceed 60% of total attendance costs.

Recommendation:

Dependent care costs based on a full-time maximum of at least \$3,000 per care recipient should be allowable educational costs in determining eligibility for the Pell Grant, campus-based and loan programs.

LOAN INELIGIBILITY FOR LESS-THAN-HALF-TIME STUDENTS

Because of the competing responsibilities that face adult students, they sometimes have to attend school less than half-time, at least for a term or two. However, students attending less than half-time are ineligible for either a Perkins or Stafford loan.

Also, if a student already has a loan and then drops below half-time attendance, he or she must begin repaying the loan after a short grace period, just as though they were no longer in school and were earning a living. The only way to avoid repayment is to apply for and be granted special dispensation by the lender-- or to let the loan go into default.

Recommendation:

Defaults should not be triggered for borrowers who are likely to repay their loans when they are employed and can afford the monthly loan payments. Thus, all borrowers should be informed by the time they would enter repayment of their right to apply for deferral or forbearance in making repayment. Specifically, continued attendance on a less than half-time basis should be a criterion for granting deferral or forbearance.

CONFLICTS AMONG FOOD STAMP, WELFARE AND STUDENT AID ELIGIBILITY

As elaborated in the chapters on welfare and food stamps, adults receiving public assistance through AFDC or the food stamp program face special problems, although they are clearly in the most severe financial need. Basically, any student aid that cannot be directly attributed to educational costs is counted as income by the welfare and food programs, and therefore student aid can and does reduce the food stamps and welfare received by poverty-stricken families.

Counting student aid against welfare and Food Stamp eligibility even applies to government-backed bank loans. A counselor who explained this to one of her students received the incredulous response, "You mean I lose free Food Stamps for borrowed money?"

It is hard to imagine a greater disincentive to college than having to choose between feeding one's family or staying in school. The problem with this policy is that student aid does not-- either theoretically or in actuality-- provide recipients with general income. Rather, federal student aid provides funds for the extra expenses, including living expenses, incurred by recipients because they are going to college. Student aid by law cannot exceed the costs of attending school determined under government formulas. To treat welfare and food stamp eligible individuals as too "rich" for subsistence by virtue of their student aid is thoroughly unfair.

As a student from Dover, Delaware reported, "When I started at the community college, I lost \$50 in welfare benefits. The only explanation they gave me was that I was overpaid because I was getting money to go to school. But the grant money I received only paid for tuition; it was never in my hands. I also lost \$50 a month in food stamps. The rationale was that my children and I didn't eat three square meals a day because we were in school and so we didn't need as many food stamps. My kids and I go hungry at the end of the month because I have to pay rent. (Many think it's more feasible to stay home and have a baby every two years and be on welfare than to go to school."

Another typical student response was received from a Minnesota woman with children, who reported that her Food Stamps will be reduced to \$15 a month if she begins school, and at this writing she was undecided whether the burden was worth it. As a financial aid officer in Pasadena reported, "Many people who would like to go to college are afraid to apply because they think their public assistance will be eliminated." And, as a Minnesota counselor pointed out, "The government is just concerned with getting people off welfare, but not with getting them out of poverty. People shouldn't have to live on the edge all the time."

Recommendation:

All student financial aid under the higher education act should be clearly defined as contributing to the education-related costs of those who receive aid. Such aid should not be counted as personal income, in whole or in part, in determining an individual's eligibility for food stamps or welfare.

LACK OF SUFFICIENT FINANCIAL AID INFORMATION

Finally, adults who might consider college generally face a more subtle, but equally great obstacle - a lack of basic information about how to get the aid to which they are entitled. Many never make it to the financial aid office because they are not in the mainstream information pipeline; the financial aid information system focuses on the traditional 18-year-old. While still in high school, students receive extensive information and guidance regarding financial aid and deadlines. Because adults often must search for the information on their own, they are more likely to assume that they are not eligible for aid or to miss funding deadlines.

Improving Financial Aid Services, a program guide published by the College Board and the College of New Rochelle, identifies some of the concerns adults may have: "While financial aid officers can expect adult students to be responsible, they cannot expect them to be knowledgeable or experienced about all matters relevant to financial aid. . . . Adult students who first enter a college program often come with confusion about their relationship with authority and their abilities in the college setting."

There is a federal program that provides funding for Educational Opportunity Centers, which are community-based centers that disseminate information about admissions and financial aid, and can also provide assessment and counselling. However, there are only 40 such centers throughout the nation, with an approximate clientele of 112,000.

Recommendations:

1. A doubling of the Educational Opportunity Centers program would assure greater outreach to this population.
2. Financial aid training that the government currently conducts for high school counsellors should be expanded to include professionals who deal with adults-- human resource officers in business, labor counsellors, and unemployment and welfare counsellors to name a few.
3. Easy-to-read, well-highlighted informational materials specifically targeted to adults should be required of all colleges that serve a large adult population.

UNEMPLOYMENT INSURANCE

A 10-year factory worker is thrown off his job permanently in May, after repeated layoffs, when his employer shuts down. He has a high school diploma. Eligible for up to six months of unemployment compensation, he begins collecting benefits and looking for a job, only to find after three months that there is no work he can get without moving his family.

The local community college offers an associate degree in medical technology, which can lead to employment in the area. He decides to enroll and is admitted. He needs to see his unemployment officer for a weekly review. If he reports that he looked for a job that week and couldn't find any, his benefits will continue. If, however, he reports that he enrolled in the community college, his benefits will usually be cancelled immediately. Why? Because he is supposed to make himself available for "work" each week-- whether or not there is any "work" in the area to be available for.

The federal unemployment insurance program (UI) is designed to insure people against wage loss due to involuntary unemployment. UI provides an average of \$149.16 in benefits per week, depending on salary, usually up to 26 weeks, to 2.1 million out of 6.6 million unemployed workers. UI is funded by an excise tax imposed on every employer. Under general federal guidelines set by the Department of Labor, the states pass laws which establish ground rules for operating UI programs in their jurisdictions.

In order to receive weekly UI benefits, unemployed individuals must generally demonstrate to their local unemployment officer that they have sought work or are, at least, "available" for work. This is called the "work test."

In 1970, Congress passed an exception to the work test for individuals who participate in a training program approved by the state UI office. The 1970 provision was passed as part of the federal Unemployment Act and provides that "compensation shall not be denied to an individual for any week because he is in training with the approval of the state agency (or because of the application, to any such week in training, of state law provisions relating to availability for work, active search for work, or refusal to accept work)." (1)

This provision was passed because Congress knew that it often makes sense to encourage chronically unemployed people to obtain education and training, rather than propel them into an endless succession of dead-end jobs.

However, UI practice at the federal and state levels has not lived up to the promise of the law. This study has found that the federal government has not provided standards to the states in administering the training mandate; that there has been no enforcement at the federal level; that the states have downplayed the provision in a variety of ways; and that higher education, in particular, has been frowned on.

LACK OF FEDERAL GUIDELINES

There are no real federal standards implementing the 1970 training provision, and, therefore, the states have to do little to comply. Under the latest Federal Commentary (Section 4 (b)(8)) each state "is free to determine what training is appropriate for a claimant, what criteria are established for approval of training for an individual, and what safeguards are established to assure that the claimant for whom the training has been approved is actually attending such training." (2)

No test has been established by the Department of Labor to approve or disapprove a state's compliance and, consequently, the states, according to labor analyst Paul Barton, "do not have to like it or do more than technically meet it." According to Barton's 1986 National Institute for Work and Learning study called A Better Fit Between Unemployment Insurance and Retraining, most states only comply at a basic level with the training provision.

Barton writes, "[States] may have complied on paper but do not agree with the goal behind the 1970 amendment, and do nothing to give effect to it...The federal law, as currently written and as minimally implemented, does little more than establish a basis for successful appeal if a claimant is denied benefit because he or she is enrolled in training and as a result does not meet the work test." (3)

Shortly after the training provision was enacted, former Secretary of Labor Willard Wirtz concluded in his 1975 study, The Boundless Resource: A Prospectus for an Education/Work Policy, that "While state laws have been changed, there has been no follow up to see whether the spirit of the federal initiative is being carried out, whether individuals are being informed of the new opportunities, and how many, in fact, are enrolling in training courses as a result." (4)

Fourteen years later, Ivan Chamer and Nancy Shlossberg concur with Wirtz's view in their 1989 study, Options and Opportunities: Overcoming Barriers to Worklife Education and Training. They point out, "Despite a 1970 provision in the Federal law that permits workers to enroll in training without denial of benefits due to application of the work test, most states do not inform claimants of the provision and the U.S. Department of Labor has done little beyond instructing states as to what constitutes compliance." (5)

STATE PRACTICE

We have reviewed written materials and conducted personal inter-views conducted with UI officials in twelve states: Alabama, Arizona, California, Illinois, Massachusetts, Nebraska, Pennsylvania, Rhode Island, Texas, Virginia, Washington state and South Carolina.

We have found that the lack of federal guidelines and enforcement has led to dramatic differences among the states in the extent to which they inform people about the training option, in the training they allow, and in the procedures they employ to allow it. Overall, though, it is clear that UI recipients are not sufficiently informed about the training option and are not often allowed to avail themselves of it.

Claimants Rarely Informed

While federal guidelines required the states to incorporate the national training mandate in their state unemployment laws, the states have not been required to make this information readily available to beneficiaries. As a result, our study found that 5 of the 12 states have no statewide notification. (Some of these say they rely on local UI officers to mention the training option when they consider it relevant; others have even less interest in notification.) Seven of the states provide written information to all claimants, but the prominence and accessibility of the information differed widely



from state to state. For example, while Nebraska provides information through brochures, interviews and video tape, Virginia's information is presented in four short lines on page 11 of the state brochure.

This is confirmed by Barton, who also found that, "In some states, probably many, the information is buried in the fine print of the little book given to claimants defining their rights and responsibilities. It becomes one more item in the fine print, while it puts the states in compliance with the Federal law, it does little to make the opportunity come alive for claimants." (6)

Haphazard Decisionmaking

According to the Unemployment Insurance Reporter, a Department of Labor-funded comparison of state UI laws found that, "Although some state laws have set forth the standards to be used, many do not specify what types of training are approvable." (7)

This was borne out by our research. Few of the states we surveyed have established concrete criteria for training approval and individual assessments. Five of the 12 do not have statewide lists of approved training agencies or even state standards for approving such agencies. In these cases, if training is approved at all, determinations about acceptable training providers are made on a subjective basis by individual UI officers.

And when an unemployment beneficiary asks to take part in a particular form of training, only five of the 12 states employ objective criteria to approve or disapprove the request. Seven of the 12 states leave the decision entirely in the hands of the local UI officer with no state guidance. As Tom Vaughn, Arizona state UI Director, commented, "There is no uniform approach and the interviews are fairly subjective, based on the knowledge of Department employees."

To illustrate the variability in state UI practice:

-- In California, one of the states we reviewed, every claimant is given a brochure outlining what is approved training, ranging from JTPA to postsecondary education. To qualify, according to the brochure, an individual "must be out of work and unlikely to return to your usual occupation because of plant closure, mass layoff, technological changes, automation, competition from foreign imports, or a mental or physical disability which prevents you from using your existing job skills." (8) Persons interested in training complete standardized evaluation forms, the information on which is compared to the Dictionary of Occupational Titles.

-- By contrast, in his 1985 study, Paul Barton found one state that refused to approve any training at all. Barton wrote, "The author visited one state that reported itself as being in compliance. However, state officials said that no one was given 'approval of the state agency' for training and that the state had discretion to refuse approval...It is hard to say whether the Department of Labor would rule the state out of compliance, for no test has been made." (9)

As the Department of Labor noted, in a 1985 survey conducted by the Interstate Conference of Employment Security Agencies, there is "no consistent pattern in approvals of training for UI compared to applications." (10) And therefore, as the United Auto Workers testified before the House Ways and Means Human Resources Subcommittee, "The law has not been effective." (11)

BEST COPY AVAILABLE

FEW STATES ALLOW POSTSECONDARY EDUCATION

A commentary to the states released by the U.S. Department of Labor said that the objective of the federal training provision is "to assure that the unemployment insurance system is not an impediment to the training of claimants in occupational skills." (12)

Certainly, however, for people with the potential to establish new careers for themselves through a college education, UI as it is generally administered constitutes a most serious impediment because training at the postsecondary level is allowed rarely, grudgingly and at the lowest level possible.

As the Unemployment Reporter noted concerning the 1985 Labor Department UI Training Survey, "approved training is limited to vocational or basic education training, thereby excluding regularly enrolled students from collecting benefits under the approved training provision." (13)

The survey found that 25 states allow no academic training while eight others have stringent restrictions on such training. The 17 states that allowed academic training did not necessarily approve a degree program and often imposed stringent time limits on the training.

Our study found only three states out of 12 that allowed post-secondary education for claimants seeking a degree from an institution of higher education. These were California, Washington state and Rhode Island, which offers free tuition at state colleges for unemployed persons. This is not to say that college level training, particularly at the baccalaureate level, is always or even usually approved. It is not, however, automatically disapproved in these states. California, for instance, will suspend the work test requirement if a claimant meets specific eligibility criteria (i.e., out of work due to plant closure, mass layoff, technological changes, etc.). Massachusetts and Arizona will allow training in a postsecondary setting, but not for degree programs that exceed one year.

RECOMMENDATIONS

Analyzing unemployment problems in the forward to Paul Barton's study, former Labor Secretary Willard Wirtz observed that, "More persons are now remaining unemployed for longer periods of time and are exhausting entitlement to UI due to jobs lost because of changing technology, foreign competition and other shifts in the economy." (14)

Because of this, Wirtz advocates increasing options for the unemployed. "Tiding displaced workers over a few weeks isn't enough. A lot of them are going to have to be retrained in new skills so that they can find and fill new and different jobs. If they aren't, the consequences will be both human debilitation and an increasing drain on the economy." (15)

Too many states treat the idea of education and training for UI recipients as a highly-suspect evasion of the responsibility to work, rather than a way-- and a difficult way, at that-- for individuals to get control over their own lives and careers. We have seen that claimants are often left unaware of the training option, that decisions are made in an inconsistent, almost haphazard manner, and that postsecondary education is treated with great suspicion.

Recommendations:

1. The Department of Labor should undertake a new and truly complete, state-by-state survey of state practice: from the kinds of notification the states employ, to the types of training they approve, to their manner of making decisions. It is time to stop pretending that the law is being administered properly, or that it doesn't matter what goes on in the field.
2. The Department of Labor, by regulation, should insist that the states clearly notify beneficiaries of the training option, and that they develop and employ objective criteria for evaluating training providers and approving training requests.
3. Federal unemployment law should be amended to place the burden on the state to prove that training proposed by the beneficiary is not satisfactory, rather than placing the burden on the individual to justify the training.
4. Finally, federal unemployment law should be amended to specify that attendance at an accredited institution of higher education, if the claimant is making satisfactory progress toward a recognized degree, constitutes approved training for the purposes of the UI program.

This does not mean that UI benefits will be continued for four years of college. UI benefits would continue for the same time period as otherwise, usually about six months. This simply means that a UI recipient can choose training and get it, for example, at a community college without losing his or her benefits. We know enough about the economic value of a college education to encourage its pursuit, rather than to treat it as suspect.

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WELFARE

"People think welfare mothers don't go to college because they are stupid, lazy and don't want to get off the dole. That's nonsense. The problem is that everybody tells them they can't do it. Somebody has to tell them they can.... I was a seventh grade dropout and an unwed mother on welfare. People told me I was either stupid or crazy. But I made it through college and got my master's degree." (1)

-- Carol Sasaki, the director of HOME Ourselves Means Education), a group providing support for welfare mothers, in an interview with People magazine

Aid to Families with Dependent Children (AFDC) is a program under which the federal government provides matching funds to the states to make subsistence payments to poor families in which at least one parent is absent or incapacitated or the main wage earner is unemployed. Authorized under Title IV-A of the Social Security Act, the program is administered by the Department of Health and Human Services, but there is a great deal of state autonomy concerning eligibility and benefit levels.

In FY 88, AFDC served 3.7 million families or 11 million people, two-thirds of whom are under age 18. AFDC benefits totalled \$17 billion, of which \$9.3 billion was federally paid. Potential AFDC recipients apply for the program at state welfare offices, where caseworkers assess eligibility and set the conditions under which aid may be received.

During the 1970's and 1980's, observers and politicians on both sides of the aisle began to realize that funneling only small subsistence payments to welfare mothers would not help them, or their children, break the cycle of poverty permanently. A consensus developed that the welfare system should be reorganized to foster long term self-sufficiency by placing AFDC recipients directly in jobs (generally favored by conservatives), or in education and training (favored by liberals.)

Those favoring education and training were bolstered by studies which showed that the most important characteristic of women able to earn an adequate income was a high level of education. (2) As Martha Ackelsberg observed, "The kinds of jobs which allowed unskilled or low-skilled workers to 'make it' in the United States in the earlier years of this century are rapidly disappearing. Poorly-skilled workers, whether male or female, increasingly find themselves at the margins of the economy. When the would-be worker is a woman with children to support, poverty figures soar." (3)

The Family Support Act of 1988, an omnibus welfare reform bill that passed Congress with Reagan Administration support, significantly expanded funding to provide education, training, jobs and child care for welfare recipients. The new law, which is in the process of implementation at the state and federal levels, for the first time specifically mentions postsecondary as an allowable training activity.

However, there is good reason to doubt whether welfare reform will make much difference to AFDC recipients who want to get a college education. This is because:

1. The states have usually discouraged AFDC recipients from going to college in the past;
2. The new law still leaves it up to the states to decide whether college will be allowed;
3. New federal regulations clearly discourage the states from approving postsecondary education; and
4. Federal student aid is still being counted against welfare eligibility.

STATE WELFARE AGENCIES HAVE DISCOURAGED HIGHER EDUCATION

Regarding jobs, education and training, the new welfare law is essentially a broadened and better-funded version of the federal WIN program. For years under WIN, AFDC recipients registered for jobs or training programs approved by their welfare workers. (Because of underfunding, few jobs or training opportunities were actually made available.) AFDC recipients stood to lose their welfare benefits if they failed to register, or if they participated in a training program which the state disapproved.

Under WIN, the states had flexibility to approve higher education as a "training" program for AFDC recipients. However, this rarely happened in practice, even though federal student aid could pick up most tuition costs. As a matter of policy, many states did not allow higher education altogether; the others provided little information about it, and tended to allow only short-term, job-focused higher education.

This may seem surprising, considering the fact that both common sense and research show that people with a postsecondary education are unlikely to return to the welfare rolls, while a sizable percentage of recipients in low level jobs do return. (4) The problem was that the welfare system rewarded quick closure of cases, and because it takes a comparatively long time to go to college, welfare workers were bound to push their clients into whatever jobs they could get now, or into participation in a short, job-focused training program. AFDC recipients, like the woman cited at the beginning of the chapter, were made to feel that their goals were educationally unrealistic and fiscally irresponsible--even if they had shown the intelligence and fortitude to get accepted into college, even if they were already in college and doing good work. This was particularly true of individuals who wanted to participate in a baccalaureate program.

As a financial aid officer pointed out in the Rosen study, "In general, the public assistance programs operate on a very short-term philosophy." (5) In Denying Independence: Barriers to the Education of Women on AFDC, Marilyn Gittell and Janice Moore interviewed 85 AFDC women enrolled in education or training programs and found, "When we asked women who set education as their goal what prevented them from achieving this, the major barrier AFDC women said they face is an uncooperative and often difficult welfare agency." (6)

In 1987, the City University of New York Washington office polled welfare officials in all 50 states. It found that most states formally allowed welfare recipients to receive postsecondary education, but that college was approved only rarely and only when the education was highly career focused and short-term in nature. Few states allowed a full two years of college; only three--Massachusetts, Maine and Connecticut-- allowed four years of college, and then only in rare circumstances. As an educational opportunity counselor in Tacoma, Washington reported, "It is very difficult to encourage welfare recipients to get their B.A. because they usually have a worker

threatening them to get a short-term training program for one or at the most two years of training. Most of the shorter, vocational courses do not provide jobs with decent wages."

GENESIS AND IMPACT OF NEW LEGAL LANGUAGE

The 1988 Family Support Act was enacted "to revise the AFDC program to emphasize work, child support, and family benefits. [and] to encourage and assist needy children and parents under the new program to obtain the education, training, and employment needed to avoid long-term welfare dependence." (7)

The act created a presumptive right to basic education and child care, backed by greater federal funding for these activities. In terms of postsecondary education, the law made four significant changes:

1. For the first time, postsecondary education on a half-time or more basis was specified as an allowable training activity. The definition in the law included a full undergraduate education as well as shorter-term training.
2. Although the law allowed states to impose other requirements on AFDC recipients in college (for example, the state can require a half-time student to get a half-time job), the act provided that "any other activities" imposed on the recipient "may not be permitted to interfere with the school or training."
3. While Congress could have required postsecondary training to be directly and narrowly focused to a particular job, the law requires only that the training be generally consistent with the individual's "employment goals."
4. Finally, the Act mandates that child care, transportation and other services be made available for recipients in postsecondary education as well as other training activities in the program.

The problem, however, is that the law says only that the states may consider college as "satisfactory participation in the program". The new provision imposes no obligation on the states to approve postsecondary training, and in no way alters the basic ethic to get people off the welfare rolls quickly. Without a more affirmative mandate to approve college, or a change in the ethic of quick case disposition, it appears unlikely that state approval practices for higher education will change dramatically.

IMPACT OF FEDERAL REGULATIONS

Rather than strengthening the higher education option, implementing regulations issued October 13, 1989 by the Department of Health and Human Services discourage state agencies from approving college.

For example, the preamble to the regulations allows states to approve postsecondary education, and, quite properly, notes that this "permit(s) enrollment in a baccalaureate degree program if the program is offered by an institution of higher education." (8) Later in the same text, however, the regulations specify allowed activities as including postsecondary education that "results in other than a baccalaureate or advanced degree (my emphasis)" (9). This is contrary to both the law and the regulatory preamble, and can only have been intended to discourage state approval of postsecondary programs.

Further, HHS appears to impose a direct and job-specific test for postsecondary education that was not intended by the law. The preamble states: "We interpret the language of Section 482 (d)(1)(B)(i) of the Act to mean that the offering of postsecondary education is an entirely optional matter for the state IV-A agency to address in its JOBS plan, except that we have limited such education to that which is directly related to the attainment of an individual's employment goal, i.e. to obtain useful employment in a recognized occupation (my emphasis)". (10)

The Department goes on to state, "Shorter programs leading to specific occupational goals are preferable to longer education programs that may have far less specific employment goals." (11) Again, there is nothing in the law to declare short-term programs "preferable" to longer programs, and, as we've seen, all the economic data concerning long-term self-sufficiency argues the precise opposite.

Finally, the guidelines "encourage States to use resources that are otherwise available to fund postsecondary education for JOBS participants." (12) While it certainly makes sense to encourage AFDC recipients to employ traditional federal student aid programs to pay for college, the thrust of this statement, like the others, can only be seen as discouraging the states from approving postsecondary education altogether.

STUDENT AID COUNTED AS PERSONAL INCOME

Frequently, all or part of the federal student aid received by AFDC beneficiaries is counted as personal income to the beneficiary, either disqualifying the person completely from AFDC or significantly reducing his or her benefits. National legislation, federal regulations and state practice all contribute to this condition.

Federal legislation: As described in detail in the chapter on student financial assistance (pages 23-24), the law governing treatment of student aid, set by the higher education amendments of 1986, establishes contradictory tests for counting and disallowing student aid income. On the one hand, the law specifically provides that federal student aid attributable to tuition, fees and college-going expenses such as transportation, books and child care are not to be counted as personal income for the purposes of any other federal program. On the other hand, the law says that any aid in excess of these expenses is considered a living allowance and can be counted against eligibility for other programs. The law does not fully specify allowable expenses, nor does it indicate the documentation required.

As noted in the earlier chapter, the problem with this policy is that student aid does not-- either theoretically or in actuality-- provide recipients with general-use income. Student financial aid provides funds for the extra expenses, including living expenses, incurred by attending college. This is demonstrated by the fact that student aid by law cannot exceed the costs of attending school determined under government formulas. To treat welfare-eligible individuals as too "rich" for subsistence by virtue of their student aid creates a catch-22 which can only prevent individuals from improving their economic circumstances through education.

Also, there is no federal law or policy regarding the treatment of non-federal public or private aid. Thus, any state aid or private scholarship may be counted as income and prove disastrous for welfare eligibility.

Regulations: Federal AFDC regulations, promulgated before the 1986 higher education amendments were enacted, state that, "Any (federal) grant or loan to an undergraduate student for educational purposes.. used under conditions that preclude their use for current living costs"

should be disregarded as income in determining AFDC eligibility. (13) This language poses two problems. First, it leaves unclear the status of aid received under the federal college work-study program, although work-study should be covered under the 1986 higher education provision. Second, it provides no guidance to the states about how to determine education-related costs as opposed to living costs.

State practice: The result, not surprisingly, is that the states differ dramatically in what they allow and the documentation required of students, and often adopt too restrictive a posture. As Margaret Dunkle states, "AFDC calculations often include only a standard allowance for such expenses as books and commuting (even when documented expenses are higher) and may not recognize other costs to students...If a student receives financial aid sufficient to cover the cost of living as determined by the financial aid office, the 'excess' cost over the AFDC allowance may be viewed as 'income' in AFDC calculations, thus reducing the AFDC grant and perhaps eliminating eligibility for both AFDC and Medicaid." (14)

Just as state rules vary, determinations often vary from welfare officer to welfare officer. "In fact," Dunkle notes, "two AFDC recipients attending the same college, with the same income, the same number of children, the same educational costs, the same student aid funding, and even the same caseworker could be treated differently under current AFDC and Federal student aid rules and practices." (15)

Gittell and Moore in their study Denying Independence: Barriers to Women on AFDC cite AFDC women's experiences with barriers to postsecondary education: "If AFDC workers find out about any school aid or college work study, they subtract it from their benefits. Consequently, these women were afraid to let their caseworkers know they go to school, and so they cannot apply for transportation, day care, or tuition assistance through the welfare office." According to their findings, many women generally find "the welfare office is their major barrier to a postsecondary education." (16)

RECOMMENDATIONS

1. Welfare legislation should be amended to require that the states allow welfare recipients to fulfill their education and training requirement in college, if they so choose, as long as satisfactory progress is being made in school and the course of study is consistent with the individual's career goals.

Three objections have been voiced to this position: first, that welfare recipients are hardly prepared to go to college; second (and rather contradictory to the first), that it would cost too much money to allow welfare recipients to draw benefits while they complete a college education; and third, that without restrictions, people might purposely go onto the welfare rolls to make their way through higher education.

These objections do not seem convincing. It is true that the vast majority of welfare recipients are far from ready for higher education; many, in fact, lack the most basic literacy skills. If so, allowing the few college ready welfare recipients to complete their education would hardly make a ripple in this multi-billion dollar program. And, even if significantly more welfare recipients were encouraged to go to college and received better pre-college training under welfare reform, the evidence that higher education permanently removes people from the welfare rolls is certainly reason enough to encourage them in their studies. Finally, considering the low level of welfare benefits and the loss of dignity and control they engender, the spectre of affluent students

impoverishing themselves to draw welfare benefits is hard to imagine and at variance with all previous program experience.

2. As also noted in the sections on student financial assistance and food stamps, the law should be amended to assure that student financial aid is not counted as personal income, in whole or in part, in determining an individual's eligibility for AFDC.

As the report of the National Commission on Student Financial Assistance notes, "Conflicting purposes and procedures of public assistance programs produce disincentives for the poor who seek to achieve self-sufficiency through education ... (and frustrate) the efforts of low-income citizens to achieve productive careers. They perpetuate dependence on public assistance payments. They result in increased government spending on entitlement programs, while simultaneously depriving citizens of an earned income and the government of increased tax revenue. Barriers to college enrollment created by these disincentives penalize the poor by either reducing or categorically eliminating benefits upon college enrollment." (17)

Former AFDC recipient Susan Clark Berube describes the experience of a welfare recipient's struggle to achieve self-sufficiency under today's system: "She often asks herself why she has decided to put herself through such pain. Will it all be worth it? School is so demanding. Relinquishing control of her income and the invasion of her privacy are demeaning and anxiety producing. Her self-esteem is affected by the humiliation she feels every time she encounters a hostile sales clerk or a case worker who seems to be saying: 'How dare you aspire to such things?' ... I'd like to say that getting a college degree as an AFDC recipient is worth all the travail. Today I'm gainfully employed. I'm proud to say that I am a taxpayer, and now helping to pay for other women who are presently going through what I experienced. I am glad I dared to aspire to such things!" (18)

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FOOD STAMPS

"An adult who is willing to return to school to upgrade [his or her] educational level does not have information about how to proceed, does not receive encouragement or incentives for change, and instead is viewed as a potential 'cheater' in the welfare system. A thirty-five-year-old female student worried throughout the quarter that she would lose her food stamps as a result of Pell Grant information being submitted to her welfare caseworker. Her stamps were reduced to one-half the amount and the student decided to withdraw from school."

--Educational Opportunity Center Counselor
Charleston, South Carolina

"The problem faced most often by our lowest income students is the reduction of Food Stamp or public aid benefits upon their receipt of federal financial aid. These students are forced to 'play the system,' juggling information given to public aid caseworkers with information given to financial aid officers in an attempt to maintain their families' subsistence allowances while securing funds for an education." (1)

--Student Financial Aid Officer
Belleville, Illinois

The Food Stamp Program (FSP) is a federal program that provides coupons (food stamps) to supplement the food buying power of low-income households. Food stamps are exchanged at grocery stores for food.

The United States Department of Agriculture's (USDA) Food and Nutrition Service (FNS) administers the program nationally. FSP is administered locally by the State welfare agencies. USDA pays for approximately one half of the cost of running the program, while the states and some local governments pay the rest. In 1987 the FSP gave out over \$10.5 billion worth of food stamps to 19 million people. In general, a family may be eligible for food stamps if its available income is no more than 30% above the government determined poverty level.

People normally apply for food stamps at the state welfare office, where they fill out an application, usually accompanied by an interview with the head of the household. The food stamp office assesses total monthly income using income and asset criteria. This process varies from state to state, in general, however, the FSP uses a formula much like an income tax return (that is, income minus deducted items that will not be counted as income) to determine eligibility and allotments. The food stamp office wants to know what income comes from working ("earned income") and what is received for some other reason ("unearned income", which could include grants or loans to go to college).

To fully understand the workings of FSP, we have conducted inter-views with Food Stamp policy directors and/or analysts in the following eleven states: Colorado, Georgia, Indiana, Iowa, Ohio, Louisiana, Maryland, Michigan, New Mexico, New York and Oregon. What we found is that persons receiving Food Stamps who want to attend college face a number of formidable obstacles. First, extra eligibility requirements are imposed on students. Second, educational expenses paid by the student do not constitute exclusions from income in assessing Food Stamp eligibility. Third, student financial aid is only partly excludable under certain circumstances. And fourth, we found that program administration is inconsistent and documentation requirements unduly burdensome.

As a student interviewed in another study said, the "policy of decreasing benefits for those seeking to better their lives through higher education (is) demoralizing, and snuffs out incentive. They should help those trying to help themselves, not penalize them. Is it better to stay pregnant?" (2)

SPECIAL ELIGIBILITY REQUIREMENTS FOR COLLEGE STUDENTS

Being a student in itself makes it difficult to receive food stamps because of the elaborate system of determining student eligibility for benefits. David Super at FRAC (the Food and Research Action Center) agrees, "Many college students can't get food stamps because they are not fitting the requirements."

Physically and mentally fit students between the ages of 18 and 60, enrolled at least half-time in an institution of higher education, must meet additional criteria after they pass a stringent test of financial need. In addition to being needy, they must either: (1) be employed at least 20 hours per week or participate in a federally financed work-study program during the school year; (2) be a parent with responsibility for the care of a dependent child under six; (3) be responsible for the care of a child between six and under 12 for whom adequate child care is not available; (4) be receiving benefits from the Aid to Families with Dependent Children (AFDC) Program; or (5) be assigned to or placed in college through JTPA. (3)

Although these requirements allow some people to get through the gate, Ellen Teller, staff attorney at FRAC explains that "for students, food stamps are harder to get than for any other group."

Dr. David Paul Rosen, in his 1986 study Poverty, Welfare and Educational Opportunity: Redeeming a National Resource, notes that, "categorical Food Stamp prohibitions against postsecondary education enrollment prevent the vast majority of Food Stamp recipients from attending college. One in five hundred recipients (0.2 percent) meets the program's stringent test for college enrollment." (4)

Of the eleven states interviewed, only two responded that the eligibility requirements for students posed no special problem. Two of the states particularly cited the difficulty of finding a stable job that continually offers 20 hours of work per week and at the same time carrying a heavy academic load.

NO INCOME DEDUCTION FOR EDUCATION

In assessing food stamp eligibility, FSP allows applicants to deduct four items from their income. There is: (1) a standard deduction adjusted periodically to reflect changes in the cost of living; (2) an earned income deduction; (3) dependent care deductions (not to exceed \$160 per dependent); (4) an excess shelter deduction; (5) a medical deduction for an elderly or disabled person whose medical expense is more than \$35 a month and is not reimbursed by insurance. (5) If you are a student, however, you are not allowed to deduct from your food stamp income any of your own money spent on tuition, fees, books and other college expenses. As one state official put it, "The law is punitive in that it allows exclusions for financial aid but a working adult who is paying tuition out of their own pocket doesn't even receive these exclusions... It seems fair for money, with or without aid, invested into higher education to be excluded."

FINANCIAL AID RESULTS IN FOOD STAMP REDUCTION

Under current law, student aid is categorized into three areas:

(1) federal aid provided under Title IV of the Higher Education Act (including Pell Grants, SEOG, College Work Study, Guaranteed Loans and Perkins Loans), (2) non-federal aid (for example, state aid and private scholarships), and (3) federal funds other than the Higher Education Act (AFDC, P.A.) The rules covering each form of aid are significantly different.

Title IV Aid

Section 479 B(b)(1) in the Higher Education Act states that monies received under title IV programs should not be counted as income for food stamp purposes as long as the aid is used for tuition, fees and educational expenses such as books, supplies, transportation, and miscellaneous personal expenses (such as laboratory coats for chemistry majors.) Any federal student aid that can not be attributed to these expense categories will automatically count as income because it is assumed that this money can be applied to general room, board or child care.

Assuming that a food stamp applicant has received a Pell Grant, how would one decide how much of the grant should and should not be counted as income? According to the higher education act, the grantor (in this case, the college serving as the government's agent) must certify how much of the aid is earmarked for educational expenses. This is presumed to be sufficient documentation, without asking for receipts of actual expenses, because the school is certifying that the money is "made available" for the allowed purposes.

We've found, however, that program practice was extremely confusing. More than half the states interviewed responded that they found the food stamp and higher education laws to be conflicting, complicated and competitive with each other.

For one thing, the Food Stamp office itself has issued approximately eight policy memos in recent years telling the states how to handle food stamps and college. The latest notification reaffirms the concept that initial certification from the college is sufficient documentation concerning education related and non-education related costs. Issued July 15, 1988, a Student Assistance Programs memo informed all FSP directors, "The new language ('made available') allows the institution or grantor to indicate that the assistance is meant to be used for allowable costs of attendance but does not require the student to verify how the assistance is actually used. Rather, the institution would just indicate that the funds were made available for the allowable costs. This is the position we will be taking in the final rule currently being developed to incorporate this change into the regulations." (6)

On the other hand, according to Joe Walsh in the Food Stamp Policy Division, USDA, "If the institution [of higher education] does not provide an itemized list of what the grant is to cover, all that is excluded are tuition and fees. The policy memos tell institutions to provide itemized lists, but there is a lot of confusion out there." In addition, we found that almost half the states interviewed require students to verify title IV aid by providing receipts for expenses. When that happens, as Georgia State-Level Consultant Robert Bell explained, "It is made very difficult for students to verify their expenses." In Indiana, for example, to document transportation a student has to produce gas receipts, keep records of trips per week and turn in odometer readings. Indiana will then allow .11 cents per a mile.

The Louisiana food stamp director, describing the confusion and anxiety in the field, told us, "We did a huge training packet based on FNS's memo. Before we got it printed and distributed to our staff, the memo had been changed." New Mexico remarks, "Because regulations haven't been revised and there is very little guidance on what should be allowed, much is left up to the states and to a large extent the caseworker and then it depends on what side of the bed the caseworker got up on." New Mexico's Program Policy Specialist told us that, "Quality control reviews cases and very rarely finds a correct case!"

Non Federal Funds

The second type of aid which can be excluded from food stamp income is categorized as non federal aid. Private scholarship programs fall into this category. In the case of non federal aid, the grantor must specifically earmark the money for educational purposes. Anything not specified as educational expenses will not be excluded from income. Receipts must be provided.

Federal Funds Other Than Title IV Aid

Federal aid other than title IV (such as veterans educational benefits) may be excluded from income providing it is only used for tuition and required fees. As Oregon Food Stamp Policy Specialist, Jackie Backman, points out, "Why is Title IV aid allowed more deductions than any other kind of aid, for example, Veteran's educational benefits? Personally, I think it is discrimination."

RECOMMENDATIONS

1. All federal student assistance should be clearly defined as contributing to the education-related costs of those who receive aid. Such aid should not be counted as personal income, in whole or in part, in determining an individual's eligibility for food stamps. This should apply to all federal programs that help people attend college, not just those supported by title IV of the higher education act.
2. Documented education-related expenditures made by food stamp applicants should be considered an investment in self-sufficiency and made excludable from personal income in determining food stamp eligibility.
3. The policy of imposing a 20-hour per week work requirement on college students who otherwise qualify for food stamps should be abandoned. The requirement is extraneous to financial need, and only serves to unnecessarily prolong or interfere with the individual's ability to complete his or her education.

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VOCATIONAL REHABILITATION

"When I was in high school the VR program contacted me through my high school counselor. They pulled me out of the classroom and after telling me who they were and what they did, I was told that the VR program would send me to secretarial school. I didn't want to be a secretary and already had my applications into universities. I wanted to go to college! I was told that the only marketable skill for a woman in a wheelchair was to be a secretary. In Oklahoma (where I was living) the colleges were not accessible for wheelchairs so the easiest way for THEM was to send me to secretarial school. They had no right to pull me out of my classes and they had no right to tell me my future with no assessment or evaluation!"

--Sharon Mistler, Executive Director,
 Endependence Center of Northern
 Virginia

The federal Rehabilitation Act provides matching grants to the states (80% federal/20% state) to establish vocational rehabilitation (VR) programs that meet the "needs of individuals with handicaps so... (they) may prepare for and engage in gainful employment to the extent of their capabilities" (1). In FY 1988, almost a million clients were served by the program. In FY 1989 1.6 billion federal dollars were allocated to the states.

The program is administered at the federal level by the Rehabilitative Services the Rehabilitative Services Administration (RSA) in the Department of Education. Federal law mandates that VR agencies undertake evaluation, counseling and job placement, but most details are set by state policy plans. Under VR, disabled individuals can go to a local office of the state VR agency which is supposed to assess the individual, determine the most appropriate form of training and provide funds to support it.

Three factors determine eligibility. First, the individual must fit in one of the legally-set categories of physical or mental disability. Second, the disability must present a "barrier to employment" (an applicant may be sent to a hospital or private doctor for an evaluation of employability). Third, there must be a reasonable expectation that training services will result in employment.

In some states financial need is assessed as an eligibility criterion. The training supported by VR may take place in a postsecondary institution, as long as the individual turns first to the federal student aid programs. (VR operates under a "first dollar requirement," which means "no training services in institutions of higher education shall be paid for with funds under this title unless maximum efforts have been made to secure grant assistance, in whole or in part, from other sources to pay for such training.") (2) This section of the Rehabilitation Act of 1973 is the only place where postsecondary education is mentioned as an allowable form of training. RSA reported that 10 percent of the people served by the program in FY 1986 participated in postsecondary education. The amount of money spent on postsecondary education was \$84 million.

Because federal student aid rarely covers all educational costs, VR should thus serve as an important supplementary source of support for disabled individuals wanting to attend college. However, we have found that the states and local VR caseworkers, hungry for quick closure of

cases and perhaps underestimating the potential of their clients, often erect their own roadblocks to VR applicants who might think about college.

THE QUICK-CLOSURE SYSTEM DISCOURAGES POSTSECONDARY EDUCATION

State VR agencies, either by policy or practice, tend to prefer training options that permit quick closure of cases. VR clients employed for at least 60 days constitute what the Rehabilitative Services Administration (RSA) calls "Twenty-Six Closure", which means that the case is closed and the client "rehabilitated." Assessing a state's number of case closures is one of the criteria for evaluating the success of the state's VR program. As Jay Rochlin, Executive Director for the President's Committee in Employment of People with Disabilities, puts it, "The VR system is driven by closures-- that's how they are evaluated and that is how they are funded."

Counselors, too, are evaluated on their number of case closures. Bill Butler at the National Network of Learning Disabled Adults says, "Counselors must receive a certain number of closures to get good grades. They have a lot of latitude and this flexibility allows them to say no to clients."

Not surprisingly, pressures for quick closure drive counselors to disallow or discourage postsecondary education. As Justine Maloney at the Association of Children and Adults with Learning Disabilities points out, "It has not traditionally been easy for those with disabilities to get VR help to go to college. They are often referred to easier, shorter-term training." Similarly, Jay Rochlin says, "The result of the closure system is people placed in fast, easy training-- not in postsecondary education." And, in testimony before the House Select Education Subcommittee, disability policy consultant Martin H. Gerry testified that a factor contributing to the ineffectiveness of current programs was, "The incompatibility between the traditional short-term intervention approach of the vocational rehabilitation program and the clear need of many persons with disabilities for long term, individual case coordination and advocacy, training and employment service." (3)

This is exacerbated in the case of individuals with severe handicaps. As Sharon Mistler reports, "You have two people come in, both wanting to go to college, one person is a double amputee in a chair and all they need help with is tuition. The other person has a more severe disability and this person also wants to go to school, but in addition to tuition they need a driver, helper, new electric chair, etc. The office, depending on how heavy their caseload is, will award the easier case and help the double amputee with tuition."

Furthermore, because a case has been closed does not mean that clients are placed in suitable, fulfilling employment. Once a client is placed in employment, there is very little follow-up conducted. Jay Rochlin points out, "If a person has been placed in employment [by the VR agency], then the agency already has credit. Agencies don't help that person once they are out there because they don't get another closure for helping move them up."

TOO LITTLE CLIENT INVOLVEMENT

Aside from the pressures inherent in a closure-driven system, VR clients do not have enough say in the disposition of their cases. A client may wish to pursue higher education, but the counselor makes the final decision based on his or her subjective notion of "employability." Not surprisingly, program practice varies considerably. Says Sharon Mistler of the Endependence Center, "They don't like to fund philosophy degrees and while one counselor may allow someone to study anthropology, another counselor may not. The regulations would allow either."

The first step in the approval process is a vocational assessment. VR program specialists at RSA reported to us that these assessments most often deal with the client's ability to "handle tools" or "physically do certain things". Scholastic aptitude is not typically explored, and no mention is generally made of college unless the client brings up the subject.

As we have seen, however, if the client raises the subject of college, that is no guarantee that it will be seriously considered. At the beginning of this chapter, we cited the case of a high school student who was discouraged from attending college. In another kind of circumstance, Rutha Morris is a fifty-five year old woman who was injured in an industrial accident in 1980 which permanently damaged the use of her left hand and drastically affected her nerves. She turned to the VR agency for help. "I was told that because my reading level was so low, I would never be able to learn. They [VR] wouldn't invest any money in me. I went to school anyway and in 1985 earned my GED. After earning my GED, again I asked VR for assistance, but still no help. In 1986 I enrolled at the Southern Community College where I passed all of my classes." Morris paid for her schooling with worker's compensation funds she had received after the accident. "After one year, the money ran out," Rutha explains, "I went to the VR program again and they refused my request. I would have stayed and earned my degree if they would have helped me, but they wouldn't and I was forced to quit. Later, I was placed in a typing class."

RECOMMENDATIONS

1. The Education Department should immediately begin to compile data on the employment and recidivism rates of VR clients rehabilitated through postsecondary education compared to other types of training. (Overall, one in eleven VR clients return to the program within three years of their initial rehabilitation).
2. Rather than focusing all program energies on case closure, Congress should ensure by law that evaluations of VR program performance are expanded to include the nature of the clientele served and the quality of the training in terms of career development and upward mobility.

Recognizing the shortcomings of the quick closure system in assisting individuals with severe handicaps, Madeline Will, then the Education Department official in charge of VR, testified before the House, that "It is time to recognize the inherent contradictions of this system by looking at additional measures of program performance that will reward State agencies for rehabilitating individuals with severe handicaps." (4) Similar attention should be given to quality of training issues.

3. The VR legislation should be amended to specifically require the states to approve college as an allowable form of training for VR recipients, as long as

satisfactory progress is being made in school and course of study is consistent with the individual's career goals. Furthermore, it should be required that all prospective clients be informed of their right to choose postsecondary education as a means of employment training through the VR program.

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DEPENDENT CARE

"If poor women with children are to be able to take advantage of educational opportunities, they must be provided with the where-withal to do so; and, in the context of our society, that means not just funds for tuition and course materials, but additional support for child care." (1)

"Child care responsibilities combined with the lack of adequate child care services and assistance are major barriers to higher education for low-- and moderate--income parents, especially mothers." (2)

The costs of caring for dependents-- usually children, but also older parents and other relatives-- pose a significant financial burden to many adults considering college. In addition, finding care that is accessible and available-- often keyed to evening, part-time student hours-- poses tremendous challenges of its own.

Today, child care bills for one three-year-old average \$66 a week, or \$3,432 a year. A recent Washington Post article notes: "The cost of day care is now a typical family's fourth largest expense, after housing, food and taxes, according to the National Commission on Working Women." All in all, families spend an average 10 per- cent of their income on child care, with the average rising to 25 percent for low-income families. (3)

A study of campus child care conducted by the National Coalition for Campus Child Care (NCCC) and the Ohio office of the Children's Defense Fund (CDF) in 1989 found many of the campus programs surveyed had waiting lists from six months to two years, and only three of 11 programs surveyed had evening time. The study concluded that, "low income students-- single parent homes with marginal incomes, minorities, displaced homemakers with child care needs and evening students-- (are found to be) unable to attend college due to the lack of affordable, flexible child care." (4)

FEDERAL POLICIES TOWARD CHILD CARE

Today, federal policy makes it difficult for adult students to obtain affordable, accessible child care or to accurately count the costs of child care in assessing their eligibility for federal aid programs. Here are a number of examples.

Title XX

Title XX, the Social Services Block Grant program, is currently the major federal delivery system for child care. Federal funds are provided to states for a variety of social services including home-based aid for those who might otherwise require institutional care, child care, and protective and emergency care for children and adults. States can provide child care under title XX by contracting with day care centers, paying day care centers for the cost of children referred from the title XX agency, or providing vouchers to parents.

Because Title XX is a block grant, states have full jurisdiction over the allocation of funds, and over eligibility determinations. Most states use part of their Title XX allotments to support child care for low-income families; Idaho, North Dakota and South Dakota provide title XX child care support only for AFDC families.

Title XX is a "capped entitlement," which means that states receive funds based on population, up to a fixed total. The current cap is \$2.7 billion. Prior to 1980, a certain portion of the funds were designated for child care (approximately \$200 million in FY 1980), but now there is no federal policy regarding dispersal of the funds, so each state divides the money differently. Although some states have increased expenditures, 26 states spent less for title XX child care in 1988, adjusted for inflation, than they did in 1981. At the same time, the overall appropriation for Title XX in FY 1988 is less than half that of 1977, also adjusted for inflation.

In any case, Title XX rarely supports child care for low-income college students. In fact, data compiled by the Children's Defense Fund indicates that, "State child care assistance policies often make ineligible parents enrolled in four-year or even two-year colleges." (5) For example, in New York, according to William Hill, Financial Aid Officer at City University of New York's Lehman College, "If you attend a four-year institution of higher education, even if you are seeking a degree in a skills-training occupation, you automatically lose access to funds for child care. No exceptions are made." Hill pointed out that if a New York task force proposal, B.E.G.I.N., is implemented, child care, even at two-year institution, will become inaccessible.

Welfare Reform

With rare exceptions in some states, AFDC used to support child care only for recipients who were working, not for those attending school. Now, according to the welfare reform legislation, "each state must guarantee child care" for AFDC recipients in an education and training activity approved by the state agency in which they are making satisfactory progress. Thus, if a welfare recipient is approved to participate in postsecondary education, either on a "state-initiated" or "self-initiated" basis, assistance for child care is supposed to be provided from the support services fund.

However, it was only under pressure from advocacy groups that the federal Department of Health and Human Services in October, 1989 retracted a statement the agency made in earlier regulations which said that the state welfare agency "is not required to treat child care benefits.. as an absolute entitlement and to provide all participants in JOBS with child care benefits."

Also, the states have the power-- and strong incentives-- to allow college for welfare recipients very infrequently. Since approval of college also means that the state must pay for child care during the college-going period, some observers believe that the child care provision may paradoxically serve to discourage the states from approving higher education.

Thus, the regulatory history exhibited by HHS, combined with the history of state welfare practice, make the outlook for full implementation of the child care mandate extremely questionable, at least for welfare recipients wanting to attend college.

Higher Education Act Child Care Program

The Higher Education Amendments of 1986 (sec. 420.B) authorized a program, called Special Child Care Services for Disadvantaged College Students, setting up competitive grants to help colleges provide special child care services to disadvantaged students. The schools would provide care through vouchers, contracted services or by providing child care directly.

Ten million dollars was authorized to establish the program in FY 1987, but since then, Congress has failed to appropriate any funds to implement the initiative, creating another barrier to adults hoping to attend college.

New Child Care Legislation

Legislative proposals to increase the availability of low-cost, high-quality child care were a central focus of the 1989 Congressional session. By session's end, bills had passed both houses (S. 5 and H.R. 30) offering direct assistance to child care providers, child care vouchers to low and moderate income families, and enhanced tax credits for child care. These bills would have allowed child care support for otherwise-eligible adults in college, and would have allowed support for campus care facilities.

At session's end, however, a dispute about the funding mechanism--whether to create a new program or fold new services into the title XX block grant program--prevented passage of the bill and assistance to the people who need it. A new effort will be made to enact child care legislation in 1990.

COUNTING CHILD CARE COSTS FOR FEDERAL AID ELIGIBILITY

As detailed in the section on student financial assistance, Pell Grant applicants may only count \$1,000 in day care costs, regardless of the number of children or other dependents (aging or disabled), in determining their eligibility for assistance. With average child care costs of \$3,000 per child, as noted at the outset of the chapter, this artificially low allowance reduces or eliminates the grant eligibility of some students hoping to attend low-cost institutions.

RECOMMENDATIONS

In summary, the lack of accessible, affordable child care is a considerable obstacle to adults seeking a college education. We have found that Title XX funds very rarely go to help college students, that the future of child care provided by welfare reform is questionable, and that other sources of potential federal support are either unauthorized or unappropriated. Therefore:

1. Child care support under title XX social service block grants should be continued and enhanced, and the law should be amended to prohibit the states from disqualifying eligible recipients simply because they are attending college.
2. The campus child care program authorized under title IV of the higher education act to provide funding for on-campus day-care centers should be reauthorized and funded.
3. The House Ways and Means Committee, Senate Finance Committee and House Education and Labor Committee should each hold hearings to assure that postsecondary education is not being unduly restricted by the states under welfare reform, and that child care services are made available as mandated to eligible beneficiaries.
4. New child care legislation should be enacted to supplement federal support services to low-income adults trying to pursue a college education.

5. The higher education act should be amended to allow dependent care costs, based on a full-time maximum of \$3,000 per care recipient, to be considered in determining eligibility for Pell Grant and other federal aid programs.

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EMPLOYEE EDUCATIONAL BENEFITS

"My mother is an employee at Hewlett-Packard... My mom went back to college when she was 32... My mom and I live alone and it was very hard money wise. Now things are better but my mom still takes night classes so she can do her job better and so she can move up in the company.. If you tax her for getting much needed school funds she will probably not be able to continue her education to the needed level."

"I am a working mother with three school age children. I am currently enrolled part time at Boise State University to complete requirements for an undergraduate degree. My current employer offers educational incentives to its employees in the form of reimbursement for tuition (but these benefits may now be taxed). As my husband and I struggle to put our children through high school and college, how can we justify spending additional money to try to continue our own education?"

"With the help of the educational assistance program as it existed in the past, I was able to return to school and sub-sequently changed my job classification from technician to electrical engineer. Without this assistance, I would not have been able to afford the tuition as I am married and raising three children. The personal sacrifice that (married) people make in attempting to better themselves is enormous. The additional burden of providing financial funds to cover their school would put many people beyond their abilities."

- From letters to Congress as it
reconsidered taxation of employer-
paid educational benefits

In order to increase the productivity and job satisfaction of their workforces, companies across the country offer educational benefit plans under which the company pays all or part of the cost of undergraduate or graduate college courses for their employees. The Chamber of Commerce has reported that more than 75% of all firms provided employee educational assistance benefits in 1986, a number that grows continually (1). The question is whether employees should have to pay taxes on the money they get for tuition, or whether educational benefits should be nontaxable.

Before 1978, only education specifically related to the employee's job was not subject to taxation. This, however, proved both cumbersome and unfair. It was cumbersome because the IRS and employers had to continually determine whether a particular course in a particular circumstance was job-related. And it was unfair because it discriminated in favor of higher-level employees with broader job descriptions. For example, it is relatively easy for an executive to claim that almost any course would enhance his or her work; it is almost impossible for a janitor to make a similar claim.

To correct these difficulties, Congress in 1978 enacted section 127 of the tax code (P.L. 95-600.) Section 127 stated that any employer-paid educational benefits, whether or not they were job-related, would be nontaxable to the employee. Since that time, over 7 million people have attended colleges and universities under section 127 (2), and, as illustrated by the case histories cited earlier, these educational benefit programs have been of concrete help to people moving into and up the professional ladder.

ROADBLOCKS TO PARTICIPATION IN SECTION 127

In recent years, however, a serious roadblock has been placed in the path of employee benefit programs as Congress has repeatedly allowed Section 127 to face expiration and has narrowed benefits.

On again, off again

Section 127 was originally established in 1978 for five years. The provision expired at the end of 1983; it was not reauthorized until the end of 1984, at which point the reauthorization was made retroactive to prevent a discontinuity in benefits.

The 1984 reauthorization extended only until the end of 1985; another retroactive reauthorization was passed in 1986 which expired in 1987. In 1988, another reauthorization was passed, and made retroactive, but only for that year. On the last day of the 1989 legislative session, Congress again retroactively revived section 127, but only until September, 1990.

During these interregnums in benefits, there has been great confusion in the field. Some companies have withheld income tax on employee benefits in case the benefits would ultimately be ruled taxable; others did not withhold, betting that the provision would be reinstated. Not surprisingly, this has dampened enthusiasm for the program among both corporations and individuals.

Benefit Changes

When section 127 was reauthorized in 1984, a tuition cap of \$5,000 per employee was imposed for the first time. In 1987, the annual aid limit was raised to \$5,250. In 1988, graduate courses were taken out of the program. Hardest hit were lower-level employees of colleges and universities, who are often B.A.-holders who took these jobs for the gradual, tuition benefits.

THE PRO'S AND CON'S OF 127

In many ways, it is difficult to understand why section 127 would ever face political problems-- it is popular in the corporate world; it is favored by organized labor; it clearly fosters American competitiveness; and it is an education program that does not require an annual appropriation. Nevertheless, as we have seen, section 127 has faced a succession of political problems that damages its effectiveness.

Why? One reason is the tremendous pressure that the deficit has placed on all tax benefit programs like section 127 that, in effect, withhold funds from the tax coffers. Another reason is the drive toward tax reform, which preaches the elimination of tax benefits in favor of lower overall tax rates. A third set of reasons, however, are particular to section 127. Critics of the program, in the Executive Branch and on Capitol Hill, maintain that section 127 is not so much an upward mobility

program for middle-class workers as it is a unnecessary tax advantage for well-placed, affluent people, and that it therefore takes too big a bite out of potential tax revenues.

These concerns were addressed in 1989 in two studies-- one conducted by Coopers and Lybrand on behalf of an employee benefit coalition, and an anecdotal review of section 127 beneficiaries conducted by the American Federation of Teachers. Based on this and earlier research, on government studies, and on interviews conducted with a variety of corporate and college officials for this study, the pro's and con's of the 127 controversy are summarized below.

Are the beneficiaries financially needy?

By comparing the earnings of employee benefit recipients with other part-time college students, the Congressional Research Service concluded that "in general, employers predominantly provided educational assistance to higher-skilled, better-paid employees" (3). In fact, this is not surprising because employee benefit recipients are almost all full-time workers while many part-time students are working only part-time or not at all.

Coopers and Lybrand reached a contrary result when they compared the earnings of section 127 beneficiaries with those of other full-time workers, finding that benefits were not skewed toward higher income employees but were distributed similarly to the workforce as a whole (4). The average earnings of employee benefit recipients were found to be around \$24,500. Over 70% of the beneficiaries had incomes of \$30,000 or less, and 36% earned under \$20,000. Thus, the picture of section 127 beneficiaries as financially affluent individuals undeserving of a tax break seems quite wide of the mark.

Would loss of tax deductibility matter much?

The Coopers and Lybrand study found that average payments under section 127 were concentrated between \$400 and \$1,000, with a mean assistance level of \$621. Average aid for those attending public universities was about \$300 a year (5).

Would losing the tax deductibility of these benefits be important to the people who use them? To address this question, the American Federation of Teachers looked at the withholding tax liability of a married head of household in New York with two dependent children who earns \$20,000 a year and takes four courses a year (costing \$1,239 per three-credit course.) AFT found that this individual would have to pay an additional \$1,448, or 5% more in total taxes, if the deductibility of educational benefits was withdrawn. AFT also found increased taxes of \$1,566 (4.82% of income) for an unmarried head of household with two children in California with an income of \$20,000 (7).

Similarly, an AT&T official estimated that the firm's employees would have to pay an average additional tax of \$350 if deductibility of their educational benefits was discontinued. AT&T employs about 20,000 people receiving \$22.2 million in benefits to take college courses, four-fifths of them at less than graduate level (8). Thus, the tax break that accompanies educational benefits can be of significant help in meeting tuition payments, certainly for low and middle income workers, and the loss of these benefits could be a significant disincentive.

Do the beneficiaries need further education?

The Coopers and Lybrand report found that about three-quarters of section 127-type courses are taken at the undergraduate level. About half the students were studying business or management. Of the graduate courses, less than one-half of one percent involved professional programs like law or medicine (9).

To ensure that tax benefits were not available for strictly entertainment purposes, the legislation states that education involving sports, games or hobbies (unless the education involves the business of the employer or is required as part of a degree program) is not covered by 127. In short, there is no evidence that the courses taken by section 127 recipients are unduly esoteric or frivolous in nature.

Does the program cost too much?

The Treasury Department estimated costs of \$300 million per year in "foregone revenue" from implementation of section 127. The Coopers and Lybrand study, on the other hand, estimated far less revenue lost-- between \$60 to \$100 million. The reason for the difference: Treasury counted as savings virtually all employer-paid educational benefits, whereas the Coopers and Lybrand study correctly pointed out that a significant amount of aid now provided under section 127 would remain tax-free under other sections of the law dealing with job-related benefits.

RECOMMENDATION

The weight of the evidence is that section 127 serves an important public purpose by enabling low and middle-income workers adults to further their education. It makes no sense to limit deductibility to courses related only to an individual's current job responsibilities. Returning to the standard of job relatedness can only engender endless legal and administrative uncertainty, and hurt lower-level employees. Continuing the cycle of on-again, off- again benefits will have a needlessly chilling effect on utilization.

1. In order to assure continuity of employer initiatives to promote the education and training of their workers, Section 127 of the tax code should be extended on a permanent basis.

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 Edward Cohen-Rosenthal, International Union of Bricklayers and Allied Craftsmen
 Sharon Cranford, Coopers and Lybrand
 Rita Downey, Hewlett Packard
 Susan Forrest, College of Graduate Studies, West Virginia
 Lee Gainer, American Society for Training and Development
 Melanie Jackson, Association of Community College Trustees
 Thomas Kiddy, General Dynamics
 Richard Novack, American Association of State Colleges and Universities
 Kevin Richardson, Electronics Industry Association
 John Robinson, Motorola Corp.
 Jeffrey Viohl, New York University
 Elizabeth White, Nationwide Insurance

ADULT EDUCATION

"At least the desks fit!"

-- Adult student commenting on a basic education class in a community college.

Census estimates indicate that over 61 million adults in America has not finished high school or its equivalent, and 27 million lack skills to function at the most basic level (1). The key federal program addressing this concern is the adult education act, which provides matching grants to help the states support basic and secondary education projects up to the GED level (not postsecondary education) for adults. About 3.5 million people received services in 1986-7.

Funds are distributed under a formula based primarily on the number of adults in each state with low educational attainment. The states must provide a ten percent match to the federal funds (which is scheduled to rise to 25% in 1992). In fact, most states far exceed their 10% matching requirement; nationwide, state and local funds account for 66% of adult education project spending.

The FY 89 appropriation for the state-based adult education program was \$136 million. Under the act, each state designates a lead agency to administer the program; that agency, in turn, decides which organizations will project support. These may be the local school system, or another public agency (such as a library), or a private agency (such as a union or community center) or a higher education institution, most often a community college.

Although as defined by the adult education act, adult education is always pre-collegiate in nature, some observers contend that community colleges are ideal settings to offer the basic education and GED programs which may be provided under the act. A 1988 U.S. Education Department study maintained that, "There appear to be particular benefits to delivering ABE (adult basic education) and GED through community colleges: a broadened support base (community, financial, professional and institutional), availability of ancillary services for the staff and students, and long-term educational benefits for successful GED and diploma program graduates (2)." Aside from the service base offered by community colleges, some educators point to a more subtle benefit. They contend that, for any adult, and particularly for adults with children at home, the prospect of returning to school can be an embarrassing, infantilizing experience. It can be doubly difficult for these adults to go to their own child's elementary school at night, or to face school rooms and school structures that are associated only with their past failures. College officials report again and again that the prestige afforded by attending a "college", even for a basic literacy program, and the process of attending classes at a school designed for fully grown people, can significantly enhance self-esteem and program success. Colleges, of course, can also provide exposure and easier access to the possibilities of further education.

On the other hand, other educators and state officials interviewed for the study contend that the reverse could also be true-- that colleges could be seen as too forbidding for the precarious adult student; that, for example, the local library or community center may offer the most accessible alternative in some communities, but that, in any event, the appropriate project site will vary in each community based on location, willingness to serve and staff capabilities. These persons also point out that colleges can be too rule-bound and credential-conscious to accommodate good adult education programs. Therefore, the argument goes, we have to assume that funds overall are going to the right places based on state decisionmaking.

If, however, the community college argument is right— that is, if colleges do offer a systematically better alternative for adult education— then it is important to look at where adult education money is going today, if there is any bias in the process, and thus, if policy needs to be re-examined. We now turn to these concerns.

SHARE OF ADULT EDUCATION FUNDS AT POSTSECONDARY INSTITUTIONS

Based on data collected from the states by the adult education division of the U.S. Department of Education in 1985, we have tabulated the state-by-state proportion of adult education funds devoted to projects conducted in a postsecondary setting. We find that the proportion is extremely variable among the states, but that, in general, colleges are not permitted to be primary providers. We found:

- In twelve states, less than one percent of the funds went to two-year colleges.
- In half the states, ten percent or less of the funds went to two-year colleges.
- In 32 states, twenty percent or less of the funds went to two-year colleges.
- Conversely, in only thirteen of the states did the proportion at two-year colleges rise above 40 percent (3). Another Department of Education survey found only five states in which community colleges are the total adult basic education system (Iowa, North Carolina, Oregon, Washington and Wisconsin) and five where community colleges are predominant (Kansas, Nebraska, Nevada, New Mexico and Wyoming) (4).

SYSTEM BIASES

The Law

A few elements of the law itself may skew projects away from two-year colleges. First, the law expressly limits to twenty percent the proportion of the State allotment that can be used for GED programs. Since GED programs represent the kind of "higher" adult education that is the special strength of community colleges, this priority serves as a disincentive for higher education programs. [AEA, Sec. 322(a)(4) (B)(2)]. This limitation seems especially troubling in light of the increasing proportion of high school dropouts who are seeking entry into GED programs to erase their educational shortcomings and move into the economic mainstream.

Second, the law requires that school districts be given an opportunity to comment on adult education proposals from colleges [AEA, Sec. 322(a)(1)], while colleges or other community agencies have no right to comment on adult education proposals from school districts. The closest thing to a right of challenge is a provision allowing the state higher education advisory board to "append comments" to the state adult education plan when it is submitted to the U.S. Education Department.

Finally, the law provides that the state advisory board for adult education require the participation of "public education, public and private sector employment, labor, literacy organizations, libraries (and) State economic development agencies", but not of colleges [Sec. 332 (a)(1)]. This can only

lessen higher education's influence over the program at the state level and reduce its credibility as a participant.

Federal Administration

No evidence was found that federal regulations or administrative practices discourage the states from supporting adult education programs at community colleges. There are, in fact, a number of regulatory provisions requiring that state adult education plans periodically re-evaluate the needs of their target populations; conduct program reviews of their providers and use the results in making grants; and that the states show how agencies outside the school system will be employed to provide services (34 CFR 341(c)(3); 353; et. al.) As long as the state plan certifies that these elements have been considered, however, federal approval of state practice in these areas was found to be generally routine and pro forma.

One requirement in federal regulations, which is not found in the law, may cause problems for community colleges. The regulations require that "adults enrolled in adult basic educational programs will not be charged tuition, fees, or any other charges, or be required to purchase any books or any other materials that are needed for participation in the program" (34 CFR 426.10 (7).)

State Practice

Although, as we've just seen, federal law and regulations may include some impediments to community college participation, the major explanation for inadequate community college participation is not federal but state practice.

To get a cross section of opinion in this regard, interviews were conducted with state education officials in nine states, some of which employ community colleges heavily in their adult education programs and some of which do not. In general, we were told:

1. That state practice is largely a matter of "tradition"; that in many states, the agencies handling adult education today are the agencies that were designated to undertake adult citizenship education in another era;
2. That, although programs are continually increasing, there is not much involuntary change of providers from year to year and little competition among potential providers; and
3. That state practice determines the overall shape of the adult education program, in part, because state expenditures for adult education generally are much greater than federal.

One positive incentive for community college participation was found in states that provide FTE support for adult education students at the community colleges. In general, we did not find state directors to be negative about community colleges, although, not surprisingly, we found them opposed to any restrictions on their flexibility in choosing providers.

CONCLUSIONS AND RECOMMENDATIONS

We've found that, in many states, community colleges are not major providers of services supported by the federal adult education act. On the other hand, we've seen that community colleges may be exceptionally good providers of such services. An Education Department survey of a number of state adult education directors who utilized postsecondary education found that all agreed that "college attendance has prestige value for ABE/ GED students" (5). And, as noted in a 1981 ERIC review:

"Much of the criticism of ABE programs, most taking place outside the community college, has been directed at the following aspects: inadequate preparation and experience of instructors in working with educationally underprepared adults; lack of full-time commitment of instructors and staff to the field of ABE; absence of sufficient counseling and other student personnel services; poor facilities; limited choice of instructional materials and equipment; and limited integration between ABE and vocational education. Given their experience in working with poorly prepared adults, knowledge of instructional technologic.s, and excellent educational resources and facilities, community colleges are in a good position to provide sound ABE programs" (6).

On the other hand, we were not able to find convincing research evidence comparing community colleges to other providers. The state of Illinois sent us data self-reported from public school and community college providers. This self-assessment reported slightly better achievement for community colleges in GED completion (1% higher), subsequent transfers to other training programs (0.4% higher), and removal of individuals from public assistance (0.43% higher). But these were not very significant comparisons, and the data also showed a somewhat higher (2.4%) job placement rate for the public schools.

We'd hoped to see if adult education programs at community colleges produced more students who went on to higher education, but data was scarce. We found no studies comparing community college pro-grams with other providers, and only two community colleges which provided records on subsequent college attendance. One of these-- Hood Community College in Gresham, Oregon-- found that at least 50% of its ABE students go on to pursue regular college studies following completion of their ABE work, while a community college in Texas observed that ten percent or fewer go on to take any courses.

Finally, in reviewing data submitted by the states for 1985, we found attrition rates for adult education participants reported by states with high community college participation to be only slightly lower (0.24% lower) than the attrition rates of states with low community college participation.

In short, good comparative data is woefully lacking, and given the federal investment in adult education and the great discretion accorded the states in choosing service providers, much stronger information is needed. **Recommendations:**

1. The House Education and Labor Committee and the Senate Labor and Human Resources Committee should direct the U.S. Education Department to undertake a comparative study of different adult education providers-- including elementary and secondary schools, colleges, libraries and community agencies-- to see which produce the best results. The study should measure quantitative outputs like GED completion, job placement, subsequent participation in college and long-term removal from public assistance. If some types of providers are found to perform systematically better than others, steps should be taken to encourage their participation and remove any obstacles to it.

2. Congress should remove the twenty percent cap on funding GED programs under the adult education act, because that cap limits the extent to which working-age adults can use the adult education program to meet the rising educational requirements of today's job market.

3. The law should be changed to assure community college participation in state adult education advisory councils, and to require that local school districts solicit comments by colleges and community agencies on school district proposals to conduct adult education programs.

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3. State Profiles. Division of Vocational and Adult Education, U.S. Education Department, January, 1987
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6. IBID.

PERSONS INTERVIEWED

Bobby Anderson, North Carolina Department of Community Colleges
 Gail Bowie, Illinois State Board of Education
 Betty Brace, Mt. Hood Community College, Oregon
 Betsy Brand, Assistant Secretary for Vocational and Adult Education, U.S. Education Department
 Kim Ferrari, New York State Education Department
 Laura Gibbs, Houston Community College, Region 4
 Paul Jurmo, Business Council for Effective Literacy
 Jerry Kilbert, California State Department of Education
 Judith Koloski, President, American Association of Adult and Continuing Education
 Donna Lane, Oregon Office of Community Colleges
 John Lawrence, Florida Bureau of Adult and Community Education
 Noreen Lopez, Illinois State Board of Education
 Tony Lotito, Southwest Community College, Virginia
 Frank Mensel, American Association of Community and Junior Colleges
 Lennox McLendon, Virginia Department of Education
 Garrett Murphy, New York State Education Department
 James Parker, U.S. Education Department
 Pavlos Roussos, Texas Education Agency

VOCATIONAL/TECHNICAL EDUCATION

"Depending on their perspective, critics say the Perkins Act is either too rigidly targeted toward the disadvantaged, or not targeted enough. They say the money is either being spread too thinly, or not being spread around enough. They say it's either too skewed toward high school or too skewed toward postsecondary schools. They say it has failed to satisfy the needs of industry by encouraging courses that are either too job-specific or not job-specific enough... In other words, there isn't a consensus on many key issues."

-- Congressional Quarterly, March 4, 1989.

In 1917, Congress passed the Smith-Hughes Act to encourage states and localities to build a nation-wide vocational education system to prepare the skilled workforce needed at the time. Today, the Carl D. Perkins Vocational Education Act of 1984, administered by the U.S. Education Department, is the major source of direct federal support for vocational education. The Perkins Act provides state grants for vocational education programs in elementary, secondary and postsecondary schools to improve access to these programs, enhance program quality and support research. The program budget in 1988 was \$918.4 million.

In addition to the training in machinery, clerical occupations and home economics usually associated with high school vocational education programs, the Perkins Act supports advanced technical training programs at the postsecondary level, primarily in community colleges. Adults are key beneficiaries of this training because, as noted in a report prepared for the National Assessment of Vocational Education, the "greater tendency for adults to return to school in order to change jobs, the need for retraining displaced workers, (and) the need for training among women returning to employment after child-rearing years.. have expanded the numbers of adults in need of vocational preparation." (1)

Under the vocational education act, states receive grants on a formula basis. The states then designate one of their agencies to administer the program, and leave it up to that agency to decide how and to whom to distribute funds each year. The latest program data indicate that about 38% of the funds are now going to "postsecondary" providers.

But do colleges receive a fair and proper share of Perkins Act funds? And, even if they do not, does it matter? As Congress works on legislation reauthorizing and revising the Perkins program, these questions deserve to be addressed seriously.

WHAT DOES POSTSECONDARY EDUCATION ACTUALLY GET?

Although the overall percentage of vocational education funds designated by the federal government as being spent in "post-secondary education" is formally listed as 38%, we have found that the states vary tremendously in how much they allow post-secondary; that some state agencies may be biased against postsecondary education; and that the monies listed as "post-secondary" in nature may not really reflect postsecondary-level education.

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Varied Distribution of Funds

The variation among states in distributing Perkins Act funds is most pronounced. As reported in 1989 by the National Assessment of Vocational Education (NAVE), a Congressionally-mandated study, nine states allocated 20 percent or less of their Perkins Act funds to postsecondary vocational education in 1986-87, nine states allocated more than 60 percent of their funds to this level and two states spent over 90 percent. (2) (In these two states, the study found that most funds listed as postsecondary were in fact being spent in other than true postsecondary programs.) (3)

Another NAVE report notes results from a poll by the American Association of Community and Junior Colleges, which found 13 states spent less than 10 percent of their Perkins funds on community colleges and technical institutes, while Iowa and New Mexico spent over 60 percent. Their conclusion: "The mechanism in the Perkins Act where states decided the allocation of resources between the secondary and the postsecondary levels does indeed lead to considerable variation among states." (4)

Bias Against Postsecondary Education

Some state agencies may, in fact, be biased against postsecondary education. NAVE reported in 1989 that, in states visited for case studies, the state office administering the Perkins Act was always responsible for secondary vocational education, but in only one of the nine states was that office responsible for postsecondary vocational education. The study concludes, "In at least half of the states NAVE visited, the office administering the Act was able to limit the eligibility of institutions not under its purview to grants under the Act. The unequal distribution of resources in a given sector or set of institutions were considerably more likely to receive support in some states than in others." (5)

Postsecondary Proportions are Deceptive

The allocation of funds listed as "postsecondary" for the purposes of the Perkins Act may, in fact, include area vocational schools, as well as community colleges and technical institutes. Area vocational schools are secondary institutions originally intended as part-day learning centers for secondary students, but now also serving adults because of limited secondary student enrollment.

In another report prepared for NAVE, M.P.R. Associates notes that differences in federal data and data reported by community colleges seem "to come from the fact that many states allocate Perkins funds to area vocational schools, which serve both secondary students and adults, and therefore funds to adults in area vocational schools were included in the NAVE responses but not in those of the AACJC. If this interpretation is correct," they continue, "then slightly over one-fifth of Perkins funds (not 38 percent), are actually spent in community colleges and technical institutes". (6) The AACJC study found this proportion to be relatively stable over the period from 1982 to 1985. (7)

In Oklahoma, for example, 50 per cent of the Perkins funds are allocated to postsecondary education, but it turns out that all of these funds went to adult vocational centers which offer no college credit, and no money went to community colleges that train three times as many students in the state. (8)

WHAT DOES POSTSECONDARY EDUCATION DESERVE?

Whether the amount going to postsecondary education is high or low, whether it varies or doesn't, even whether there is bias or not, would not necessarily matter if postsecondary education held no special promise as a vocational resource for adults.

Some, in fact, have argued that adults, because they are unfamiliar with the college setting, are likely to be intimidated by it and that therefore colleges make poor settings for adult vocational/technical education. Ed Furgeson of the William D. Ford Voc-Tech Center in Michigan, subscribes to this point of view, maintaining that secondary vocational schools provide a more receptive, less intimidating starting point for adult students. Furgeson indicated that many program participants continue their education at postsecondary institutions after completing their courses at voc-tech centers such as his.

On the other hand, Frank Mensel of the American Association of Community and Junior Colleges contends that high school settings are often uncomfortable for adults. If a student has dropped out of high school, it may be difficult to return because high schools become associated with failure. Adults may be embarrassed to be seen by the neighbors and children at the local high school, and may be profoundly uncomfortable trying to function and associate with adolescent students. Colleges afford a more socially acceptable, less infantilizing environment for adults, according to this perspective, and the broad-based education they can supply is more conducive to long-term employability.

Certainly, the evidence is that community colleges are welcomed by adults and that the participation is found to be rewarding. The NAVE report found that community colleges account for 62 percent of the nation's postsecondary vocational credits, and that "For students who accumulate substantial amounts of vocational credits or complete programs, postsecondary vocational education pays off in economic terms." (9)

The report also found that, "community college students were more likely to be employed and to utilize their vocational credits than trainees from other types of (postsecondary) institutions" (10), and that postsecondary vocational training is likely to be both more advanced, technical, and focused on a single basic purpose-- providing students with skills and knowledge needed to enter and progress in a chosen occupation.

RECOMMENDATIONS

As Congress considers changes in the Perkins Act in 1990, a proposal has been incorporated into Senate legislation which would provide more money to secondary schools by imposing a 35 percent cap on postsecondary vocational spending. This proposal seems strongly against the weight of the evidence. We've found that while secondary vocational enrollment has declined, postsecondary vocational education continues to advance and there are now 4.3 million vocational students at community colleges, two-year technical colleges, public vocational technical schools, and proprietary schools. The NAVE data demonstrate that postsecondary vocational education pays off for adults, and that funding has, if anything, been depressed below its natural level by state practice.

1. Congress should firmly reject any proposal to place a cap on postsecondary spending under the Perkins Act, especially a cap that falls below current spending levels.

2. Instead of a cap, Congress should enact a floor for post-secondary funding of 30 percent. This floor-- and all accounting of postsecondary spending-- should be based upon community college and other postsecondary credit-bearing programs, not area vocational school programs.

3. The Education Department should conduct a study to determine the circumstances under which different kinds of postsecondary and secondary programs are most likely to promote long-term self-sufficiency and productivity. Today, Congress and the states are operating largely in the dark about what works and what doesn't. Once this information is compiled, informed funding decisions can be made.

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JOB TRAINING PARTNERSHIP ACT

The Job Training Partnership Act (JTPA), first passed in 1983, offers education and training to help disadvantaged youth and adults find permanent self-sustaining employment.

JTPA is funded entirely by the federal government and operated through the states and local delivery systems. About \$3.6 billion was expended in program year 1985-6. In 1987, there were 2.1 million participants enrolled.

The major JTPA program is Title II, which consists of a year-round training program for adults and youth (Title IIA) and a summer program for youth (IIB). Another program, Title III, provides aid to dislocated workers. There were 1.1 million participants in Title IIA in FY 1987, of which 55 percent were adults over age 22.

Title IIA funds reach the states as block grants. The states, in turn, are responsible for the allocation of funds to "service delivery areas" (SDA's). The SDA's, in turn, contract with employers and organizations like public schools, trade schools and community colleges to train people for jobs in the local economy. Spending decisions within the SDA are made by a private industry council consisting of representatives of business, government and labor, but generally dominated by business. Forty percent of an SDA's Title IIA funds must be expended on youth and 70 percent must be spent for services directly related to job preparation.

LOW COMMUNITY COLLEGE PARTICIPATION

JTPA today does not contract extensively with community colleges in training adults. Based on information submitted by JTPA providers to the U.S. Labor Department for program year 1986, or about 34% of all Title IIA participants, or about 240,000 individuals received any form of classroom training. Of those providers which reported the breakdown of classroom training in different settings (about 40% of the sample), only 15%, or 15,200 people, were listed as having received their training in a community college. This number-- less than the public schools, less than for-profit trade schools, less than other nonprofit organizations-- would probably have been still lower had it not included youth in the IIA program, who are probably more likely to get classroom training (see below.)

PRACTICES THAT DISCOURAGE COMMUNITY COLLEGE PARTICIPATION

A number of conditions serve to discourage community college participation in JTPA.

Local Biases

First, it has been reported to us that the people making most of the local funding decisions-- the business-dominated private industry councils-- are often distrustful of long-term training options for adults. Says Karen Green, chief of performance management and evaluation in the U.S. Labor Department, "PICs believe it is easier to get jobs for adults than to get them through education." She continues, "If an adult gets a job, then (he or she won't be) on public assistance, they reason, and that makes business sense. Since the business community is prominent, employment is legitimate in JTPA and not education that may lead to employment."

Performance Standards

Service providers under JTPA receive compensation based on successfully meeting federal performance standards, which include quantitative outputs based, for example, on the number of participants employed and employment retention.

For youth (under 22 years old) participating in JTPA, outputs of "success" would include an individual returning to full-time school, entering another job training program, or completing a major level of education. In FY 1988, the positive termination rate for youth was 78 percent.

For adults, the situation is far different. Under section 106 of JTPA, the basic measure of performance is only "the increase in employment and earnings and the reductions in welfare dependency resulting from participation in the program." The Secretary of Labor prescribes standards based on the law which include placement in unsubsidized employment, retention in unsubsidized employment, increased earnings, and reduction in the number of individuals and families receiving welfare payments and the size of payments (P.L. 97-300, Section 106 (b)(1)).

But there is no recognition or reward for educational improvement as a positive outcome. According to DOL's Karen Green, there had been discussions in the agency of instituting such criteria, but they were deemed contrary to the law and were widely opposed by the PIC's.

As was summed up by Tammy Stewart of the Mountain Land Association of Governments PIC in Utah, "Youth who go on to higher education are considered as a positive outcome; adults who go on to higher education are not considered placed and are thus considered unsuccessful."

Open Entry/Open Exit and Time Restrictions

Many localities restrict their JTPA programs to the most short-term training available, or to an open entry/open exit model-- that is, a program where individuals can be added to a class or drop out at any point in the process.

This, of course, is contrary to the way in which community colleges typically operate. More important, it is not conducive to any type of training that requires some time and process to develop. By their very nature, short-term and open entry/open exit requirements restrict JTPA participants to the most basic, rote training, the type of training that virtually all manpower experts agree is the most vulnerable to changes in the job market.

Credit Restrictions

In many localities JTPA operates on a strict no-credit system in relation to community colleges. Adults who might wish to return for advanced training face the fact they cannot receive credit to which they might otherwise be entitled for their earlier JTPA work.

As Elwood Zaugg, a JTPA program director at Utah Valley Community College put it, "A student comes in and spends 12 weeks in our classroom training. After he returns to employment, maybe he decides he wants to continue his education and earn a degree. He can't go back to college and pick up where he left off because JTPA enrolled him in a no credit program. He could have benefitted greatly by receiving credit for the time he spent in the classroom."

RECOMMENDATIONS

1. The U.S. Department of Labor should conduct a study to determine the circumstances under which different kinds of providers are most likely to promote long-term self-sufficiency and productivity. The federal government should immediately begin to compile systematic data on the employment and recidivism rates of JTPA clients trained through postsecondary education compared to other types of training.
2. JTPA performance standards should be amended by legislation to count educational advancement as a successful outcome for adults under the same terms as it is counted for youth.
3. To assure that somewhat longer-term training options are not shut out of JTPA participation, JTPA legislation should be amended to prohibit local authorities from restricting JTPA participation to open entry/open exit programming or to non-credit programming, especially when credit would otherwise be accorded for similar training.

POSTSCRIPT: RECOMMENDATIONS BY AGENCY**FOR CONGRESSIONAL ACTION**

Recommendations are listed under the name of the Congressional committees that have exercised authority over the affected policy area.

The Appropriations Committees

1. Financial aid officer discretion in adjusting "base year" determinations of Pell Grant eligibility should be restored.
2. Pell Grant aid to students attending college less than half-time should be restored.
3. Funding for Educational Opportunity Centers should be doubled to assure that accurate information about post-secondary opportunities reaches a much greater proportion of adults who are potential college students.
4. The campus child care program authorized under title IV of the higher education act to support on campus day care centers should receive an initial appropriation.

**The House Education and Labor Committee:
The Senate Labor and Human Resources Committee****House Postsecondary Education Subcommittee:
Senate Education Subcommittee**

1. Among the factors triggering the use of financial aid officer discretion in making Pell Grants should be a projected reduction of income during the enrollment period by ten percent compared to the base year.
2. Congress should alter the campus-based application to assure that enrollment status is cross-referenced to income and dependency in the following manner:

Dependent Undergraduates

\$0-\$2,999

\$3,000-\$5,999, etc.

Independent Undergraduates

\$0-\$999

\$1,000-\$1,999, etc.

Dependent Graduate students

\$0-\$2,999, etc.

Independent Graduate students

\$0-\$999, etc.

3. To begin to assure that part-time students in fact receive a "reasonable proportion" of campus-based aid, institutions should be required to provide aid under their campus-based program allotment to at least 5% of the part-time students in the lowest income category appearing in the school's application for campus-based funding (see #2, above.)

4. The Congressional Methodology for determining financial need under the campus-based programs should be amended to assure greater sensitivity to differences in the income and assets of adults with dependents, and family expenses should be fully counted at their actual level in assessing financial need.
5. Dependent care costs based on a full-time maximum of at least \$3,000 per care recipient should be made allowable educational costs in determining eligibility for the Pell Grant, campus-based and loan programs.
6. Congress should ensure that all borrowers are informed by the time they would enter repayment of their right to apply for deferral or forbearance in making repayment. Specifically, continued attendance on a less than half-time basis should be a criterion for granting deferral or forbearance.
7. All student financial aid under the higher education act should be clearly defined as contributing to the education-related costs of those who receive aid. Such aid should not be counted as personal income, in whole or in part, in determining an individual's eligibility for food stamps or welfare.
8. Easy-to-read, well-highlighted informational materials specifically targeted to adults should be required by law of all colleges that serve a substantial adult population.

House Select Education Subcommittee:
Senate Education Subcommittee

1. Rather than focusing all program energies on case closure under the vocational rehabilitation program, Congress should ensure by law that evaluations of VR program performance are expanded to include the nature of the clientele served and the quality of the training in terms of career development and upward mobility.
2. VR legislation should be amended to specifically require the states to approve college as an allowable form of training for VR recipients, as long as satisfactory progress is being made in school and course of study is consistent with the individual's career goals. Furthermore, it should be required that all prospective clients be informed of their right to choose postsecondary education as a means of employment training through the VR program.

House Elementary, Secondary and Vocational Subcommittee:
Senate Education Subcommittee

1. Congress should remove the twenty percent cap on funding GED programs under the adult education act, because that cap limits the extent to which working-age adults can use the adult education program to meet the rising educational requirements of today's job market.
2. The law should be changed to assure community college participation in state adult education advisory councils, and to require that local school districts solicit comments by colleges and community agencies on school district proposals to conduct adult education programs.
3. Congress should reject proposals to place a cap on post-secondary spending under the Perkins Act vocational education program, especially a cap that falls below current spending levels.

4. Instead of a cap, Congress should enact a floor for post-secondary funding of 30 percent under the vocational education act. All computations of postsecondary spending should be based upon community college and other postsecondary credit-bearing programs, not area vocational school programs.

House Labor-Management Relations Subcommittee;
Senate Employment and Productivity Subcommittee

1. JTPA performance standards should be amended by legislation to count educational advancement as a successful outcome for adults under the same terms as it is counted for youth.

2. To assure that somewhat longer-term training options are not shut out of JTPA participation, JTPA legislation should be amended to prohibit local authorities from restricting JTPA participation to open entry/open exit programming or to non-credit programming, especially when credit would otherwise be accorded for similar training.

Shared: House Ways and Means Committee; House Education and Labor Committee; Senate Finance Committee

1. Welfare legislation should be amended to require that the states allow welfare recipients to fulfill their education and training requirement in college, if they so choose, as long as satisfactory progress is being made in school and the course of study is consistent with the individual's career goals.

2. Hearings should be held to assure that postsecondary education is not being unduly restricted by the states under welfare reform, and that child care services are made available as man-dated to eligible beneficiaries.

Shared: House Ways and Means Committee; House Education and Labor Committee; Senate Finance Committee; Senate Labor and Human Resources Committee

1. New child care legislation should be enacted to supplement federal support services to low-income adults trying to pursue a college education.

House Ways and Means Committee;
Senate Finance Committee

1. Federal unemployment law should be amended to place the burden on the state to prove that training proposed by the beneficiary is not satisfactory, rather than placing the burden on the individual to justify the training.

2. Federal unemployment law should be amended to specify that attendance at an accredited institution of higher education, if the claimant is making satisfactory progress toward a recognized degree, constitutes approved training for the purposes of the UI program.

3. Child care support under title XX social service block grants should be continued and enhanced, and the law should be amended to prohibit the states from disqualifying eligible recipients simply because they are attending college.

4. In order to assure continuity of employer initiatives to promote the education and training of their workers, Section 127 of the tax code should be extended on a permanent basis.

The Agriculture Committees

1. Documented education-related expenditures made by food stamp applicants should be considered an investment in self-sufficiency and made excludable from personal income in determining food stamp eligibility.
2. The policy of imposing a 20-hour per week work requirement on college students who otherwise qualify for food stamps should be abandoned.

FOR THE EXECUTIVE AGENCIES**Education Department**

1. Financial aid training that the government currently conducts for high school counsellors should be expanded to include professionals who deal with adults-- human resource officers in business, labor counsellors, and unemployment and welfare counsellors to name a few.
2. The Education Department should encourage rather than discourage financial aid officers from employing professional discretion under the campus based programs and the Pell Grant program, if that authority is restored by legislation.
3. The Education Department should immediately begin to compile data on the employment and recidivism rates of Vocational Rehabilitation clients rehabilitated through postsecondary education compared to other types of training.
4. The Education Department should undertake a comparative study of different providers under the adult education act-- including elementary and secondary schools, colleges, libraries and community agencies-- to see which produce the best results. If some types of providers are found to perform systematically better than others, steps should be taken to encourage their participation and remove any obstacles to it.
5. The Education Department should conduct a study of the vocational education program to determine the circumstances under which different kinds of postsecondary and secondary projects are most likely to promote long term self-sufficiency and productivity.

Department of Labor

1. The Department of Labor should undertake a new and truly complete, state by state survey of state Unemployment Insurance practice: from the kinds of notification the states employ, to the types of training they approve, to their manner of making decisions.
2. The Department of Labor, by regulation, should insist that the states clearly notify beneficiaries of the training option, and that they develop and employ objective criteria for evaluating training providers and approving training requests.
3. The Department of Labor should conduct a study to determine the circumstances under which different kinds of providers of JTPA services are most likely to promote long-term self-sufficiency and productivity. The government should immediately begin to compile systematic data on the employment and recidivism rates of JTPA clients trained through postsecondary education compared to other types of training.

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HEARING ON THE REAUTHORIZATION OF THE HIGHER EDUCATION ACT

TUESDAY, MAY 14, 1991

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON POSTSECONDARY EDUCATION,
COMMITTEE ON EDUCATION AND LABOR,
Washington, DC.

The subcommittee met, pursuant to call, at 9:45 a.m., Room 2175, Rayburn House Office Building, Hon. William D. Ford [Chairman] presiding.

Members present: Representatives Ford, Hayes, Miller, Serrano, Mink, Andrews, Kildee, Coleman, Molinari, Gunderson, and Armev.

Staff present: Thomas Wolanin, staff director, Subcommittee on Postsecondary Education; Jack Jennings, education counsel, Education and Labor Committee; Maureen Long, legislative associate/clerk, Subcommittee on Postsecondary Education; Gloria Gray-Watson, administrative assistant, Subcommittee on Postsecondary Education; Eliza Evans, staff assistant, Subcommittee on Postsecondary Education; Jo-Marie St. Martin, education counsel for minority, Education and Labor Committee; and Beth Buehlmann, education coordinator, minority, Education and Labor Committee.

Chairman FORD. I am pleased to convene this hearing on the Subcommittee on Postsecondary Education on the Reauthorization of the Higher Education Act of 1965. This is the ninth of 44 hearings and I have lost my voice already.

Today our distinguished panel of witnesses will address the issues of how can the student financial aid programs be simplified. Unfortunately, the complexity of the programs has, itself, become a new barrier to educational opportunities for those the programs are designed to serve.

I hope that this hearing will focus the subcommittee on some solutions to the problem of complexity that needy students face in obtaining postsecondary education. I look forward to hearing the comments and suggestions of our witnesses.

Mr. Armev, did you have anything to say?

Mr. ARMEV. Mr. Chairman, let me just say I am very proud to represent the minority this morning. I should alert you that I do have another committee meeting that I will have to go to in half an hour. Perhaps help will arrive before I depart, and in the mean time, I am confident that between the two of us, we comprise an intellectual quorum.

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Chairman FORD. I am informed Mr. Coleman will be here to sit in for you when you go.

Mr. ARMEY. Thank you.

Chairman FORD. Mrs. Mink? Mr. Gaydos has an opening statement. Without objection, we will place it in the record at this point.

Without objection, the prepared testimony of all of the witnesses that has been submitted will be inserted in the record following the oral testimony, and we have a statement here by Robert Knutson, Chairman, Chief Executive Officer of Education Management Corporation, who couldn't appear, on program simplification. Without objection, that will be entered into the record.

[The prepared statements of Hon. Joseph M. Gaydos and Robert Knutson follow:]

Opening Statement

Joseph M. Gaydos

May 14, 1991

Postsecondary Education Hearing

It's really a shame that the simple idea of providing financial assistance to students so they can pursue postsecondary education has evolved into such a complicated system.

Originally the Higher Education Act of 1965 was fairly straight-forward and relatively easy to understand. But we have added so many complexities to the process over the years, that today, many people have said students need a college degree before they understand which of the six student assistance forms they should use to apply for the programs for which they qualify.

And, once students have overcome these hurdles and actually receive assistance, their lives don't necessarily get any easier if some of the assistance is in the form of loans instead of grants.

There are three loan programs that students are eligible to participate in -- Perkins, Stafford, and SLS, or Supplemental Loans for Students.

I haven't heard too many complaints about the Perkins Loan Program but the other two have caused quite a few headaches for students.

Under the Stafford and SLS programs, the loans are

frequently sold shortly after being made, if not immediately. It is not unusual for any given loan under either of these programs to be re-sold a number of times before the student must begin making payments on the loans.

I have heard hair-raising stories from hard working students who have spent weeks and months just trying to find out where to send their payments. I have also heard many stories about gross accounting errors in students' balances and the terrible time they have of getting anyone to correct them.

These types of difficulties are not the only ones students face. Students must also travel through the maze of differences among all three loan programs, the different repayment requirements, the different deferral options, and, in the case of Perkins Loans, students even have several loan cancelation options depending on what jobs they take when they graduate.

The programs in the Higher Education Act of 1965 and the process of applying for financial assistance provided by these programs really must be simplified.

It has always been my aim to open doors to higher education, not put up glass walls as prospective students seek assistance to further their learning.

Simplification of the process is necessary if we are serious about developing a well-trained and learned work force.

This is one point on which we should all agree.

EDUCATION MANAGEMENT CORPORATION

ROBERT B. KNUTSON
Chairman and Chief Executive Officer

TESTIMONY FOR THE RECORD
OF ROBERT B. KNUTSON
CHAIRMAN AND CHIEF EXECUTIVE OFFICER
EDUCATION MANAGEMENT CORPORATION
BEFORE THE HOUSE COMMITTEE ON EDUCATION AND LABOR
SUBCOMMITTEE ON POSTSECONDARY EDUCATION

PROGRAM SIMPLIFICATION

MAY 14, 1991

300 SIXTH AVENUE • PITTSBURGH • PENNSYLVANIA 15222 • 412 582 0800

Mr. Chairman and Members of the Subcommittee on Postsecondary Education:

The following comments are provided by Robert B. Knutson, Chairman and Chief Executive Officer, on behalf of Education Management Corporation (EMC) of Pittsburgh, Pennsylvania. Our employee-owned Company operates The Art Institutes of Atlanta, Dallas, Fort Lauderdale, Houston, Pittsburgh, Philadelphia, Seattle and The Colorado Institute of Art. The Art Institutes International serve 13,000 students in associate and baccalaureate degree programs. Our students come from every state in the union and from 50 foreign countries. We also provide post graduate paralegal training to students through the National Center for Paralegal Training and its consulting affiliations with universities in the United States and Europe.

First and foremost, we believe in developing human potential; secondly, we know that student success is everyone's job.

If indeed the Title IV student assistance programs are to provide access to postsecondary education for the needy students of this country, then these programs must have the interests of students foremost in our minds.

Chairman Ford has been quoted to say that "the purpose of Title IV is not to support institutions, administrators, lenders, student loan agencies, secondary markets, or servicers. The purpose of Title IV is to expand educational opportunities and the programs and delivery systems must be measured in terms of their effectiveness in meeting that objective."

In fact, the Title IV student assistance programs are not organized to promote access by students, or persistence once their education commences. The Department of Education and institutions have become so consumed with the paper processing and with the process itself that we have forgotten about the outcome. The delivery system through its very complexity seems primarily to support student loan agencies, secondary markets, servicers, need analysis agencies, and lenders. Institutional administrators are forced, because of the administrative paperwork burden, to forget the primary purpose of these programs, which is to serve students.

Because of the complexity of the delivery system and the application process, the Title IV delivery system has become a barrier to many students. It could even be argued that the Title IV programs seem to be designed to prevent students from qualifying for financial aid rather than to encourage needy students to participate in these programs as they were intended.

Many students don't understand what a grant is, what a loan is, and what a work study is. They have great difficulties understanding all of the terms and conditions and rights and responsibilities which are attached to the many loan programs now in place.

Our 85 recommendations for reauthorization of the Higher Education Act of 1965, which have been provided to members of this Subcommittee, contain a number of proposals related to simplification of the Title IV student aid programs. These include:

1. Implementing a modified student aid application which asks for more data from only those applicants who have more data to give.

2. Streamlining the renewal aid application process so that students who have already demonstrated need and have had no real change in circumstances need only provide an update of their financial and family information.
3. Limiting the verification of family-reported financial information to only those elements which appear on a tax return.
4. Eliminating the central processor as such and requiring the student to deal only with one financial aid processor.
5. Combining the two current, statutory need analysis methods into one, and reducing the number of formulas from four to two.

In addition to these changes in the student application process, we also recommend significant changes in the student loan programs so that students will be encouraged to repay their loans on a timely basis. Our recommendations include:

1. Creating one student loan program to replace the current Stafford and SLS. This student loan program would be composed of a Stafford portion with subsidized interest and an SLS portion with unsubsidized interest. The student would make one repayment regardless of how much was borrowed.
2. Changing the student loan delivery system so that the student borrower would deal with only one entity -- the guarantor. The guarantor would serve as disbursing agent and servicer as well.
3. Reducing deferment categories to three, so that students can readily determine whether or not they can delay payment of their loans and, therefore avoid default.

These proposals all are intended to make the financial aid process student-centered.

Thank you for the opportunity to present our observations.

STATEMENTS OF SELENA DONG, LEGISLATIVE DIRECTOR, UNITED STATES STUDENT ASSOCIATION; ANNETTE HINES, STUDENT, MOREHEAD STATE UNIVERSITY; STEPHEN COLBERT, DIRECTOR OF EDUCATIONAL OPPORTUNITY CENTER; REGINA MANLEY, FACILITATOR, CITYWIDE GUIDANCE PROGRAMS; STAN KOPLIK, CHAIRMAN, ADVISORY COMMITTEE ON STUDENT FINANCIAL ASSISTANCE; NATALA HART, EXECUTIVE DIRECTOR, STATE STUDENT ASSISTANCE COMMISSION; AND PAUL PHILLIPS, DIRECTOR OF FINANCIAL AID, CALIFORNIA STATE UNIVERSITY-SAN MARCOS

Chairman FORD. We will start with Selena Dong, Legislative Director to United States Student Association.

Ms. DONG. Thank you, Mr. Chairman and members of the subcommittee. I appreciate this opportunity to testify today on the Financial Aid Program simplification and Reauthorization of the Higher Education Act.

My name is Selena Dong and I am Legislative Director of the United States Student Association, the country's oldest and largest national student organization, representing more than 350 campuses and 3.5 million postsecondary students.

USSA believes that Federal financial aid programs have been crucial to the postsecondary opportunities of millions, but that the confusing and complex nature of the student aid application and delivery process acts as a barrier to the access of too many students, particularly those from low-income backgrounds.

First of all, potential college students have to find out about the different types of Federal, State, institutional, and private aid available. This is hardly a case of one-stop shopping; in The Student Guide, the Department of Education suggests that students: talk to financial aid administrators at each school they are interested in; contact State higher education agencies regarding State aid, the Paul Douglas Teacher Scholarship Program and Robert C. Byrd Honors Scholarship Program; find out more information through public libraries, companies, foundations, and a diversity of organizations; look into National Honor Society and National Merit Scholarships, as well as veteran educational benefits.

And of course, for many students, high school guidance counselors can make or break a student's decision to pursue post-high school opportunities by discussing the possibility of and ways to finance a postsecondary education or training.

Next, a student can choose between six different application forms for Federal financial aid.

To apply for Federal financial aid only, you can fill out the Application for Federal Student Aid, AFSA, which consists of the 32 federally core questions, or you can answer just these core questions on the five other forms; no application fee is involved in these cases.

However, if you want to be considered for non-Federal aid, you must fill out the additional questions on the five other forms and, for two of these forms, pay a processing fee. Most students end up completing one of the five forms that allow you to apply for both Federal and non-Federal aid, and responding to between 59 and 118

questions. It is up to the individual colleges, State agencies and scholarship programs which application forms they will accept.

So the 1991-1992 school year ASFA form that you have in your hands is the "simplest" form available since it includes all the Federal core questions, and does not have an application fee. It, however, does not render a student eligible for all State, institutional and private aid for college.

This situation forces many students into a tough choice between filling out a free form that does not ensure that they will be considered for all types of aid available, and handing over precious money for an application form that will make them eligible for all assistance.

Now, the ASFA form is hardly simple; it consists of 49 questions, and on page 2 tells you that you will need a myriad of records, ranging from your Federal, State and local income tax returns to records of medical or dental bills that were paid in 1990, to fill out this form. And it only gets more complicated.

For example, in Section B, there are 16 questions, most of which have subquestions, to wade through to figure out if you are an independent or dependent student. And Sections D, F, G, and I are enough to make almost anyone flee for the nearest accountant for help.

It is clear that these applications forms try to be all things to all people: there is a plethora of questions designed for the special treatment of dislocated workers, displaced homemakers, applicants with excess medical and/or dental expenses, et cetera.

There must be a way to ensure special recognition of these circumstances without adding many more questions to these already complicated forms. The fact that the form uses cute color coding or yellow and gray areas to distinguish the areas that dependent and independent students must fill out is a reflection of how complicated the form is and how different applicants end up answering different sections and questions.

Then there is the Simplified Needs Test, SNT, which is supposed to ensure that very low-income students need only answer a small number of questions on the application forms. However, students still have to follow a complicated set of instructions on the ASFA form to figure out if they qualify for the SNT.

This complexity helps explain why few applicants eligible for the simple needs test actually use it: according to the Advisory Committee on Student Financial Assistance, less than 17 percent of eligible applicants file the simple form.

Other reasons for this limited usage include the fact that many State, institutional and private sources of aid required completion of the whole form, and that many students, high school counselors, and aid administrators worry that they are doing something wrong by not filling out the whole form.

After you wade through these Federal financial aid forms, you must wait 4 to 6 weeks for processing by one of the multiple data entry processors, MDE, to compute your Pell Grant Index number and Family Contribution number. Your form may be returned for corrections if you made any mistakes, or for verification if you are selected by the Department of Education or your school for such a process.

In either case, another couple of weeks are added to the whole process. Then the MDE processor sends the applicant's information to a central processor to recompute the two needs analyses, and check for Selective Service registration, eligibility for non-citizens, and past student loan defaults.

After this is completed, the MDE processor sends the applicant a Student Aid Report, SAR, with their Pell Grant Index and Family Contribution numbers, which are then used by financial aid administrators to determine the student's award package.

This is not the end however. Students must meet a number of eligibility requirements and undertake additional procedures for many of the Federal financial aid programs. For example, to apply for a Stafford Loan, you must get an application from a lender, school or State guaranty agency, fill it out, and then submit it to your school, which then certifies your loan eligibility after first determining your eligibility for a Pell Grant.

The school then submits your application to the lender of your choice, which, if it agrees to make the loan, submits it to a guaranty agency for loan approval. If all goes well, the lender will make a check out to you, or to you and the school, and mail it to the school.

But if you are a first-time borrower or just unlucky, don't expect to see the check until 30 days after the start of the semester; just keep dodging the bill collectors. And to add to the complexity, many lenders have entirely different application forms.

Applying for aid is sort of like a game of Monopoly when you land on the "Chance" space and draw a card. You might get to go directly to jail (i.e., use the Simple Needs Test); or go to the nearest utility (i.e., fill out this section or that section); or pay a poor tax (i.e., pay a processing fee if you fill out certain sections and forms); or take three steps backward (i.e., get your application forms returned for corrections.)

And unfortunately, you must play this award game year after award year, and reapply for aid by filling out the same forms and paying the same fees all over again. And the game does not end with graduation: you must start paying back your loans after a short grace period.

Again, the obligations and options can be extraordinarily complex and confusing: there are at least 12 categories of deferment conditions, a few cancellation provisions, forbearance, and loan consolidation.

USSA urges this subcommittee to examine the intricacies of the financial aid application and delivery process to make changes that will streamline and facilitate students' access to college financing options. The complexity and multiplicity of the application forms, the fees, and the reapplication process had made this system an impediment and not a mechanism by which students find ways to afford a college education.

I have included for the record a summary of USSA's recommendations for simplifying the application process: they include the creation of one free, simplified application form for all types of aid along the lines of the National Association of Student Financial Aid Administrators', NASFAA, "A Plan for Reform", and a new system for updating information; in AFDC eligibility; the develop-

ment of open-ended and flexible guidelines for the use of financial aid administrator professional judgment; and ensuring more flexibility in the definition of an independent student.

Thank you for this opportunity to testify today.

[The prepared statement of Selena Dong follows:]



"Organizing and Advocating for Students Across the Country"

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Statement of the
UNITED STATES STUDENT ASSOCIATION (USSA)
before the
House Subcommittee on Postsecondary Education
on
Resauthorization of the Higher Education Act and
PROGRAM SIMPLIFICATION

May 14, 1991

Selena Dong
Legislative Director
United States Student Association

I would like to thank the chairman and members of the Subcommittees for this opportunity to discuss financial aid program simplification and Reauthorization of the Higher Education Act. My name is Selena Dong and I am Legislative Director of the United States Student Association (USSA), the country's oldest and largest national student organization, representing more than 350 campuses and 3.6 million postsecondary students. USSA believes that federal financial aid programs have been crucial to the postsecondary opportunities of millions, but that the confusing and complex nature of the student aid application and delivery process acts as a barrier to the access of too many students, particularly those from low-income backgrounds.

First of all, potential college students have to find out about the different types of federal, state, institutional, and private aid available. This is hardly a case of one-stop shopping; in The Student Guide, the Department of Education suggests that students:

- * talk to financial aid administrators at each school they are interested in;
- * contact state higher education agencies regarding state aid, the Paul Douglas Teacher Scholarship Program, and Robert C. Byrd Honors Scholarship Program;
- * find out more information through public libraries, companies, foundations, and a diversity of organizations;
- * look into National Honor Society and National Merit Scholarships, as well as veteran educational benefits.

And of course, for many students, high school guidance counselors can make or break a student's decision to pursue post-high school opportunities by discussing the possibility of and ways to finance a postsecondary education or training.

Next, a student can choose between six different application forms for federal financial aid. The forms are the:

- * Application for Federal Student Aid (AFSA) - Department of Education
- * Application for Pennsylvania State Grant and Federal Student Aid - PA Higher Education Assistance Agency
- * Application for Federal and State Student Aid (AFSSA) - CSX
- * Singlefile Form - United Student Aid Funds
- * Family Financial Statement (FFS) - American College Testing
- * Financial Aid Form (FAF) - College Scholarship Service

To apply for federal financial aid ONLY, you can fill out the Application for Federal Student Aid (AFSA), which consists of the thirty-two "federal core" questions, OR you can answer just these core questions on the five other forms; no application fee is involved in these cases. However, if you want to be considered for non-federal aid, you must fill out the additional questions on the five other forms and, for two of these forms, pay a processing fee. Most students end up completing one of the five forms that allow you to apply for both federal and nonfederal aid, and responding to between 59 and 116

questions. It is up to the individual colleges, state agencies and scholarship programs which application forms they will accept.

So the 1991-92 school year ASFA form that you have in your hands is the "simplest" form available since includes only the "federal core" questions, and does not have an application fee. It, however, does not render a student eligible for all state, institutional, and private aid for college. This situation forces many students into a tough choice between filling out a free form that does not ensure that they will be considered for all types of aid available, and handing over precious money for an application form that will make them eligible for all assistance.

Now, the ASFA form is hardly simple; it consists of 49 questions, and on page 2 tells you that you will need a myriad of records, ranging from your federal, state and local income tax returns to records of medical or dental bills that were paid in 1990, to fill out this form. And it only gets more complicated. For example, in Section 8, there are 16 questions, most of which have subquestions, to wade through to figure out if you are an independent or dependent student. And sections D, F, G, and I are enough to make almost anyone flee for the nearest accountant for help.

It is clear that these applications forms try to be all things to all people: there is a plethora of questions designed for the special treatment of dislocated workers (Section I, question 44), displaced homemakers (Section G, question 35), applicants with excess medical and/or dental expenses (Section F, question 33), etc. There must be a way to ensure special recognition of these circumstances without adding many more questions to these already complicated forms. The fact that the form uses cute color coding of yellow and gray areas to distinguish the areas that dependent and independent students must fill out is a reflection of how complicated the form is and how different applicants end up answering different sections and questions.

Then there is the Simplified Needs Test (SNT), which is suppose to ensure that very low-income students need only answer a small number of questions on the application forms. However, students still have to follow a complicated set of instructions on the ASFA form to figure out if they qualify for the SNT. For example, the form says, "If you are filling out the gold and white areas, you will need to refer to Section D to complete worksheet #3A below. The worksheet will tell you whether you must fill out the Supplemental Information (Sections F through I)."

This complexity helps explain why few applicants eligible for the simple needs test actually use it: according to the Advisory Committee on Student Financial Assistance, less than 17% of eligible applicants file the simple form. Other reasons for this limited usage include the fact that many state, institutional, and private sources of aid require completion of the whole form, and that many students, high school counselors, and aid administrators worry that they are doing something wrong by not filling out the whole form.

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After you wade through these federal financial aid forms, you must wait four to six weeks for processing by one of the multiple data entry processors (MDE) to compute your Pell Grant Index (PGI) number and Family Contribution (FC) number. Your form may be returned for corrections if you made any mistakes, or for verification if you are selected by the Department of Education or your school for such a process. In either case, another couple of weeks are added to the whole process. Then the MDE processor sends the applicant's information to a central processor to recompute the two needs analyses, and check for Selective Service registration, eligibility for non-citizens, and past student loan defaults. After this is completed, the MDE processor sends the applicant a Student Aid Report (SAR) with their Pell Grant Index and Family Contribution numbers, which are then used by financial aid administrators to determine the student's award package. Aid administrators can also take into account special circumstances, and adjust your cost of education and Family Contribution in determining your aid package or change your dependency status.

This is not the end however. Students must meet a number of eligibility requirements and undertake additional procedures for many of the federal financial aid programs. For example, to apply for a Stafford Loan you must get an application from a lender, school or state guaranty agency, fill it out, and then submit it to your school, which then certifies your loan eligibility after first determining your eligibility for a Pell Grant. The school then submits your application to the lender of your choice, which, if it agrees to make the loan, submits it to a guaranty agency for loan approval. If all goes well, the lender will make a check out to you, or to you and the school, and mail it the school. But if you are a first-time borrower or just unlucky, don't expect to see the check until 30 days after the start of the semester; just keep dodging the bill collectors. And to add to the complexity, many lenders have entirely different application forms.

Applying for aid is sort of like a game of Monopoly when you land on the "Chance" space and draw a card. You might get to go directly to jail (i.e. use the Simple Needs Test); or go to the nearest utility (i.e. fill out this section or that section); or pay a poor tax (i.e. pay a processing fee if you fill out certain sections and forms); or take three steps backward (i.e. get your application forms returned for corrections).

And unfortunately, you must play this game award year after award year, and reapply for aid by filling out the same forms and paying the same fees all over again. And the game does not end with graduation: you must start paying back your loans after a short grace period. Again the obligations and options can be extraordinarily complex and confusing: there are at least 12 categories of deferment conditions, a few cancellation provisions, forbearance, and loan consolidation.

USSA urges this subcommittee to examine the intricacies of the financial aid application and delivery process to make changes that will streamline and facilitate students' access to college financing options. The complexity and multiplicity of the application forms, the fees, and the reapplication process had made this system an impediment and not a

mechanism by which students finds ways to afford a college education. I have included for the record a summary of USSA's recommendations for simplifying the application process: they include the creation of one free, simplified application form for all types of aid along the lines of the National Association of Student Financial Aid Administrators' (NASFAA) "A Plan for Reform", and a new system for updating information; automatic eligibility for students from families with proven need, such as AFDC eligibility; the development of open-ended and flexible guidelines for the use of financial aid administrator professional judgment; and ensuring more flexibility in the definition of an independent student.

Thank you for this opportunity to testify today.

U.S. Student Association
A.C.C.E.S.S. Campaign '91

Reauthorization of the Higher Education Act

**Recommendation #7
SIMPLIFY THE APPLICATION PROCESS**

- Create one free application form
- Create a new system for updating information
- Exempt very low-income students from completing a student aid application
- Change how an independent student is defined
- Ensure consistency in student aid administration

The Problem

One of the biggest barriers to the student aid system is the complex and confusing nature of the application process. Since the application forms are used by a wide variety of students with all different backgrounds, there are many instructions and questions that do not pertain to all applicants. In addition, the forms are weighed down with the many extraneous requirements discussed earlier that have nothing to do with financial need. Not only are the application forms long and confusing, students are expected to fill out different applications and pay separate application fees for federal, state and institutional aid. Hence one free, standardized, and simplified application for ALL sources of aid should be developed. Moreover, the current system requires a student to complete and file a new application each award year even though much of the data does not change.

In addition, the current system is unfair to very low-income students. The 1986 Reauthorization created a Simplified Needs Test (SNT) for families with annual incomes below \$15,000. Unfortunately, the SNT calculates a higher expected family contribution (EFC) that is used for calculating student aid packages that would be found using the regular formula. In addition, students from low-income families that have already proven need for Aid for Families with Dependent Children (AFDC), welfare, and other federal programs serving those in need still have to fill out applications for student aid. This hardly makes sense and acts as a barrier to these students' participation. These students should simply receive an automatic calculation of zero for expected family contribution.

Additionally, steps should be taken to assure consistency in the use of professional judgment by financial aid administrators. Student aid administrators have long used their authority to make individual decisions on students' ability to pay based on unique circumstances. The 1986 Reauthorization codified this authority into law by providing that student aid administrators could use their discretion in determining need for a student in special circumstances under the Pell Grant program. They can also make changes in independent student status. Because financial aid administrators are required to document the need for these changes and are vulnerable to audits, they are often reluctant to make judgment calls. The federal government should commit itself to providing more training and guidance to these administrators so that there will be some consistency in professional judgment calls.

Lastly, the definition of an "independent student" excludes many genuinely self-supporting students. See box for definition of an "independent student."

Under this current system, upper income parent(s) could abuse the system by not claiming the student for the previous 2 years and by arranging for \$4,000 to be provided for the student. Likewise, under the existing definition, a student on his or her own may be unable to satisfy the requirements for independent status due to the fact that:

DEFINITION OF "INDEPENDENT STUDENT"

A student falling into any of these categories is automatically considered an independent student.

- 24 years of age or older
- An orphan or ward of the court
- A veteran of the U.S. Armed Forces
- Have legal dependents other than a spouse

In addition, the financial aid administrator has the authority to change a student's dependency status if he/she thinks the circumstances warrant it.

A student falling into any of these categories must satisfy the requirements noted in order to be considered as an independent student.

- A married, graduate or professional student must declare that he/she will NOT be claimed by his/her parent(s) for tax purposes for the first calendar year of the award year
- A single undergraduate student cannot be claimed as a tax exemption for the two years prior to the award year AND must have "total resources" of \$4,000 or more (not counting support from parents)

(1) the parent(s) have claimed the student as a dependent on their tax returns; or

(2) the parent(s) refuse to make the tax forms available to the student; or

(3) in certain areas, a student can and does survive on less than \$4,000 a year.

Moreover, the age cut-off of 24 years is arbitrary and discriminatory.

USSA Recommendations on the Application Process

(1) Create One Free Application Form

One free, standardized, simplified, national application for federal, state and institutional aid should be created. Students should not have to subsidize the process of calculating the needs and financial aid packages of large numbers of applicants, and should not have to fill out multiple applications in order to become eligible for all available student aid.

(2) Create a New System for Updating Information

Students should have to fill out the entire application form again ONLY if their financial circumstances changed dramatically. A simplified update form should be created. Likewise, once a student proves independent status, he/she should not have to do so again.

(3) Exempt very Low-income Students from Completing a Student Aid Application

As early as the 7th or 8th grade, students from very low-income backgrounds as determined by their family's eligibility for AFDC, Food Stamps, etc. should be declared as having an expected family contribution of zero and thus eligible for the maximum Pell Grant when they enroll in college.

(4) Ensure Consistency in Student Aid Administration

The federal government should work with the higher education community to develop open-ended and flexible guidelines on how to deal with special student aid cases. This would help aid administrators serve students consistently and fairly.

(5) Change how an "Independent Student" is Defined

Student aid administrators should have the responsibility of defining the dependency status of students. They could use the automatic criteria to define an "independent student" and exercise their professional judgment about other cases. So, for example, when a student is truly self-supporting and survives on less than \$4,000 a year, an administrator will have the opportunity to grant him/her independent status and the student aid eligibility that accompanies this status.

Chairman FORD. Thank you very much.

Annette Hines, student at Morehead State University.

Ms. HINES. I would like to thank the committee for this opportunity to testify today.

Chairman FORD. I should tell you that in my now 27th year on this committee, no institution in the country has been heard from as often as Morehead State Teachers College, and no university President was heard from more often than the President of Morehead State Teachers College.

Mr. Perkins, during all of my career until his death a few years ago, absolutely insisted we couldn't write education legislation until we heard from Morehead. So I am expecting you to say that everything is the way that you would have designed it.

Ms. HINES. That is a lot of pressure.

I would like to thank the committee for this opportunity to testify today. My name is Annette Hines and I am a junior at Morehead State University in Eastern Kentucky. Currently I am completing an internship with the United States Student Association.

There are many obstacles standing between a low-income, first-generation college student like myself and a postsecondary education. For today's hearing, I would like to focus on how the complexity of applying for and getting financial aid was overwhelming for me.

While I and millions of other students appreciate the Federal financial aid that made our dreams of a college education a reality, I believe that these complexities are endangering the chances of low-income people to further their education.

I went to a rural high school in a small town called Sandy Hook, about 30 miles from Morehead. While in high school, I knew I wanted to go to college, but didn't think that I had a chance. Why did I think that my dreams of a college education were futile?

Because I knew that college cost money, but I didn't know how much, and knew that my parents could never afford to send me. We barely got by on what we had, so I knew there would be no money for college.

My parents have always tried to help me, but when I was in high school, they did not have all the answers to my questions about college. So I went to the high school guidance counselor, but she had already made up her mind about me. She told me that I was not college material, that I would not make it through my first semester of college so I should just get married.

I told her that I really wanted to go to college and that I would be willing to work hard if she would help me. I had heard of a program called Upward Bound through some friends at school. This program helps low-income youths through tutoring, motivation and counseling to pursue college.

I knew there was a program at our high school and that it was taking applications. My counselor would not allow me to have an application for the Upward Bound program. She had already decided that I would not go to college.

By the end of my junior year in high school, a few of my friends were applying for colleges. One of my friends told me about financial aid that helps students pay for college. My friend also told me

that I could get the financial aid forms from the college since my guidance counselor would not help me.

My parents took me to Morehead. When we got the forms, I was overwhelmed by the complexity and my parents couldn't help me. Luckily, my mother found out about a workshop put on by Morehead State University's Student Support Services on how to fill out the financial aid forms.

This workshop changed my mother's life. My mother had dreamt of going to college but never really thought she would get the chance. When she found out about financial aid, she applied for college and for aid.

When we filled out the financial aid forms, we found out that we had to pay \$12.50 for a service rendered. This is really ridiculous. We were filling out forms because we had no money for college, but we had to scrape up \$25 just to see if we could receive aid for college. It is discouraging to ask low-income students to pay an application fee for financial aid.

My mother is also enrolled at Morehead State, but it has been a never-ending battle with financial aid. My mother and I both receive Pell and State grants, and rehabilitation tuition assistance. We both are full-time students and I work full-time and my mother works part-time.

My mother has to take out loans each year, Stafford and Plus, so that we can survive our college years. I have also taken our two Stafford loans. However, she has learned how to fill the application forms out by doing. She would fill the forms out, send them in and they would return them for corrections.

And then we had to fill out different forms for our grants, loans and State aid. Also, she had to find a bank that would be willing to trust her for loans. Sometimes you just feel like that all the hassle of filling out all the papers for the different kinds of aid is not worth it.

Then we found out that we had to pay insurance premiums of up to 3 percent of the principal and origination fees of \$15 on loan money that we were borrowing and that we had not even received. When we graduate next May, we will have accumulated \$26,000 worth of debt.

To make things even worse, our loan checks always come way after the start of the semester. Whether it is a result of a policy of delayed disbursement or the lender's schedule, the result is that you must wait for your money, but bills and bill collectors don't wait. My mother and I have had to borrow money from friends and pawn our belongings because we have to live. On top of all the things we had to deal with, we hardly had time to keep up with our college classes.

While on campus, my mother and I signed up for a Study Skills class that Student Support Services gives. The class taught us how to study better, how to manage our time and how to cope with college's many difficulties. I got a 3.4 GPA my first semester, which is pretty good for someone who was not supposed to make it through their first semester.

My mother and I were really lucky to get into Student Support Services, a TRIO program for students from disadvantaged back-

grounds, because less than 2 percent of eligible college students are served by TRIO programs.

I would like to go to law school, but I am terrified. How am I going to pay for law school is only one of my fears. I have been looking at some of the applications, financial aid forms and other forms that I will have to fill out. They really freak me out. I don't know how I will get through all those forms.

I called my mother the other day to see how she was doing. She said that she was tired. Someone from somewhere in an office that deals with financial aid sent us papers to verify the forms that we filled out for financial aid for the 1991-1992 school year. It is finals week and she doesn't have time to deal with all this.

I also mentioned that I may appear before this subcommittee about simplifying the financial aid process. I asked her what would make the system easier for students to deal with. My mother came up with a few solutions that just happened to be identical to USSA's.

She said "One form to fill out for all the financial aid that one can apply for. Only having to fill out the forms once, unless there is a significant change of information."

In conclusion, USSA supports the creation of one free, simplified application form for institutional, State and Federal aid; simplifying the updating process; the integration of the Pell Grant and congressional methodologies in to a single methodology; and automatic eligibility for financial aid for students from families receiving AFDC and other Federal benefits.

In my family's case, it seemed crazy to ask us to prove that we required financial aid for college when we were receiving AFDC and other benefits. These benefits were cut once we received student aid, but that's another issue.

USSA urges that Congress seriously consider these proposals to simplify the student aid application and delivery system; they would omit a few obstacles from the paths of low-income people in their attempt to further their education and make a better life for themselves.

[The prepared statement of Annette Hines follows:]



"Organizing and Advocating for Students Across the Country"

United States Student Association / 1012 14th St., N.W. Suite 200/ Washington, D.C. 20005 / (202) 347-USSA
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Testimony Before the
House Subcommittee on Postsecondary Education on
Reauthorization of the Higher Education Act:
Program Simplification

May 14, 1991

Annette Hines
Student, Morehead State University
Morehead, Kentucky
TRIO Desk Director
United States Student Association

I would like to thank the committee for this opportunity to testify today. My name is Annette Hines and I am a junior at Morehead State University in Eastern Kentucky. Currently I am completing a internship with the United States Student Association (USSA) as the Trio Desk Director. I never thought I would be sitting before Members of Congress to plead the case of low-income college students from a personal perspective.

There are many obstacles standing between a low-income, first-generation college student like myself and a postsecondary education. For today's hearing, I would like to focus on how the complexity of applying for and getting financial aid was overwhelming for me. While I and millions of other students appreciate the federal financial aid that made our dreams of a college education a reality, I believe that these complexities are endangering the chances of low-income people of America to further their education.

I went to a rural high school in a small town called Sandy Hook, about 30 miles from Morehead. While in high school I knew I wanted to go to college, but didn't think that I had a chance. Why did I think that my dreams of a college education were futile? Because I knew that college cost money, but I didn't know how much, and knew that my parents could never afford to send me. We barely got by on what we had, so I knew there would be no money for college. Plus I knew almost nothing about how to go about getting into college.

My parents have always tried to help me, but when I was in high school they did not have all the answers to my questions about college. So I went to the high school guidance counselor but she had already made up her mind about me. She told me that I was not college material, that I would not make it through my first semester of college so I should just get married. I told her that I really wanted to go to college and that I would be willing to work hard if she would help me. I had heard of a program called Upward Bound through some friends at school. This program helps low-income youths through tutoring, motivation and counseling to pursue college. I knew there was a program at our high school and that it was taking applications. My counselor would not allow me to have an application for the Upward Bound program: she had already decided that I would not go to college.

I tried to talk my parents into letting me quit school when I was 18 so that I could work full time until I was 18 and then go to college. They would not let me because they felt that after I started making money, I would not want to sacrifice hard-earned money to pay for a education that I would have to work really hard to obtain.

By the end of my junior year in high school a few of my friends were applying for colleges. One of my friends told me about financial aid that helps students pay for college. My friend also told me that I could get the financial aid forms from the college since my guidance counselor would not help me. My parents took me

to Morehead, when we got the forms I was overwhelmed by the complexity and my parents couldn't help me. Luckily, my mother found out about a workshop put on by Morehead State University's Student Support Services on how to fill out the financial aid forms. This workshop changed my mother's life. My mother had dreamt of going to college but never really thought she would get the chance. When she found out about financial aid she applied for college and for aid. She never really expected to get in but thought she had nothing to lose by trying.

When we filled out the financial aid forms we found out that we had to pay \$12.50 for a service rendered. This was really ridiculous! We were filling out forms because we had no money for college, but we had to scrape up \$25.00 just to see if we could receive aid for college. Where were we suppose to get an extra \$25.00. It is discouraging to ask low-income students to pay an application fee for financial aid.

My mother is also enrolled at Morehead State, but it has been a never ending battle with financial aid. My mother and I both receive Pell and state grants, and rehabilitation tuition assistance. We both are full-time students and I work full-time and my mother works part-time. My mother has to take out loans each year (Stafford and Plus) so that we can survive our college years. I have also taken out two Stafford loans. However, she has learned how to fill the application forms out by doing. She would fill the forms out, send them in and they would return them for corrections. And then we had to fill out different forms for our grants, loans and state aid. Also, she had to find a bank that would be willing to trust her for loans. Sometimes you just feel like that all the hassle of filling out all the papers for the different kinds of aid is not worth it. The banks are suppose to send the person applying for a loan a data sheet and sometimes they don't. Then we found out that we had to pay insurance premiums of up to 3% of the principle and origination fees of \$15.00 on loan money that we were borrowing and that we had not even received.

To make things even worse, our loan checks always come way after the start of the semester. Whether it is a result of a policy of delayed disbursement or the lender's schedule, the result is that you must wait for your money but bills and bill collectors don't wait. My mother and I have had to borrow money from friends and pawn our belongings because we have to live. On top of all the things we had to deal with, we hardly had time to keep up with our college classes.

While on campus my mother and I signed up for a Study Skills class that Student Support Services gives. The class taught us how to study better, how to manage our time and how to cope with colleges' many difficulties. I got a 3.4 G.P.A. my first semester, which is pretty good for someone who was not suppose to make it through their first semester. My mother and I were really lucky to get into Student Support Services, a Trio program for students from

disadvantaged backgrounds, because less than 2% of eligible college students are served by Trio programs.

I admit that my first semester was very difficult. First I had to deal with financial aid, which was a new concept for me. Then, I had to deal with classes! Student Support Services made both easier, but the difficulty of applying for aid including the fact that you have to fill out all the forms again every year, has made college tough for my mom and me. When both of us graduate next May, we will have accumulated about \$26,000 worth of debt.

I would like to go to law school, but I am terrified. How am I going to pay for law school is only one of my fears. I have been looking at some of the applications, financial aid forms and other forms that I will have to fill out: they really freak me out. I don't know how I will get through all those forms.

I called my mother the other day to see how she was doing, she said that she was very tired. Someone from somewhere in a office that deals with financial aid sent us papers to verify the forms that we filled out for financial aid for the 1991-92 school year. It's finals week and she doesn't have time to deal with all this. I also mentioned that I may appear before this subcommittee about simplifying the financial aid process, I asked her what would make the system easier for students to deal with. My mother came up with a few solutions that just happened to be identical to USSA's. She said "One form to fill out for all the financial aid that one can apply for. Only having to fill out the forms once, unless there is a significant change of information." What she said really made sense to me.

In conclusion, USSA supports the creation of one free, simplified application form for institutional, state and federal aid; simplifying the updating process; the integration of the Pell Grant and Congressional methodologies into a single methodology; and automatic eligibility for financial aid for students from families receiving AFDC and other federal benefits. In my family's case it seemed crazy to ask us to prove that we required financial aid for college when we were receiving AFDC and other benefits. These benefits were cut once we received student aid, but that's another issue.

USSA urges that Congress seriously consider these proposals to simplify the student aid application and delivery system; they would omit a few obstacles from the paths of low-income people in their attempt to further their education and make a better life for themselves.

Chairman FORD. Stephen Colbert, Director of Educational Opportunity Center, St. Louis, Missouri.

Mr. COLBERT. Mr. Chairman, members of the subcommittee, my name is Stephen Colbert and I am the director of the Educational Opportunity Center in St. Louis, Missouri.

I am indeed honored to have been asked by the subcommittee to present my views—and the views of other TRIO staff members—on questions relating to simplification of the financial aid process. I am testifying today on behalf of the National Council of Educational Opportunity Associations, NCEOA.

So I don't repeat much of what has already gone before me, I would just like to talk about what an EOC does, the intimidation of these forms, and some of the recommendations that we would like to submit on behalf of simplification.

First of all, an educational opportunity center is that organization which is there to help the adult learner, people 19 years and older, meet their educational needs as far as giving them support on educational information and more specifically, support in completing the financial aid form.

Most of the people that we support come from low-income disadvantaged first generation backgrounds, and as such, need a lot of assistance regarding their postsecondary needs. I don't need to go into any horror stories second-hand from anybody regarding these forms.

We get it first hand in our offices. As an example, last year, we served 8,000 people. Fifty-six percent of those individuals we helped complete financial aid forms. Of the returning clients, we had last year, which was about 3,000, 85, about 85 percent of those helped complete the financial aid form.

So, it shows you right then and there the complexity of these forms and why people seek our assistance in helping them complete the financial aid form.

My staff is well trained, go to workshops on these forms, and find these forms at times very ambiguous. They are intimidating, and a lot of the questions have no right or wrong answers.

To that end, we have some recommendations that we would like to present to you regarding the simplifications process about the financial aid forms. One is, forms should be developed which are targeted towards low and middle income students. Every attempt should be made to decrease the sense of intimidation felt by those students who must complete them.

While it may be true that many of those presently involved in the student financial aid process are from families with significant resources, it is important to remember that the funds distributed in this process are targeted towards low and middle income students, and this is proper.

People from families in the bottom half of the income distribution in this country have less than a 10 percent chance of earning a bachelor degree by the time they are 24. And I will go on to say that we believe that the forms should be simple. They should be able to be filled out in either a pencil or pen.

All forms should be printed in large type. In fact, I am looking at this big broken up thing you have over here, and you can't even read that thing. That is a prime example of how small the type is

when you read the actual form. And the warnings that say false or misleading information and the possibility of jail sentences should be placed at the rear of the form rather than in the front.

And the referrals of previous questions or previous distributions that so delight lawyers and accountants should be eliminated. Forms should be pretested on individuals who have not graduated from high school.

Secondly, forms should contain an automatic bypass for the lowest income students. Many of the questions on present forms are irrelevant for young people and adults from the lowest income families.

Most of the higher education community favor an automatic bypass for individuals in the lowest income categories so that they do not have to struggle with irrelevant questions.

A good case in point is the college board and NCEOA favors including a bypass after soliciting demographic information. The bypass should be available to two groups, specifically.

Persons who, themselves, qualify or who are dependents of individuals qualifying for earned income tax credit and persons who are receiving or who are dependent upon individuals receiving aid to families with dependent children.

In both instances, individuals who utilize the bypass would qualify for the maximum of aid with no expected parental contributions. Including a bypass will save countless hours to counselors in TRIO programs and in high schools enrolling large numbers of low income youth.

As an example, in the program that I work with, if we had this bypass, we could save 15 to 20 minutes per person in completing a financial aid form and given the fact that we fill out 3,800 forms a year, that is a significant time savings.

Number three, reliance on discretion in determining independent student status for students who do not meet the automatic criteria. Currently on the form there is an automatic criteria that presently students 24 and over, wards of courts, students with dependents other than a spouse, and Veterans automatically qualify as independent students.

However, those under 24 can only qualify as independent if they meet a series of conditional criteria. These conditional criteria, particularly the necessity of establishing a \$4,000 income creates very significant problems for young adults from the very lowest income families, and I will go on to say that in the program that I have, it covers East St. Louis, Illinois, where you have a 73 percent number of people on some kind of Federal or State aid, as well as in midtown St. Louis, Missouri, where over 70 percent of the people are on some type of aid, and 50 percent of unemployment, \$4,000 is not real to them.

As a result, this question or this conditional criteria will not even relate to them, and people wonder, well, how can you live on \$4,000? Well, a lot of people have to do that, but they have no way of proving their income levels. So with that, we feel that it is one of those discretionary things that should be handed over to the college to determine a person's dependent or independent status.

Number four is, every effort to provide free financial aid processing for one form to establish eligibility for all Federal, state and in-

stitutional aid. One of the things that we have great difficulty with nowadays is the fact that if you get through one of these complex forms and say you want to attend or apply to at least four colleges, depending upon the type of form that you use, it might get up to \$29 for submission of that one financial aid form coupled with the fact that you have to put in an application fee to some of these colleges that may range from \$20 to \$40.

You are looking at right there \$89 worth of expenditures. And a person on AFDC or receiving tax credit kinds of income don't have that type of money. So what we are asking is that we have a free financial aid form that people can use as a result, they can get the service without some kind of economic burden.

Number five is, we feel that just an increase in authorization to TRIO programs will facilitate this in the fact that most secondary education will be made simplified, give even more money and more resources to deal with the very initiatives that come about relative to people in the low-income and disadvantaged status.

With that, Mr. Chairman, I will conclude my statement and welcome any questions that you may have.

[The prepared statement of Stephen Colbert follows:]



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- Midwestern Association of Educational Opportunity Programs Partnership
- New England Association of Educational Opportunity Programs Partnership
- Northeast Association of Special Programs
- Northwest Association of Educational Opportunity Programs Partnership
- Southern Association of Student Assistance Programs
- Western Association of Educational Opportunity Programs

Testimony of Stephen Colbert

**Director, Educational Opportunity Center,
St. Louis, Missouri**

**before the Subcommittee on Post-Secondary Education
Committee on Education and Labor**

United States House of Representatives

Regarding Complexity in the Student Assistance Program

May 14, 1991

Tenth Annual Conference
 "EDUCATIONAL IMPERATIVES FOR THE PUBLIC GOOD: CREATING DIVERSITY ON OUR NATION'S CAMPUSES"
 September 22-25, 1991 • Hyatt Regency Hotel • Tampa, Florida

Mr. Chairman, Members of the Subcommittee, my name is Stephen Colbert and I am the director of the Educational Opportunity Center in St. Louis, Missouri. I am indeed honored to have been asked by the Subcommittee to present my views--and the views of other TRIO staff members--on questions relating to simplification of the financial aid process. I am testifying today on behalf of the National Council of Educational Opportunity Associations (NCEOA).

The Educational Opportunity Center in St. Louis is sponsored by a non-profit corporation which was created in 1963 to engage in a variety of cooperative endeavors. For example, in addition to sponsoring the EOC, the Higher Education Center of St. Louis promotes cooperation in the use of cable television, in planning cooperative education programs, and in fine arts programs. We operate seven community-based centers in Illinois and Missouri which assist adults in considering their postsecondary options, in applying for admission to various postsecondary institutions, and in applying for financial aid. Last year we served 8,095 clients of whom 6,000, almost 75%, met both TRIO eligibility criteria. They had taxable family incomes below 150% of the poverty level and were first generation college students.

Among these clients, over half were first seen by the Center during the 1989-90 academic year. Of the 3,204 returning clients, 85% returned to the center for assistance in completing financial aid forms for continuing support. This statement in itself provides strong evidence of the complexity of the current process.

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You will recall that under the TRIO authority the principal focus of EOC's is adults--individuals 19 and above. Of the St. Louis Center's client population, 6,787 were age 28 and above; 1,308 were 19 to 27. Slightly over half of our clients were black; about 54% were male.

It may be of interest to you to know that of our eight thousand clients, last year we placed 1,119 individuals in postsecondary institutions. Additionally, 105 clients were accepted for enrollment but not yet enrolled, 660 individuals continued their enrollment, 75 individuals transferred (most often from a two year to a four year college), 49 individuals completed non degree programs, and 209 students graduated. Of those graduating, 69 completed associate degrees, 63 completed baccalaureate degrees, 59 completed vocational/technical programs, five completed graduate degrees and 13 completed other programs.

Generally speaking EOC's work hard to place their clients at institutions where loan burden can be minimized. For that reason, last year of the 1,779 whom we assisted to enroll in postsecondary programs, 1,045 enrolled in public, two-year institutions; 506 enrolled in public four-year institutions; and 80 enrolled in public vocational/technical institutions. While 62 students enrolled in private four-year institutions, and 23 enrolled in private two year institutions, only 18 entered

proprietary schools. Last year the St. Louis EOC had students enrolled at 239 postsecondary institutions.

On behalf of all of my colleagues working in educational opportunity programs today, I would like to make four recommendations as you go about the process of attempting to simplify the financial aid application and awards process.

1. Forms Should Be Developed Which Are Targetted Toward Low and Middle Income Students. Every Attempt Should Be Made to Decrease the Sense of Intimidation Felt By Those Who Must Complete Them.

While it may be true that many of those presently involved in the student financial aid process are from families with significant resources, it is important to remember that the funds distributed in this process are targetted towards low and middle-income students. And this is appropriate. People from families in the bottom half of the income distribution in this country have less than a 10% chance of earning a baccalaureate by the time they are twenty-four.

EOC clients, if they were here before you, could better communicate the intimidation and confusion brought about in trying to complete a financial aid form. Our trained staff (who work with these forms day-in-and-day-out) find many of the forms and questions ambiguous, intimidating, and having no right or wrong answer. As a result, these forms create a real barrier to postsecondary education because they re-enforce the self-doubt

that many of our clients already feel about re-entering educational programs.

Forms should be as simple as possible. They should be able to be filled out in either pencil or pen. All forms should be printed in large type. Warnings regarding false and misleading information and the possibility of jail sentences should be placed at the end rather than at the beginning of the forms. The referrals to previous questions or previous directions that so delight lawyers and accountants should be eliminated. Forms should be pre-tested on individuals who have not graduated from high school.

2. Forms should contain an Automatic By Pass for the Lowest Income Students. Many of the questions on present forms are irrelevant for young people and adults from the lowest income families. Most in the higher education community favor an automatic by-pass for individuals in the lowest income categories so they do not have to struggle with irrelevant questions. Like the College Board, NCEOA favors including a by-pass after soliciting demographic information. The by-pass should be available to two groups: 1) persons who themselves qualify for or who are dependents of individuals qualifying for the earned income tax credit; and, 2) persons who are receiving or who are dependents of individuals receiving Aid to Families with Dependent Children. In both instances, individuals who utilize

the by-pass would qualify for maximum aid with no expected parental contribution.

The disagreement which does exist surrounding the by-pass appears to relate to the level of earnings under which an individual could utilize the by-pass. Attaching the by-pass feature to the earned income tax credit level is reasonable and offers a rationale easily understood by the public. If working families have earnings so low as to qualify for a tax credit, most would agree that they would have grave difficulty supporting their children's postsecondary education.

Including a by-pass will save countless hours of counselors' time in TRIO programs and in high schools enrolling large numbers of low-income youth. Even for clients who come into one of my Centers knowing their mother's AFDC allotment or with a copy of their families' 1040, a by-pass would save 15 or 20 minutes of a counselor's time. When you multiply that by 3,805 forms completed each year, that is considerable savings. But very typical is the student who does not bring in adequate income back-up and has no home phone. In those instances, the by-pass could well save an hour or more of counselors' time per student--time better spent in outreach and in encouraging individuals to pursue postsecondary education.

3) Reliance on Discretion in Determining Independent Student Status for Students Who Do Not Meet the Automatic Criteria.

Presently students 24 and over, wards of the court, students with

dependents other than a spouse, and veterans automatically qualify as independent students. However, those under twenty-four can only qualify as independent if they meet a series of conditional criteria. These conditional criteria -- particularly the necessity of establishing \$4,000 in income -- create very significant problems for young adults from the very lowest income families.

It is difficult for individuals who are operating in the mainstream of American life to understand the everyday experience of individuals in poor communities. For example, it may be hard for you to understand how an individual can actually be independent of his or her parents without being able to demonstrate income. A recent book that was highlighted in an April 23 New York Times editorial, There Are No Children Here by Alex Kolowitz gives graphic insight into that experience. It traces the experiences of two young boys growing up in a housing project in Chicago. One of the most striking things about their experience is how few people work at the type of jobs you and I think about when we think about work.

This is certainly true of the communities surrounding two of our centers -- in East St. Louis, Illinois and in Midtown St. Louis. In both communities, over 70% of the households are dependent on public assistance; unemployment is over 50%. The most motivated young men and women -- many of whom come to our centers for assistance -- try to limit the burden they place on

their parents, but if they work -- it is often sporadically and in the underground economy. Young men might frequently supplement what erratic income they have by depending on their girlfriends.

In many instances, even under current legislation, we are required to ask administrators to utilize their discretion to allow such a young person to claim independent status. We would recommend relying on aid administrator discretion to allow independent status in any case where the absolute criteria are not met.

4. Continue Efforts to Provide Free Financial Aid Processing from One Form to Establish Eligibility for all Federal, State and Institutional Aid. Mr. Ford, I am well aware that Congress believes that all students should be able to establish their eligibility at least for all federal student assistance by completing one free form. In Missouri and Illinois, where I work, this goal that has not been realized. Except in a few instances, students applying for private institutions are required to complete an FAF (administered by the College Scholarship Service); students applying for public colleges must complete the FFS (administered by American College Testing).

Multiple data entry has eliminated the need for separate applications for state and federal aid. However, in practice, very few institutions are prepared to utilize the free form for anything other than Pell funding.

Presently, a client who comes into one of our centers and wishes to apply to a local private university, the state land grant college, the public urban university, and a local community college must be able to pay \$89 in application fees for admissions applications and financial aid forms. We in NCEOA understand that the obstacles to a universally accepted free application were not created by Congress but we would ask that you again revisit this issue and take what steps are possible to promote universal acceptance of the free form.

5. Increased Authorizations for the TRIO Programs. We in the TRIO community are confident that your efforts will result in legislation which in turn results in forms that are easier to complete and less intimidating for low and middle-income families. To achieve this goal is critical. However, even if this step in the postsecondary admissions process is simplified, the process as a whole requires information that is not readily available and easily understood by families where the parents have not attended college.

The number of programs involved is not what complicates the situation. Rather it is the amount of money it takes to go to

college and the significant differences among institutions. The cost of attending, for example, even relatively low-cost institutions often exceeds the annual income of an entire family. The differences among institutions -- in terms of likelihood of earning a degree, availability of support services, prestige -- are usually not known to prospective applicants.

Individualized counseling such as that provided by EOC's and Talent Search programs assists low-income individuals in making more informed and intelligent decisions about their postsecondary programs. In turn, such counseling helps to ensure the integrity of the other federal student assistance programs by encouraging students to minimize their loan burden and to enter programs which they have a realistic opportunity to complete. TRIO is an integral part of even the most simplified aid delivery system.

Mr. Chairman, Members of the Subcommittee, I appreciate the opportunity to testify before you today and would be pleased to answer any questions you might have.

Chairman FORD. Regina Manley, facilitator, Citywide Guidance Program, Chicago, Illinois.

Ms. MANLEY. Thank you, Mr. Chairman. I am Regina Manley, President of the National Association of College Admission Counselors and Facilitator of Citywide Counseling Programs for the City of Chicago Public Schools.

I have served as a school counselor at the secondary school level and I can attest to the concerns and problems facing the 70,000 professional counselors who are working in the Nation's elementary, middle and secondary schools, and I am very pleased to be here to testify to the need to simplify the student financial aid process in order to allow counselors to better serve their students.

Program simplification has become the "theme song" for high school counselors across this country. Rural, suburban and urban families all experience some level of confusion and are often overwhelmed by the number of forms, the terminology contained on the forms, and the number of questions that they ask.

But, as difficult as it is, many parents struggle through the financial aid application process because they know that without some financial assistance from Federal, State or local governments, their children will not be able to attend college.

Let me first talk, however, about the daily frustrations faced by secondary school counselors.

First, the extremely high counselor-pupil ratios limit the counselors' ability to make guidance services accessible to students. The worst ratios exist in urban centers and rural regions where students most in need of counselor assistance are often the least likely to have those services available.

Underserved students, namely students of color and those from economically disadvantaged backgrounds, correspondingly are the most underrepresented populations in our institutions of higher education.

Consider, if you will, that some urban counselors are assigned 600, 700, or more students and that in some rural school districts a single counselor can be responsible for every student—kindergarten through grade 12—in that school district.

NACAC has gone on record in our Statement on Precollege Guidance and Counseling and the Role of the School Counselor, as recommending a counselor-pupil ratio of one one-hundredth as an ideal and one three-hundredth as a maximum. We must move toward these targets.

Second, the myriad of personal, social, emotional, and mental health issues presented by students detract from the counselors' primary purpose. That purpose, we believe, is helping all students to become more effective learners, to realize their full academic potential, and to navigate the various transitions in their schooling experience. This includes the high school to postsecondary education transition.

Next, the tools and resources available to counselors have been inadequate to assist these professionals in presenting the information that students need to explore a full range of educational and career options that will help them to make meaningful decisions about their futures.

Students and parents need accurate and accessible information about postsecondary education and other opportunities and this must include somewhat detailed information about financial aid sources, both governmental and non-governmental.

Improved and more accessible resources and tools, integrated into a proactive guidance information delivery system will aid counselors in responding to the information needs of students and families. For example, today's technology makes an on-line computer database on financial aid and postsecondary admission requirements a simple task to establish and maintain.

Existing programs administered by the U.S. Department of Education's Office of Educational Research Improvement and other entities have focused their research and demonstration efforts almost exclusively on teachers, librarians, and administrators, and on the classroom experience.

Virtually no attention has been focused on the guidance needs of students, the student-counselor relationship, or the school-to-college transition.

That brings me to the need to simplify the financial aid process. Our colleagues at the National Association of Student Financial Aid Administrators and The College Board have made several excellent suggestions along these lines.

For now, let me just highlight some things that would make life simpler for counselors, parents, and students while, at the same time, preserving the integrity of the process.

If a family is eligible for aid under programs such as Aid for Families with Dependent Children, or if they earn so little that they file either the 1040EZ form or no form at all, they should automatically be eligible for Pell Grants. Once this is established, they should answer minimal questions for the renewal of the grant.

Cut out many of the questions now asked on the Application for Federal Student Aid, AFSA. Many of these apply to only a small segment of the population and asking them complicates things for everyone. In this connection, financial aid administrators should have latitude to exercise discretion here and elsewhere.

Combine the congressional methodologies into one procedure.

Make the application form similar to the short income tax forms that are already familiar to people.

Simplify and clarify the language used on forms. For example, the Student Aid Report instructs the student to take the completed report to his/her "school." Most students bring it to the high school counselor when, in fact, it should go to the college financial aid office.

Set up a computer system similar to the one mentioned in H.R. 1524, the Student Counseling and Assistance Network bill, to bring financial aid and admissions information into the school, library, or home.

Finally, act to eliminate delays in the delivery of current forms and guides to schools, which often cause delays all the way down the line.

Every year, I receive many phone calls from counselors who do not have forms and instructions to disburse to students. In fact, boxes have arrived from the Department as much as 6 months late.

The only thing to do with them then is to toss them in the recycling bin.

In conclusion, Mr. Chairman, counselors want to do all that is possible to alert students and parents to the possibilities and advantages of postsecondary education. They want to work with them to keep options open throughout the middle and secondary school years. They want to help them through the financial aid process from beginning to end so that qualified applicants receive what is theirs under the law.

To do this will take not just a minor tune-up of the Higher Education Act but a major overhaul to the engine and the body. Simplifying the forms, the methodology, the application process, and the delivery of aid is a necessary component; as is the addition of new sections to train counselors, to use new computer technology, and to adequately publicize both the desirability of a postsecondary education and how to achieve it regardless of family income and resources.

We would like students and their families to devote their full intellectual energies to becoming more effective learners rather than using that energy trying to figure out how to complete and file the numerous and complicated Federal and State student assistance forms.

[The prepared statement of Regina Manley follows:]

**TESTIMONY OF
REGINA E. MANLEY
PRESIDENT**

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Before the Education and Labor Committee
Postsecondary Education Subcommittee

United States House of Representatives

May 14, 1991

REGINA E. MANLEY

Regina E. Manley, M.A., Facilitator of Postsecondary Guidance, Chicago Public Schools, is a native Chicagoan. She completed her early education in the Chicago Public Schools and earned a Bachelors Degree in Health and Physical Education, and a Masters Degree in Guidance and Counseling from Northeastern Illinois University.

Ms. Manley is the National President of the National Association of College Admission Counselors. She served as President of the Illinois Association of College Admission Counselors, and has been active in numerous professional and community organizations. She was the organizer and first President of the Secondary School Counselor Council of the Chicago Public Schools, served on the College Scholarship Service Division Governance Committee of the Mid-West Region of the College Board.

Currently, she serves on the advisory boards of the Illinois Math Science Academy; the University of Illinois at Chicago, Minority Engineering Program; the De Paul University, Counselor Articulation Board; and the Chicago State University, Graduate School of Counseling Education.

Ms. Manley is married to Harry L. Manley, former Building Commissioner of the City of Chicago. They have three daughters and a grandson.

Mr. Chairman, I am Regina Manley, President of the National Association of College Admission Counselors and Facilitator of Citywide Counseling Programs for the City of Chicago Public Schools.

I have served as a school counselor at the secondary school level and I can attest to the concerns and problems facing the 70,000 professional counselors who are working in the nation's elementary, middle, and secondary schools.

I am very pleased to be here to testify to the need to simplify the student financial aid process in order to allow counselors to better serve their students.

Program simplification has become the "theme song" for high school counselors across this country. Rural, suburban and urban families all experience some level of confusion and are often overwhelmed by the number of forms, the terminology contained on the forms, and the number of questions that they ask. But, as difficult as it is, many parents struggle through the financial aid application process because they know that without some financial assistance from federal, state, or local governments, their children will not be able to attend college.

Problems Faced by Counselors

Let me first talk, however, about the daily frustrations faced by secondary school counselors.

First, the extremely high counselor-pupil ratios limit the counselors' ability to make guidance services accessible to students. The worst ratios exist in urban centers and rural regions where students most in need of counselor assistance are often the least likely to have those services available. Underserved students, namely students of color

and those from economically disadvantaged backgrounds, correspondingly are the most underrepresented populations in our institutions of higher education.

Consider, if you will, that some urban counselors are assigned 600, 700, or more students and that in some rural school districts a single counselor can be responsible for every student--kindergarten through grade 12--in that school district.

NACAC has gone on record in our Statement on Precollege Guidance and Counseling and the Role of the School Counselor, as recommending a counselor-pupil ratio of 1/100 as an ideal and 1/300 as a maximum. We must move toward these targets.

Second, the myriad of personal, social, emotional, and mental health issues presented by students detract from the counselors' primary purpose. That purpose, we believe, is helping all students to become more effective learners, to realize their full academic potential, and to navigate the various transitions in their schooling experience. This includes the high school to postsecondary education transition.

School counseling initiatives must be more focused, and the counselor as "all things to all students" is a philosophy that we have to abandon. Many of the personal, social, and related issues must be shared with other school and community service providers, including psychologists, social workers, and related mental health specialists.

Next, the tools and resources available to counselors have been inadequate to assist these professionals in presenting the information that students need to explore a full range of educational and career options that will help them to make meaningful decisions about their futures. Students and parents need accurate and accessible information

about postsecondary education and other opportunities and this must include somewhat detailed information about financial aid sources, both governmental and non-governmental.

A necessary component of the information aspect of the counselors' role is that they must have the time and resources available to assist students in charting a challenging secondary school curriculum, one that will result in an academic record that will foster the greatest variety of options for education beyond high school. Improved and more accessible resources and tools, integrated into a proactive guidance information delivery system will aid counselors in responding to the information needs of students and families. For example, today's technology makes an on-line computer data base on financial aid and postsecondary admission requirements a simple task to establish and maintain.

Further, agencies of the federal and state governments generally have not provided adequate leadership in developing effective precollege and college admission counseling models and then, in disseminating information about exemplary programs to the counselors that work in our schools across the country.

Existing programs administered by the U.S. Department of Education's Office of Educational Research Improvement and other entities have focused their research and demonstration efforts almost exclusively on teachers, librarians, and administrators, and on the classroom experience. Virtually no attention has been focused on the guidance needs of students, the student-counselor relationship, or the school-to-college transition.

Finally, existing counselor training programs have failed to address the "setting-specific" needs of professional counselors. As a result,

the counselor is prepared with a broad base of knowledge and generic skills and is forced to learn many of the specific skills needed to assist students by "on-the-job" training. I might add that, sadly, this is often "hit-or-miss" training. NACAC has identified eight broad competencies and a number of specific competencies that school counselors must possess if they are to effectively serve students in preparation for a transition from secondary to postsecondary education. (A copy of that statement is an appendix to my testimony.) Specific staff development and/or inservice training programs should be created to ensure that the knowledge and competencies addressed in the NACAC document are possessed by all counselors serving in the guidance programs of the nation's schools.

The Need to Simplify

This brings me to the need to simplify the financial aid process. Our colleagues at the National Association of Student Financial Aid Administrators and The College Board have made several excellent suggestions along these lines, and we look forward to working with you and them as they make further modifications to their proposals. For now, let me just highlight some things that would make life simpler for counselors, parents, and students while, at the same time, preserving the integrity of the process.

1. If a family is eligible for aid under programs such as Aid for Families with Dependent Children, or if they earn so little that they file either the 1040EZ form or no form at all, they should automatically be eligible for Pell Grants. Once this is established, they should answer minimal questions for the renewal of the grant.

2. Cut out many of the questions now asked on the Application for Federal Student Aid (AFSA). Many of these apply to only a small segment of the population and asking them complicates things for everyone. In this connection, financial aid administrators should have latitude to exercise discretion here and elsewhere.

3. Combine the congressional methodologies into one procedure.

4. Make the application form similar to the short income tax forms that are already familiar to people.

5. Simplify and clarify the language used on forms. For example, the Student Aid Report instructs the student to take the completed report to his/her "school." Most students bring it to the high school counselor when, in fact, it should go to the college financial aid office.

6. Set up a computer system similar to the one mentioned in H.R. 1524, the Student Counseling and Assistance Network bill, to bring financial aid and admissions information into the school, library, or home.

7. When dealing with independent students, change the conditional guarantees so that income expectations are more realistically tied to regional standards or indexes and standardize the length of time during which students are expected to prove the income/resource levels for self-supporting status. Standardizing the calendar in this way should be a starting point for simplification.

8. Finally, act to eliminate delays in the delivery of current forms and guides to schools, which often cause delays all the way down the line. Many potential recipients eventually do not enroll because of this, and then set up a system to inform and train counselors about those simplified procedures.

Every year, I receive many phone calls from counselors who do not have forms and instructions to disburse to students. In fact, boxes have arrived from the department as much as six months late. The only thing to do with them then is to toss them in the recycling bin.

Conclusion

Mr. Chairman, counselors want to do all that is possible to alert students and parents to the possibilities and advantages of postsecondary education. They want to work with them to keep options open throughout the middle and secondary school years. They want to help them through the financial aid process from beginning to end so that qualified applicants receive what is theirs under the law.

To do this will take not just a minor tune-up of the Higher Education Act but a major overhaul to the engine and the body. Simplifying the forms, the methodology, the application process, and the delivery of aid is a necessary component; as is the addition of new sections to train counselors, to use new computer technology, and to adequately publicize both the desirability of a postsecondary education and how to achieve it, regardless of family income and resources.

We would like students and their families to devote their full intellectual energies to becoming more effective learners rather than using that energy trying to figure out how to complete and file the numerous and complicated federal and state student assistance forms.

NATIONAL ASSOCIATION OF COLLEGE ADMISSION COUNSELORS

STATEMENT ON PRECOLLEGE GUIDANCE AND COUNSELING AND THE ROLE OF THE SCHOOL COUNSELOR

Introduction

The National Association of College Admission Counselors (NACAC) has had a long standing interest in meeting the educational needs of all students and improving the quality of American education. We believe that education is an investment in the future, the future of each individual student, and society at large. A strong democracy requires an educated citizenry, and we believe it is incumbent upon this nation to educate each child to his/her potential for self-fulfillment, while insuring our strength as a people able to compete in the international community.

Assisting students in reaching their full potential requires the cooperative efforts of school administrators, teachers, community representatives, government officials, parents, and the students themselves, as well as a trained staff of school counselors who are able to facilitate student development and achievement. Of particular importance to student success is access to a strong precollege guidance and counseling program that begins early in the student's school career. Early planning (e.g., secondary school course selection and precollege enrichment programs) can insure that students pursue the most challenging curriculum that results in enhanced postsecondary educational options.

The vast array of postsecondary opportunities and the attendant requirements for access, coupled with rising college costs and the complexity of the financial aid system, call for a guidance support system to assist students and their parents. Critical to the success of such a support system is the strength of the articulation process between the school counselor and college admission personnel. When the role of each is understood by the other and when communication between them has been effective, counselors and admission personnel are in a position to help students and parents by providing accurate, up-to-date information which will assist them in making sound educational decisions.

Demographic surveys indicate that our student population is changing. Our schools are now enrolling larger numbers of students from diverse ethnic/racial backgrounds, and these students will constitute a majority of school-age populations in ten states by the year 2000. These students are less likely to come from families with role models who have experienced or had access to postsecondary opportunities and, as a result, there will be greater reliance on the school system to provide appropriate precollege guidance and counseling experiences.

In recent years, The College Board Commission on Precollege Guidance and Counseling, the NACAC sponsored National College Counseling Project, and the Carnegie Foundation for the Advancement of Teaching report on secondary education in America, have each called for the improvement and extension of precollege guidance and counseling programs that assist students as they consider and plan for a full range of postsecondary opportunities. Also recognizing the need for improved precollege counseling, the National Association of Secondary School Principals in 1990 adopted a resolution that:

encourages collaborative efforts by principals and school counselors to develop and implement precollege counseling initiatives within comprehensive school guidance programs

supports the continuing education of secondary school counselors, encourages the development of exemplary precollege guidance and counseling programs, and promotes school counselor articulation with college admission counselors

Clearly, it is time to translate these calls into reality. Toward that end, the National Association of College Admission Counselors presents the following guidelines for what we

believe constitutes an effective precollege guidance and counseling program and the role that counselors should play in implementing such a program at various educational levels.

Components of an Effective Precollege Guidance and Counseling Program

NACAC believes that precollege guidance and counseling represents a developmental process that must begin at the middle or junior high school level. Such a program takes into account that students have different needs at various educational levels and counselors must intervene as necessary with the delivery of services and activities appropriate to each level. We have observed that counselors have often been less involved with precollege guidance and counseling concerns because counseling time and energy have been directed toward a myriad of personal, social, and mental health concerns that could be more effectively addressed if shared with other school and community agencies.

As an effective guidance and counseling program should include the following components at all levels:

- A written statement of philosophy that is consistent with the school's overall philosophy.
- A written comprehensive plan of action that outlines student needs and sets forth goals and objectives for meeting those needs.
- An evaluation process that measures progress toward meeting stated goals and objectives.
- A focus on precollege guidance and counseling that enables students to prepare themselves academically for a wide range of educational and career opportunities.
- Differentiated staffing that includes a sufficient number of counselors with counseling loads that enable them to accomplish program goals and objectives, the provision of appropriate administrative and supervisory support, and support personnel adequate to meet program needs. First, precollege guidance and counseling should be known, understood, and implemented by all counselors. Further, we see benefit in identifying counselors who specialize in precollege guidance and counseling as distinct from other counselors who are concerned with a wider range of student needs.
- Effective communication with a variety of constituencies, including students, parents, all educators, and the larger community.
- Counselors and other educators committed to the principles of equal opportunity and affirmative action. This assumes the presence of positive attitudes that promote student development regardless of race, sex, or disability, and encourages the inclusion of role models among the staff who reflect these characteristics.
- A supportive instructional and administrative staff who work cooperatively with counselors to assist students in achieving educational goals consistent with their aptitudes,

abilities, and interests.

- An environment that recognizes each person's worth in a complex multicultural, changing society, one that supports and encourages each student to reach higher potential.
- Respect for student privacy and the need for confidentiality of records.
- Delivery of services according to ethical practices developed by NACAC and other similar education groups.
- Assurance to students and parents that counseling professionals have been properly trained to carry out the precollege guidance and counseling responsibilities. Further provisions should be made for release time and financial support for counselors to attend professional meetings, workshops, and other professional development activities where they can learn skills, exchange ideas, network with other professionals, and keep up-to-date on changes in the college admission and financial aid processes.
- Adequate facilities, resources, and equipment to accomplish the goals of the program.

Role of the School Counselor in Precollege Guidance and Counseling

An effective precollege guidance and counseling component in a school guidance program will insure that certain functions are performed by school counselors. These include:

Middle or Junior High School Level

The role of the counselor in precollege guidance and counseling at the middle or junior high school level is to:

- Implement the goals and objectives of the counseling program by serving students, parents, and staff.
- Assist students in the development of effective study skills and learning habits that promote academic excellence.
- Promote the development of student self-awareness including an understanding of their individual abilities, interests, values, and personal attitudes.
- Guide students in their awareness and planning of their secondary school curriculum, including the selection of a course of study that will enable them to maximize their educational and career options.
- Assist students and parents in understanding the techniques and strategies of educational exploration in the college admission process.
- Broaden student's horizons by introducing them to the variety of postsecondary educational opportunities available and the educational routes to each.
- Assist students and parents in understanding the role of testing in education and the individual interpretation of all standardized test results.

- Assist students in the development of career awareness, exploration, and life-planning skills.
- Assist parents in understanding the cost of postsecondary education, the need for financial planning, and the financial aid process.

Secondary School Level

The role of the counselor in precollege guidance and counseling at various stages of the secondary school level is, first, to continue all appropriate middle/junior high school functions to insure comprehensiveness and articulation and, in addition, to:

- Meet with students and parents regularly to review academic progress and select appropriate courses.
- Assist students in relating their abilities, aptitudes, and interests to current and future educational and occupational choices.
- Assist students in setting realistic goals, developing decision-making skills, and accepting responsibility for the decisions they make.
- Address special needs of underrepresented students, (e.g., minority students, women, students with disabilities, economically disadvantaged students, or other populations) by keeping up-to-date on programs and resources designed specifically for these students and insuring that the students are aware of them.
- Assist students and parents in understanding the college admission and financial aid processes by providing access to current, clear, and concise information concerning the wide range of postsecondary educational opportunities available, entrance requirements, financial aid, curricular offerings, costs, admission and financial aid deadlines, and the variety of early admission and early decision programs available.
- Assist students in the acquisition, evaluation, and appropriate use of information, including college guidebooks and catalogs, computer-based guidance systems, and college videos.
- Encourage student and parent participation in college fairs, programs, admission and financial aid workshops, and related programs.
- Assist students in selecting and registering for appropriate college admission tests, and in interpreting resulting test scores and their influence in the admission process.
- Assist students with developing a personal timeline or calendar for completing the tasks associated with the college admission process.
- Work with students and teachers in developing students' essay-writing skills.
- Encourage students to visit college campuses, if possible, to gain first-hand information from admission and financial aid representatives, observe classes, and interact with faculty and students.
- Assist students in developing appropriate interviewing skills and in understanding the purpose of the college admission interview and their role in the process.

• Encourage student participation in on-campus precollege enrichment programs.

• Develop productive relationships with colleges to assist them in understanding the nature of the school curriculum and the quality of their students' preparation.

• Develop and disseminate a school profile for use by colleges and universities.

• Work with college admission representatives to schedule visits to the school so that students will have opportunities to explore a variety of options.

• Advocate on behalf of students via letters of recommendation and personal communication with college representatives.

• Work with the school instructional staff in understanding their role in supporting students as they make important educational and career choices.

• Provide a supportive environment for students and parents and work to eliminate or reduce unnecessary anxiety too often associated with the college admission process.

• Assist students in dealing with difficult situations such as college admission and/or financial aid denials and in developing alternative strategies should this occur.

• Assist students and parents with preparation for the separation process that will occur in the school to college transition.

Counselor/Student Ratio

The National Association of College Admission Counselors believes that the implementation of a precollege guidance and counseling initiative must take into consideration factors such as concern for student growth and development needs, program scope, role of the counselor, and the number of support staff available. We acknowledge the published report *High School* by Ernest Boyer, with its recommended ideal counselor/student ratio of 1/100, and the position statement of the American School Counselor Association (ASCA) with its recommendation that the ratio be between 1/100 (ideal) and 1/300 (maximum). We agree with ASCA that the implementation of a guidance and counseling program should be determined primarily by concern for meeting students' developmental needs.

NACAC believes an effective precollege guidance and counseling process requires that adequate time and resources be available for counselors to work with students and parents individually and in group settings. To accomplish this and to enable counselors to work productively with other school and community representatives, we support a counselor/student ratio of 1/100 (ideal) or 1/300 (maximum).

For additional information and clarification, contact Dr. Frank Barnett, Executive Director, National Association of College Admission Counselors, Suite 430, 1800 Diagonal Road, Alexandria, VA, 22314, (703) 836-2222.

Approved by the Executive Board, June 1990.

About NACAC

Representing more than 5,000 counselors and institutions, NACAC brings together secondary school counselors, and college admission counselors and officers, well as other professionals who work directly with students as they make decisions and choices about college. Since its founding in 1937, NACAC has recognized that real choice in the college admission process requires information and communication. Our members believe in the dignity, worth, and the potential of all and work to develop counseling programs and services which eliminate bias on any grounds in the college admission and financial aid processes.

The Association's "Statement of Principles of Good Practice" provides the foundation for member activity. This Statement which is reviewed annually, outlines many aspects of each counselor's responsibility: to be aware of and concerned with issues and policies which have an impact on the lives of students as they make the transitions through school; promote open and informed decision making about admission and financial assistance; to be knowledgeable and effective counselors who are an integral part of providing successful transitions for the students they serve.

All of the programs and services of the NACAC are dedicated toward these objectives. We welcome the opportunity to work with individuals and organizations who share our common concerns. If our objectives are met, we will have taken a dramatic step toward expanding educational options for students in this nation.



National Association of College
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NATIONAL ASSOCIATION OF COLLEGE ADMISSION COUNSELORS

STATEMENT ON THE COUNSELING DIMENSION OF THE ADMISSION PROCESS AT THE COLLEGE/UNIVERSITY LEVEL

The National Association of College Admission Counselors has long been an advocate of the counseling dimension of the college admission process. The association was founded in 1937 to establish a code of ethics that would guide colleges and universities in their relationships with students and secondary school counselors and, concomitantly, to promote the interests of students over those of institutions.

As the door to higher education opened wider and greater numbers of students were encouraged to seek admission, there developed a need to help students understand the differences among the variety of institutions and the array of educational programs available to them. It also became necessary to determine the quality of students' secondary school preparation and to direct them to programs of study that would enable them to continue to grow both personally and academically.

Because of the increased diversity of the American system of postsecondary education, the need continues today for helpful guidance to assist students in making decisions to best meet their individual needs among the full range of postsecondary choices. In addition, the cost of higher education today and the heightened concern regarding families' ability to pay for it place a high demand on the need for accurate, timely financial aid and planning information. Such guidance and counseling must come from both the secondary school counselor and college admission counselor.

While the traditional college-going population remained stable in recent years and the predictions of dramatically declining numbers remained largely unrealized, we are now beginning to experience real demographic shifts in the population that may have a significant influence on college and university enrollment in the coming years. Increased recruitment efforts, the introduction of marketing concepts and the trend toward enrollment management have led to the perception, real or imagined, that recruitment and marketing

techniques are taking the place of counseling. It has been suggested that while encouraging the optimum fit between student and institution was once considered important, what counts most today is using any means possible to attract students to meet enrollment and economic targets.

NACAC stands firm in its position that counseling has been and continues to be an essential, if not the most essential, ingredient in the college admission process. The development of human resources and the assurance that each student will be helped to realize his/her educational potential can only strengthen and perpetuate the strong democracy we so proudly enjoy—the democracy that, in turn, encourages and supports our diverse educational system.

NACAC believes that precollege guidance and counseling is a developmental process that begins early in the educational experience and continues through secondary school and on into college. College admission counselors *must* work with school counselors at the juncture between secondary and postsecondary education and together they play a pivotal role in helping to ease students' transition from one level to the next. We also believe in the dignity and worth of every human being and in their right to develop to their full potential. Counseling individual students about postsecondary plans and during the school to college transition is a fundamental aspect of the admission process of institutions of higher learning.

The College Admission Counseling Initiative

The foundation for counseling students for college admission is the emphasis on meeting students' needs. This perspective

assumes the availability of individual and group counseling aimed at helping students understand their personal attitudes, abilities, interests, and values in relation to the offerings of a particular college or university. Appropriate counseling interventions can occur during college day/night programs, college fairs, interview sessions, campus tours, and student/parent information sessions on campus.

Institutions that promote a counseling perspective provide assurance that the admission staff includes trained professionals with appropriate counseling and related skills, and, there is a willingness to assume responsibility for all institutional personnel who may become involved in the process of counseling students for admission (e.g. alumni, coaches, faculty, and students on campus). Further, effective linkages with secondary schools, community agencies, other campus student services offices, and the college faculty are developed and lead to open communication, understanding, and cooperation. Such programs are also characterized by the following:

- A clearly defined institutional mission, including written goals and objectives of the admission program, and an evaluation component that seeks to understand what is being done and serves as a basis for major institutional decisions.

- Availability of clear, accurate information about the institution including admission requirements, educational programs, costs, and financial assistance that will enable students to reach sound decisions.

- Emphasis on equity and accessibility and a commitment to the needs of underrepresented students. This assumes the presence of positive attitudes that promote student development regardless of race, sex, or disability and support the inclusion of role models among the staff and faculty who reflect these characteristics.

- Delivery of services according to ethical practices developed by NACAC and other similar education groups.

- Referral of students to other institutions when it is determined that students' needs can be better met elsewhere.

- Emphasis on student retention, including the existence of adequate academic and other support services to ensure the success of admitted students.

- A supportive administration and campus environment that promotes student growth and development.

NACAC encourages all collegiate institutions to review their admission programs from this perspective. The entire process is predicated on the ability of professionals to relate to and respond to student needs. This is done in collaboration with other counselors and educators who share these beliefs and place the highest value on student development and the realization of student potential.

For additional information and clarification, contact Dr. Frank Burnett, Executive Director, National Association of College Admission Counselors, Suite 430, 1900 Diagonal Road, Alexandria, VA, 22314, (703) 836-2222

Approved by the Executive Board, October 1990.

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The association's "Statement of Principles of Good Practice" provides the foundation for member activity. This Statement, which is reviewed annually, outlines many aspects of each counselor's fundamental responsibility: to be aware of and concerned with issues and policies that have an impact on the lives of students as they make transitions through school; to promote open and informed decision making about admission and financial assistance; and to be knowledgeable and effective counselors who are an integral part of providing successful transitions for the students they serve.

All of the programs and services of NACAC are dedicated to these objectives. We welcome the opportunity to work with individuals and organizations who share our concerns. If our objectives are met, we will have taken a dramatic step toward expanding educational options for all students in this nation.



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Chairman FORD. Stan Koplik, Chairman, Advisory Committee on Student Financial Assistance, Washington, DC.

Mr. KOPLIK. Thank you, Mr. Chairman.

My name is Stanley Koplik and I am chairman of the Advisory Committee and Student Financial Assistance and Executive Director of the Kansas Board of Regents. I appreciate the opportunity to testify today on simplifying the delivery of Federal student aid.

The Advisory Committee has repeatedly studied the issues of complexity in Federal delivery, and finds several recurring dimensions. We find multiple need analysis models. We find unnecessary reapplication burdens imposed on students. We find overreporting and excessive fees, and we find ambiguity of information about Title IV programs.

Furthermore, we find that our simplification suggestions and proposals effecting 3.25, 3.25 million students would address some of these issues and have been delivered to the Congress on April 8th, and we think that we have forthrightly responded to the issues that you will hear today and which I will touch upon briefly. We have made a series of sweeping recommendations effecting reauthorization.

You have our report in your packet in this blue document. Today, however, I would like to concentrate on what the Advisory Committee believes is the most important issues of complexity and Federal delivery, an issue that is virtually ignored in other reauthorization proposals now before the Congress.

The issues is simply this: Free simplified Federal need analysis for low-income students, enacted by Congress in 1986 has yet to be adequately implemented 5 years later. I think it is extremely important for the subcommittee to understand during this reauthorization that Congress made great efforts in 1986 to simplify.

That the Education Department in recent years has done a credible job of trying to implement what Congress envisioned. But free and simple Federal need analysis is nevertheless still not available for the majority of the at-risk populations. The law, ladies and gentlemen, is very clear about the kind of simplified system Congress envisioned for low-income students and parents.

Two imperatives for Federal delivery were clearly established. One, no student or parent shall be charged a fee for determining need or eligibility for Title IV programs; and two, simplified Federal need analysis shall be available for all low-income families. The language is so clear in these two records that any assessment of complexity in the current delivery system must begin here.

Unfortunately, such an assessment yields some very troubling news. Surely Congress, in 1986, did not have in mind delivery system where less than one in five of the at-risk population eligible for simplified analysis could use it.

Nor did Congress expect that at-risk students would be completing overly complex forms designed for the wealthiest families and paying fees every time they apply for Title IV programs. But that is exactly what is happening today across the country.

Mr. Chairman and members of the subcommittee, the fact that simple, free Federal need analysis has yet to be adequately implemented is troubling to the Advisory Committee in part because the

approach Congress took in 1986 was indeed sound and somewhat promising.

Equally troubling now is the realization that further simplification for low-income and AFDC recipients, and extension of eligibility for the Simple Needs Test to many middle income families, proposals that have widespread support, are unlikely to prove effective.

Unless, of course, we take the steps necessary to encourage or require implementation of what has already been in the law since 1986. But the news is not all bad. Thousands of institutions and several States have, in fact, implemented free Federal need analysis for their students and are promoting simplified need analysis for those who qualify.

There is a definite friend in this direction, but progress has been slow. In some cases, additional State data requirements make it difficult for institutions to use free Federal need analysis. In some cases, institutions have additional data requirements for distribution of their own or campus based funds.

Fortunately, such requirements are changing as more and more institutions and States realize the advantage of free Federal processing and simplified need analysis for low-income students.

However, unlike additional data requirements which are being gradually phased out, there is a more important structural problem in the current system that is a barrier to implementation of free and simple Federal need analysis.

There are significant financial incentives in the current system for multiple data entry processors, MDE, as you know them, who charge fees to encourage the following kinds of events: Even the lowest income students are encouraged to forego their right to free simplified need analysis.

Needy middle income students are encouraged to forego their right to free analysis of the entire core of Federal data, and both groups, low income and middle income, are encouraged to supply unnecessary additional information for which a fee is required.

Mr. Chairman, the Advisory Committee has studied this issue very carefully. Free and simple Federal need analysis is working in thousands of institutions of all types, and in several States across the country. The issue here is not feasibility or equity.

In our view, it boils down to eliminating certain incentives and questionable practices that encourage students deliberately or otherwise, to report unnecessary information, especially those students that are simply reapplying as upperclassmen.

To illustrate the practical effect of the financial incentives that exist, let me note that just over one in 20 students eligible for simplified needs analysis in 1990, 1991, who file through MDE charging fees, used the simple needs test.

Further, let me state that the experience so far in 1991, 1992, suggests that the vast majority of low-income students filing through these MDE will continue to pay fees and fill out the entire form. This is clearly not what Congress had in mind. It is impossible to justify and should be among the highest priority items for attention during this reauthorization.

Finally, Mr. Chairman, let me note that the Advisory Committee's recommendations delivered on April 8th are quite different

from other proposals now before the Congress. Several aspects of these proposals, if adopted, will make matters, in our view, much worse and make the system more complex rather than simpler.

These included, and I offer these as causes to the committee: Suggestions to eliminate free Federal processing by MDE. Suggestions eliminating simplified need analysis. Suggestions adding complex routines or new data requirements.

Suggestions renaming components of need analysis that are finally now familiar to the financial aid community and to students and parents. Or suggestions reducing the number of MDE without remaining to deliver free Federal need analysis.

The Advisory Committee recommends that Congress reject such proposals because of their predictable impact. Greater complexity, which is certainly paradoxical to the reason we are assembled today.

Thank you, Mr. Chairman, for this opportunity to testify. I would be pleased to answer questions at the conclusion.

[The prepared statement of Stan Koplik follows:]

ADVISORY COMMITTEE ON STUDENT FINANCIAL ASSISTANCE

WRITTEN TESTIMONY BY

**STANLEY Z. KOPLIK, CHAIRMAN
ADVISORY COMMITTEE ON STUDENT FINANCIAL ASSISTANCE**

**BEFORE THE
HOUSE SUBCOMMITTEE ON POSTSECONDARY EDUCATION**

MAY 14, 1991

**2175 RAYBURN HOUSE OFFICE BUILDING
WASHINGTON, D.C.**

Good morning, Mr. Chairman and members of the Subcommittee. My name is Stanley Koplik and I am Chairman of the Advisory Committee on Student Financial Assistance and Executive Director of the Kansas Board of Regents. On behalf of the Advisory Committee members, I would like to thank your Subcommittee for the opportunity to present our recommendations on simplification as they affect reauthorization of the Higher Education Act. As you know, Congress created the Advisory Committee in the Higher Education Amendments of 1986 to make recommendations that will result in the maintenance of access to postsecondary education for low- and middle-income students.

At Congress's request our Committee delivered on April 8, its reauthorization recommendations in the form of an overview report, which is attached, and legislative language implementing each proposal.

Today, I am here to:

- o define the problem of complexity;
- o describe its most troublesome and important aspects;
- o identify proposals now before the Congress that would make matters worse;
- o outline the Advisory Committee's recommendations; and
- o offer a framework for evaluating alternative reauthorization proposals.

The Advisory Committee believes that, in spite of important changes legislated by the Congress in 1986, the entire delivery system has remained overly complex; and that this complexity frustrates and discourages both low- and middle-income students and parents.

Defining the Problem of Complexity

Let me use five examples to illustrate how students and parents--especially low-income, disadvantaged and minority populations--view the delivery system that we have placed in their paths.

First, the vast majority of our neediest college bound youth--those for whom our programs are in large part designed and those with the lowest income and virtually no assets--many of whom are on public assistance--are currently required to complete overly complex forms designed to assess the need of the wealthiest families in our country. It is our standard practice, also, to allow them to be charged a fee, basically to prove they are poor.

Second, if that weren't bad enough we currently assess the eligibility and need of our most disadvantaged youth and families under four separate need analysis models--even

though for the vast majority, the four results are virtually the same. That is, each of the models simply tells us what we should have already known--that these students and families are very poor.

Third, we not only do this the first time they apply for federal student aid, we make those already in school, struggling to persist, start from scratch each year with a blank form--even the millions for whom circumstances have not changed appreciably. And by the way, we charge most of them yet another fee every time they apply.

Fourth, for youth from families, who are but slightly better off, whose circumstances also bet for a streamlined form--and this includes many middle-income families--we routinely collect asset information even though our complex models have told us for years that their assets--primarily in the form of small amounts of home equity--are not readily available for postsecondary expenses nor do they meaningfully contribute to the families' ability to pay.

Fifth, and perhaps most important, for the population most at-risk--low-income, disadvantaged and minority students in middle school and early high school--the message we send about the programs we have designed with their future in mind, is complex, ambiguous and often plainly incorrect. Rather than speak to these students and families with a clear, unified, and simple message about their considerable drawing power on federal, state and institutional programs if they successfully complete a college preparatory curriculum in high school, we allow confusion and misinformation to prevail.

Mr. Chairman, these are not random anecdotes or far fetched examples designed to persuade you that our delivery system needs some fine tuning. These are regular events that literally define our delivery system in the eyes of student and parents across our nation. They happen in the majority of cases in virtually all states and on virtually all campuses. They serve no educational purpose and potentially undermine the effectiveness of our programs by discouraging students and families already beleaguered by the economic and social changes occurring in this decade. Fortunately, the worst aspects of federal delivery can be eliminated during this reauthorization. All we need do--motivated by our common interest in the educational well-being of our youth and our shared desire that they and their families make sound decisions--is use existing knowledge and technology to simply take the next logical steps in a process begun by the Congress in 1986.

The Most Important Aspect of Complexity

Mr. Chairman, the Advisory Committee's current and past members--college presidents, financial aid directors, educational association executives, bank officers, guaranty agency presidents, state higher education officials, and students--are convinced that the delivery system can be made much simpler and more effective. However, the Committee believes that we must proceed with some caution. We should be careful to build on

what is already in the law and avoid making changes that will in fact increase complexity.

The Advisory Committee has studied the issue of complexity in federal delivery for three years and, as I mentioned before, the issue has several dimensions:

- o multiple need analysis models;
- o unnecessary reapplication burden;
- o over reporting and excessive fees; and
- o ambiguity of information about Title IV Programs.

Our proposals to simplify the application and reapplication process for 3.25 million students, delivered to the Congress on April 8, deal with each of these issues.

I would like now, however, to concentrate on what the Advisory Committee believes is the most important issue of complexity in federal delivery--an issue that is virtually ignored in other reauthorization proposals now before the Congress. The issue is that free simplified federal need analysis for low-income students enacted by Congress in 1986 has yet to be adequately implemented five years later. I think it is extremely important for the Subcommittee to understand during this reauthorization that Congress made great efforts in 1986 to simplify, that ED in recent years has done a creditable job of trying to implement what Congress envisioned, but that free and simple federal need analysis is nevertheless still not available for the majority of the at-risk population.

Let me expand on these points further by saying that the law is very clear about the kind of simplified system Congress envisioned for low-income students and parents. Two imperatives for federal delivery were clearly established in the law:

- o that no student or parent shall be charged a fee for determining need or eligibility for Title IV Programs; and
- o that simplified federal need analysis shall be available for all low-income students and their families.

The language is so clear in these two regards that any assessment of complexity in the current delivery system must begin here.

Unfortunately such an assessment yields some bad news. Surely Congress in 1986 did not have in mind a delivery system where less than one in five of the at-risk population eligible for simple need analysis could use it. Nor did Congress expect that at-risk students would be completing overly complex forms designed for the wealthiest families and paying fees every time they apply for Title IV Programs. But that is exactly what is happening today across the country.

Mr. Chairman, the fact that free simple federal need analysis has yet to be adequately implemented is troubling to the Advisory Committee not only because the approach Congress took in 1986 was sound and promising. Equally troubling now is the realization that further simplification for low-income and AFDC recipients and extension of eligibility for the simple needs test to many middle-income families--proposals that have widespread support--are unlikely to prove effective. Unless of course we take the steps necessary to encourage or require implementation of what has been in the law since 1986.

But the news is not all bad. Thousands of institutions and several states have in fact implemented free federal need analysis for their students and are promoting simplified need analysis for those who qualify. There is a definite trend in this direction but progress has been slow. In some cases, additional state data requirements make it difficult for institutions to use free federal need analysis. In some cases, institutions have additional data requirements for distribution of their own funds. Fortunately, such requirements are changing as more and more institutions and states realize the advantages of free federal processing and simplified need analysis for low-income students.

However, unlike additional data requirements which are being gradually phased out, there is a more important structural problem in the current system that is a barrier to implementation of free and simple federal need analysis. There are significant financial incentives in the current system for multiple data entry processors (MDEs) who charge fees to encourage:

- o even the lowest-income students to forego their right to free simplified need analysis;
- o needy middle-income students to forego their right to free analysis of the entire core of federal data; and
- o both low- and middle-income students to supply unnecessary additional information for which a fee is required.

Mr. Chairman, the Advisory Committee has studied this issue carefully. Free and simple federal need analysis is working in thousands of institutions of all types and in several states across the country. The issue here is not feasibility or equity. It boils down to eliminating the incentives and questionable practices that encourage students to report unnecessary information--especially those that are simply reapplying as upperclassmen.

To illustrate the practical effect of the financial incentives that exist, let me note that just over one in twenty students qualified for simplified needs analysis in 1990-91 who filed through MDEs charging fees used the simple needs test! Further, let me state that the experience so far in 1991-92 suggests that the vast majority of low-income

students filing through these MDEs will continue to pay fees and fill out the entire form. This is clearly not what Congress had in mind in light of the long-standing unequivocal statutory requirements. It is impossible to justify and should be the highest priority for attention during this reauthorization.

Proposals that Make Matters Worse

Let me note that the Advisory Committee's recommendations delivered on April 8th are radically different from other proposals now before the Congress. Several of these proposals, if adopted, will make matters much worse - and make the system more complex rather than simpler. These include:

- o eliminating free federal processing by MDEs;
- o eliminating or limiting simplified need analysis;
- o adding complex routines or new data requirements;
- o creating confusion by renaming components of need analysis that are now familiar to the entire community; or
- o reducing the number of MDEs without requiring those remaining to deliver free federal need analysis.

The Advisory Committee recommends that Congress reject such proposals because of their predictable impact: greater complexity.

Advisory Committee Recommendations

Mr. Chairman, the Advisory Committee believes the Congress can significantly simplify and improve the delivery of federal student aid by taking the following actions:

- o First, and most important, fully implement the free simple federal need analysis intended by Congress by creating incentives or requirements of states and institutions to use it. Without this step, the Committee feels that little progress can be made toward simplification.
- o Further simplify requirements for students eligible for simplified need analysis; in particular, those who--
 - have family income below \$10,000 or
 - are AFDC recipients.

- o Integrate the Pell and Congressional Methodology models into one model with a simple needs test by using one of the formulas as a foundation.
- o Initiate a pilot project using (Stage Zero) electronic data exchange and develop other procedures for streamlining reapplication so that both low- and middle-income students already in our system and data base can reapply simply and quickly.
- o Extend eligibility for simplified need analysis to at least \$20,000, and perhaps further to \$30,000 AGI thereby eliminating the need for many middle-income families with only modest assets to report them.
- o Restructure federal information dissemination and outreach to simply and clearly communicate the amount of financial aid that at-risk students will qualify for if they finish college preparatory high school programs.
- o Redesign and expand federal training efforts so that every federal, state and institutional agent in the delivery system understands and can communicate our promise of assistance to needy families.

Mr. Chairman, members of the Subcommittee, the Advisory Committee is convinced that these changes are required to fully realize the goals of the federal student aid programs, especially equal access, by the year 2000.

A Concise Framework for Evaluating Proposals

I would like now to turn to an evaluation framework that the Advisory Committee believes is objective and can be used to evaluate and rank alternative need analysis and delivery system proposals. The criteria derive directly from the law, the Committee's assessment of what is required to meet program intent, and budget/redistributive considerations.

The seven questions that the Advisory Committee recommends be answered about each delivery system proposal are the following:

- o Will free federal processing be increased?
- o Will simplified federal processing be increased?
- o Will multiple need analysis models (results) be reduced?
- o Will complex routines, treatments, or terminology in current models be simplified or eliminated?

- o Will reapplication complexity and burden be reduced significantly?
- o Will the complex message to at-risk junior and high school students concerning their eligibility for federal student aid be simplified?
- o Will there be a likelihood of budgetary and redistributive effects?

The Advisory Committee has already begun evaluating proposals against these criteria and will make results available to the Secretary and the Congress when the evaluation is completed.

Thank you, Mr. Chairman, for this opportunity to testify. I would be glad to answer any questions you might have.

Chairman FORD. Now Natala Hart, Executive Director, State Student Assistance Commission, Indianapolis, Indiana.

Ms. HART. Chairman Ford, members of the subcommittee: My name is Natala Hart. I am Executive Director of the State Student Assistance Commission of Indiana and, on this occasion, here to represent the more than 3100 institutional members of National Association of Student Financial Aid Administrators, NASFAA.

We appreciate this opportunity to appear before you today to discuss an important component of NASFAA's reauthorization proposals, the simplification of Federal student aid delivery.

NASFAA has conducted a systematic review of its membership to determine the needs of students as we approach reauthorization of the Higher Education Act. Those have been afforded to you within the time required.

One of four themes determined to be essential was simplification of the student aid delivery process. NASFAA has created a cohesive, comprehensive approach to make the delivery system more understandable and accessible to students, while maintaining high values for all participants in the process.

The major focus for NASFAA's simplification arose from work begun even earlier on reforming the application process—that vehicle by which students begin to apply for student aid. The goals of the work were equity and access: assuring equitable distribution of funds among student applicants, and ease of entry into the process, so that the process itself did not present a barrier to higher education.

What resulted is a proposal which we believe is equitable and accessible—but also is more simple. The instrument has been titled "A Plan for Reform." The plan has several key features. We have a copy of the form that I will be directing myself to as part of the testimony and we also have a larger version up before you.

Behind the scenes, behind the form is integration of the two major methodologies to determine eligibility for aid into a single methodology. It combines both the elements of the Pell Grant analysis used today and the analysis used for the balance of Federal funds, the so-called Congressional Methodology.

Behind the scenes, also, as part of the plan for reform are our recommendations for consolidation of information by use of match with Federal databases to prevent those questions being asked of students when they are available in another data exchange that would make that easier for students and more accurate.

Within the form, itself, you will find significant revisions of the definition of independent status to assign responsibility to those paying for college to parents, and to students who are 24 years of age and older, Veterans, students who have no parents, and students who have children themselves.

This change greatly simplifies the questions asked of students and streamlines their access into which portion of the form they should complete. The form before you contains full automatic eligibility for students or their parents who receive Aid to Families with Dependent Children or other similar programs.

The process calls for those families only to answer the first ten questions on the form, to stop there, sign it, and receive full eligibility for Federal funds. The form also eliminates question of assets

for an additional cohort of students and parents who have low incomes and who file a 1040A or EZ.

Those families, for example, do not complete the asset block of questions that appear as items 24 through 28. Those are eliminated because they don't add a lot of value, but are sometimes confusing to families.

Critical to the process as we have designed it is ensuring that the financial aid professionals have a role in determining eligibility of students. When the administrator is empowered to talk with the student, to talk with colleagues on campus, and to use their own expertise, a great deal of additional information can be lifted from the form, and allow that professional to deal with the unique circumstances of that individual student, without having to burden every student applicant with a whole range of possibilities that might deal with that individual circumstance.

The plan also assumes that an additional mechanism will be developed for the circumstances of families with greater resources. We have called this resource analysis, and it would be used selectively by campuses when families have higher incomes, more assets, and multiple income sources.

It is proposed to be a vehicle to document professional judgment in the awarding of Federal aid, and for use with other institutional or non-Federal funds. NASFAA members feel that additional aspects of the student aid delivery system also warrants simplification, and belief that simplification can be achieved without the destruction of values and congressional intent inherent in the current system.

We feel that the Stafford loan, SLS and PLUS loan processes should be standardized to enhance clear identification of loan processes as separate from grants, so that students understand more fully through clear identification, this is an application for grants; this is an application for loans.

We believe that loan deferment should be streamlined to reduce instances of technical defaults. The student status confirmation report should be standardized to assist in accurate, regular reporting of student information.

In closing, let me reiterate that we believe that in the student aid process, values such as equity and access must be preserved. Wherever possible, within a structure supporting those values, simplicity should be achieved.

We believe the plan for reform model that evolved through involvement by financial aid administrators throughout the country does just that, and well, if implemented, improve students' ability to achieve their educational goals.

Again, thank you for inviting us to appear before you today. NASFAA looks forward to assisting you in these efforts and stands ready to provide assistance whenever you may need it.

Thank you.

[The prepared statement of Natalia Hart follows:]

STATEMENT OF
THE NATIONAL ASSOCIATION OF
STUDENT FINANCIAL AID ADMINISTRATORS

BEFORE
THE HOUSE SUBCOMMITTEE ON
POSTSECONDARY EDUCATION

PRESENTED BY
NATALA HART, EXECUTIVE DIRECTOR
STATE STUDENT ASSISTANCE COMMISSION OF INDIANA

MAY 14, 1991

Chairman Ford, Members of the Subcommittee: My name is Natalia Hart. I am Executive Director of the State Student Assistance Commission of Indiana and, on this occasion, here to represent the more than 3,100 institutional members of National Association of Student Financial Aid Administrators (NASFAA). We appreciate this opportunity to appear before you today to discuss an important component of NASFAA's reauthorization proposals, the simplification of federal student aid delivery.

NASFAA has conducted a systematic review of its membership to determine the needs of students as we approach reauthorization of the Higher Education Act. Hearings were held in our member regions and input was solicited through publications specifically targeted toward reauthorization. A specific Task Force was formed which spent the last two years identifying issues, submitting proposed solutions to the NASFAA membership, and concluding positions through the Board of Directors of the Association.

One of four themes determined to be essential was simplification of the student aid delivery process. NASFAA has created a cohesive, comprehensive approach to make the delivery system more understandable and accessible to students, while maintaining high values for all participants in the process.

The major focus for simplification arose from work begun even earlier on reforming the application process -- that vehicle by which students initially begin to apply for student aid. The goals of the work were equity and access: assuring equitable distribution of funds among student applicants, and ease of entry into the process, so that the process itself did not present a barrier to higher education.

What resulted is a process which we believe is equitable and accessible -- but also is more simple. The instrument has been titled "A Plan for Reform." The Plan has several key features:

- One method for determining eligibility for all types of federal funds, replacing the two existing methods, one for Pell Grants and the other for the balance of funds (the so-called "Congressional Methodology").

- Revision of the definition of independent status to assign responsibility for paying for college to parents, and to students, for those 24 years of age and older, veterans, and students who have no parents. This change greatly simplifies the questions asked of students and streamlines the process of determining eligibility.
- Automatic full eligibility for students or parents who receive Aid to Families with Dependent Children or other similar programs that clearly identify families as having full need for federal student aid.
- Consolidation of several information gathering processes into one form, backed by direct interfaces with other federal data bases so that those questions do not burden students in this process.
- Elimination of questions about assets for parents with low incomes who file a 1040A or 1040EZ or who do not file a tax return.

I have attached a copy of NASFAA's proposed application to my testimony for your reference. You have also received a copy of the 1991-92 Application for Federal Student Aid. These documents illustrate the effect of NASFAA's Plan on the application form, in terms of application length and data element reduction.

Critical to this process is the role that financial aid administrators will play in making student aid sensitive to the individual family. The ability of aid administrators to document and determine unique circumstances using their "professional judgment" is key. When the aid administrator can review additional information available on the campus, can access other professionals who also deal with the student, and can employ her or his experience in determining a family's circumstances, a great deal of information collection can be lifted from the application process while keeping the system fair and equitable for all students involved.

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The Plan also assumes that an additional mechanism will be developed for the circumstances of families with greater resources. This "Resource Analysis" will be used selectively when families have higher incomes, more assets, and multiple income sources. It is proposed to be a vehicle to document the basis for professional judgment in awarding federal aid and for use with institutional or other non-federal funds.

NASFAA members feel that additional aspects of the student aid delivery system also warrant simplification and believe that simplification can be achieved without destruction of values and congressional intent inherent in the current system:

- The Safford Loan, SLS, and PLUS loan processes should be standardized to enhance clear identification of the loan process (as contrasted with the grant process).
- Loan deferments should be streamlined to reduce instances of "technical" defaults.
- Student Status Confirmation Reports should be standardized to assist in accurate, regular reporting of student information.

In closing, let me reiterate that in the student aid process, values such as equity and access must be preserved. Wherever possible within a structure supporting those values, simplicity should be achieved. We believe the Plan for Reform model that evolved from thorough involvement by financial aid administrators throughout the country does all of that -- and will, if implemented, improve students' ability to achieve their educational goals.

Again, thank you for inviting us to appear before you to discuss this important topic. NASFAA looks forward to assisting you in these efforts and stands ready to provide you with any assistance you may need.

DRAFT FEDERAL FINANCIAL AID PROGRAM APPLICATION
(Be sure to read instructions first)

Section A: STUDENT INFORMATION

1. Your Sex	Male	Female	SD
2. Your permanent mailing address (Send mail to this address. See page 4 for more information.)	(Number and Street) (Include apartment number) City State ZIP		
3. Your Social Security Number	4. Are you a U.S. citizen? a. Yes, I am a U.S. citizen (See instructions on page 4.) b. No, but I am an eligible non-citizen. (See instructions on page 4.)	6. Will you have your first Bachelor's degree before July 1, 19XX Yes No	
4. Your Date of Birth Month Day Year	7. In the 19XX XX school year, check your year or earnings: a. For federal previously awarded college: b. Continuing Undergraduate (Undergraduate/Professional)		

Section B: ELIGIBILITY FACTORS (Complete questions 8 and 9 about you, the student.)

8. Student Eligibility Certification	Yes	No
a. Are you currently in default on any educational loan?	Yes	No
b. Do you currently owe a refund or a repayment on any education grant?	Yes	No
c. Have you ever been convicted of a drug felony?	Yes	No
9. Student Dependency Status (complete the following five items about you, the student.)	Yes	No
a. Will you be 24 years or older as of 7/1/XX?	Yes	No
b. Will you be a graduate/professional student when you first attend college during the 19XX XX school year?	Yes	No
c. Will you be supporting a legal dependent (other than a spouse) during the 19XX XX school year?	Yes	No
d. Are you a ward of the court or an orphan?	Yes	No
e. Are you a veteran of the U.S. Armed Forces? (See instructions before completing.)	Yes	No

* If you, the student, answered just one or more of questions 8a, 8b, 8c, 9a, 9b, 9c, 9d, or 9e, complete only Column A beginning with question 10. Do not complete Column B.
 * If you, the student, answered no to all of questions 8a, 8b, 8c, 9d, and 9e then you (the student) and your parent(s) must complete both columns A and B. You should begin with questions 10. Your parent(s) should begin with questions 10. (If your parent(s) cannot see how to live together, please read the statement on the definition of "parent" (page 1) before completing the rest of the form.)

	Column A Student (and Spouse)		Column B Parent(s)	
10. Are you currently receiving welfare, AFDC, or public assistance benefits (do not include food stamps or SSI)? If "yes" in other columns, GO to Section F. If "no," you must complete statement of form.	Yes	No	Yes	No
11. Number of family members in 19XX XX				
12. Number of family members (excluding parents) in college who are described in lines 1 and 2 on 19XX XX				
13. Current marital status (check only one item per column): a. unmarried (single, divorced, or widowed) b. married c. not defined	a b c		a b c	
14. Will you be eligible to receive financial educational benefits in 19XX XX? (Do not include spouse benefits.) If yes, how much will you receive per month?	Yes	No		
15. Did you receive reported social security in 19XX? If yes, how much was received in the 19XX year (12 months)?	Yes	No	\$	Yes
16. Did you receive child support in 19XX? If yes, how much was received in the 19XX year (12 months)?	Yes	No	\$	Yes
17. Did you receive any other unearned income, wages, or benefits in 19XX? (See instructions before completing.) If yes, how much was received in the 19XX year (12 months)?	Yes	No	\$	Yes
18. 19XX Adjusted Gross Income from IRS Form 1040 for XX, From 1040A for XX, from 1040E for XX, or see instructions			\$	\$
19. a. 19XX income earned from work by father b. 19XX income earned from work by mother	\$	\$	\$	\$



	Column A (Student and Spouse)		Column B (Parents)	
	\$	%	\$	%
20. 198X total number of exemptions from IRS Form 1040-1040-XX, Form 1040A-1040-XX, Form 1040EZ-1040-XX, or any combination				
21. 198X U.S. Income Tax paid from IRS Form 1040-1040-XX, Form 1040A-1040-XX, Form 1040EZ-1040-XX	\$		\$	
22. Total income (add items 15, 16, 17, and 18)	\$		\$	
23. Indicate which of the following is the correct statement concerning your own (and your spouse's) and your parents' (if applicable) tax filing status: a. A 198X federal tax return will be filed but it was not completed. b. A 198X federal tax return Form 1040 has been completed. c. A 198X federal tax return Form 1040A or Form 1040EZ has been completed. d. A 198X federal tax return will not be completed or filed. Compare with item 24.	a. _____ b. _____ c. _____ d. _____	a. _____ b. _____ c. _____ d. _____	If you checked item 23b or 23c above and the answer to item 22 is \$0.00 or less, skip to Section C. If you checked item 23d or 23e, compare with item 24.	
24. Total amount of cash, savings, and checking accounts	\$		\$	
25. Home-mortgage interest paid Home-mortgage interest owed on a table	\$ _____ \$ _____		\$ _____ \$ _____	
26. Dependent-mortgage interest paid Dependent-mortgage interest owed on a table	\$ _____ \$ _____		\$ _____ \$ _____	
27. Parent-mortgage interest paid Parent-mortgage interest owed on a table	\$ _____ \$ _____		\$ _____ \$ _____	
28. Other resources (if other is a worth table) Other resources (if other is a worth table)	\$ _____ \$ _____		\$ _____ \$ _____	

Section C: SPECIAL CIRCUMSTANCES

Use this section to identify yourself as having special circumstances such as a loss of income or benefits, or a change in family circumstances, for example, death, divorce, disability, or return to school with a substantial reduction in income. Please provide full details by writing directly to the financial aid office at each of the colleges to which you are applying.

29. Will you be providing information on special circumstances? Yes _____ No _____
 If yes, please provide full details by writing directly to the financial aid office at each of the colleges to which you are applying.

Section D: COLLEGE RELEASE AND CERTIFICATION

30. You may have the results of this form sent to three colleges as 198X-XX. List the names of the colleges you want results sent to.

 Name of College/Street Address/City/State/Zip

 Name of College/Street Address/City/State/Zip

 Name of College/Street Address/City/State/Zip

I, the undersigned applicant, certify that I will use any money I receive under the Title IV student financial aid programs only for expenses related to attendance at the college(s) I enroll in during the 198X-XX school year. All of the information on this form is true and correct to the best of my knowledge. If asked by an authorized official, I agree to give proof of the information that I have given on this form. I certify that this proof may include a copy of my U.S. tax, state, or local income tax returns. I certify that if I don't give proof within school, the student may not get aid.

I authorize the information given on this application form to be released to the fact three schools listed, to the Department of Education, and the appropriate state student assistance agency.

Student signature _____ Date _____ Student state of legal residence _____
 (Required)

Spouse signature _____ Date _____
 (Required if married)

Parent signature _____ Date _____ Parent state of legal residence _____
 (Required if parental information is included on this form.)

Chairman FORD. Paul Phillips, Director of Financial Aid, California State University, San Marcos, California.

Mr. PHILLIPS. I am Paul Phillips, Director of Financial Aid at California State University, San Marcos and a member of the College Scholarship Council's Committee. I have been a professional administrator for 18 years.

The College Scholarship Service or CSS is the financial division of College Board, and the CSS Assembly is an association within an association, 1900 postsecondary institutions, high schools, and agencies within the larger College Board membership that have a special interest in financial aid.

One of the principal challenges of reauthorization is to simplify the delivery of student aid while preserving equity and the distribution of dollars. Balancing these two goals, simplicity and equity is not easy, especially in a time of tight resources and growing needs.

An effective working partnership between all the parties involved in student aid delivery is essential, if simple equity is to be achieved. We have many ideas about how to approach simple equity, summarized in Appendix 1 of my written statement, and are gratified that much of today's testimony reflects common solutions to complex issues. I want to highlight seven of them today.

Number one, if you want to simplify things, start with the definition of independent student status, reshape it along the lines we recommend, and you can eliminate 11 questions on the form without adversely effecting equity.

Number two, permit the use of professional judgment rather than statutory special treatments to handle conditions and circumstances that effect comparatively few applicants, like displaced homemakers and dislocated workers. This would allow families with special problems to get special treatment without cluttering up the form for all aid applicants.

Number three, for several years, we have advocated an application bypass for low-income filers, in place of the Simple Needs Test, which really isn't very simple. Ask low-income applicants to provide only basic demographic data and let them skip all the more detailed questions about income and assets.

The point is, they don't have any. As we designed it, all public assistance recipients would qualify, so would parents whose total taxable income is less than the IRS earned income credit limit, whose incomes are in fact so low that they can file a 1040A or a 1040EZ if they have to file at all.

We would also recommend amending the law to accord maximum aid eligibility automatically to anybody who qualifies for the application bypass. This is clearly an idea whose time has come.

Number four, having two separate methodologies, one for Pell Grants and one for all the other Title IV programs, also complicates financial aid delivery. That is why we propose integrating the two. We have provided the rationale and the computational detail for such a merger in our legislative proposals and we would gladly assist to ensure that the proposed merger does not inadvertently distribute aid dollars.

Number five, let an institution pay a Pell Grant on the basis of an official result, whether that result is delivered directly by and

MDF processor, brought or mailed in by the student or transmitted by any other means that the Secretary might choose to designate. This would simplify the data flow and result in more timely delivery of award notifications and actual dollars to students.

Number six, improve the information and counseling available to students, especially low-income and underrepresented minority students. That would help simplify financial aid delivery considerably. More and earlier help is needed if we are to increase the rate at which the postsecondary students enroll in and succeed in higher education.

Our written testimony contain several ideas about how we would improve information and guidance for students and their families.

Number seven, reaffirm multiple data entry, MDE, because it is the poorest students who need access to the widest possible range of programs. To them, the last dollar is as important as the first, and they are also the ones most likely to be frustrated or discouraged by multiple forms. MDE is the living bottom of a simple principle that emerged from the chaos of the 1970s, that a student should be able to submit one application and be considered for aid from all sources.

Nothing is more simple than that, and nothing that fails that test can possibly be simple. The Department of Education has proposed to eliminate MDE along with the statutory requirement that it consult with the financial aid community about the shape and content of Federal forms and services.

If you want to see forms, methodologies and rules proliferated to the confusion and frustration of students and parents, then give the Department what it asks for. If on the other hand you want to lead all of the participants in student aid delivery towards simple equity, then the members of the College Board and the CSS Assembly stand ready to support you.

[The prepared statement of Paul Phillips follows:]

The College Board
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**Statement
to the
House Postsecondary Education Subcommittee
United States House of Representatives**

May 14, 1991

by

Paul Phillips

Director of Financial Aid

California State University, San Marcos

and

Member,

College Scholarship Service Council Committee

on Standards of Ability to Pay

On Behalf of

The College Board

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Mr. Chairman and Members of the Subcommittee:

I am Paul Phillips, the Director of Financial Aid at California State University, San Marcos. I am a member of the College Scholarship Service Council's Committee on Standards of Ability to Pay. I have been a professional aid administrator for 13 years.

On behalf of the 2,800 institutions, schools, and agencies that comprise the membership of the College Board, I am pleased to have the opportunity to participate in this and other discussions about the reauthorization of the Higher Education Act. The seven ideas I will discuss today are included in a package of legislative proposals described in more detail in Appendix I; proposed legislative language has already been submitted to your Subcommittee.

The College Board shares this Subcommittee's commitment to strengthening the Federal role in postsecondary education. The Federal investment in postsecondary access is a vital element in meeting national goals of equal educational opportunity, social justice, and global economic competitiveness.

Since 1900, the College Board, a nonprofit membership association, has actively promoted broader access to postsecondary education. Through its various programs, services, forums, and activities, the College Board seeks to facilitate students' transitions from one educational level and/or setting to another.

The College Scholarship Service was founded in 1954 by College Board member colleges that sought agreement on common practices and standards for awarding scholarships and other need-based aid. The goal of CSS is to foster equitable and efficient administration of aid programs, while making the delivery system as rational and manageable as possible for students and their families.

The College Scholarship Service Assembly is an association-within-an-association: 1,900 postsecondary institutions, high schools, and agencies within the larger College Board membership that have a special interest in, and concern about, financial aid.

CSS has long been in the forefront of efforts to promote partnership with government and other agencies in the improvement of the financial aid delivery system. CSS was a leader in convening the National Task Force on Student Aid Problems, chaired by Francis Keppel, the former United States Commissioner of Education, in the mid-1970s.

CSS was also the first to implement a "common form" with which students could apply for all types of assistance -- federal, state, institutional, and private. It was this concept that led directly to the creation of Multiple Data Entry (MDE), with its many benefits for the federal government, state agencies, postsecondary institutions, private scholarship programs, and, above all, students and their families. CSS is currently one of five approved MDE processors.

The Challenge of "Simple Equity"

One of the principal challenges of the upcoming reauthorization is to *simplify the delivery* of student aid while *preserving equity* in the distribution of dollars.

Balancing these two goals -- simplicity and equity -- is far from easy, especially in light of continuing changes in the student population, family structure, college costs, and the economy at large.

An effective working partnership between all the parties involved in the student aid delivery system is essential if "simple equity" is to be achieved. Simplification must be pursued simultaneously on many fronts, including form design, methodology, administration, and information and guidance. Now more than ever, America's families need the active commitment of all

partners -- the Congress, the Department of Education, the 50 states, postsecondary institutions, and private scholarship programs -- to make the delivery system work better on behalf of students.

Statute and regulation *must* be simplified before the forms or any other aspect of the delivery system can be simplified. Contrary to the conventional wisdom, the form itself is *not* what makes the process complicated. It's the *process* that complicates the form.

Appendix II to this testimony is the current Application for Federal Student Aid, or AFSA. The AFSA is the "common financial aid application" referenced in statute, and the "federal core" of all approved Multiple Data Entry (MDE) forms, such as CSS's Financial Aid Form (FAF).

The AFSA is as "simple" as forms can get under current statute and regulation, since it contains only federal elements, and none of the additional questions required by state scholarship and grant agencies, colleges, and private programs for the administration of their own funds and selection of recipients for certain federal programs. But even the AFSA is not simple.

CSS has drafted, for discussion purposes, an alternative AFSA [see Appendix III]. (While arrayed across four pages for ease of reading and review, the data elements on this draft could be comfortably compressed into two pages.) Its design does *not* reflect current statute and regulation. Rather,

it's an idea of how the "federal core" might look if statute and regulation were simplified along the lines of the College Board's reauthorization proposals.

Idea #1: Simplify the Definition of Dependency Status

In the current AFSA, fully 16 questions -- several of them quite complex -- are required to establish dependency status under the existing definition. Simplification could start right there, but *not* as a matter of form design. The definition of self-supporting student status itself has to be simplified.

The College Board's proposal for simplification is:

- **Preserve the current automatic criteria -- age 24 or older, veteran status, orphan or ward of the court, or dependents other than a spouse -- but change the date on which age 24 must be established from January 1 to July 1 to correspond with the awarding cycle.**
- **Permit graduate and professional students to establish independence automatically without reference to any other conditional criteria.**
- **Eliminate all conditional criteria.**
- **Allow aid administrators to exercise their professional judgment to classify as independent those students who do not meet any of the automatic criteria but who are genuinely self-supporting.**

What are the effects of this proposal? First, using that simplified definition, student dependency status can be determined by five simpler questions, as illustrated on the discussion draft in Appendix III – a savings of 11 data elements, with no adverse impact on equity.

Second, it introduces no new inequities into the system. The preponderance of applicants – nearly 85 percent – already establish their independence on the basis of automatic (rather than conditional) criteria, according to an analysis of a 10,000-case sample drawn from CSS's 1990-91 filing population:

Table 1. Impact of Independent Student Criteria

	% Filers Establishing Independence
Over age 24	76.6
Veterans	1.3
Orphan/ward of the court	1.3
Legal dependents	5.4
Undergraduate conditional criteria	8.7
Graduate/married conditional criteria	5.7
Professional judgment	1.0

That analysis further suggested that an estimated 10.5 percent of currently self-supporting students might become *dependent* on the basis of the proposed new definition, unless professional judgment were applied. In many such cases, professional judgment probably *would* be applied, provided that

sufficient evidence of self-support was available. The average age of these students was 21; their average Adjusted Gross Income (AGI) was about \$10,000; on average, they were in their third undergraduate year in college. (About 8 percent of them had provided parental income and asset information when they completed the 1990-91 need analysis form.)

In summary, the proposed definition would be simpler to understand *and* administer.

Idea #2: Handle Special Cases Through Professional Judgment

By eliminating elements from the statutory formulas that affect comparatively few applicants, both the need analysis methodology *and* the form would be simplified.

In the current Pell and Part F methodologies, many such special treatments exist: for dislocated workers, displaced homemakers, filers with excess medical/dental expenses, applicants whose parents pay private-school tuition for other children, etc. Because the special treatments exist in the methodologies, the AFSA -- and all other MDE forms -- must ask questions related to establishing eligibility for, and determining the amount of, the special treatments.

An analysis of CSS's 1990-91 filing population reveals that only 1.9 percent of dependent filers' parents state that they meet the criteria for dislocated-worker status, and only 2.5 percent claimed to fulfill the conditions for displaced-homemaker status. (The percentages of filers whose parents *actually* met the criteria is almost certainly lower, since some filers misunderstand the questions.) The percentages among self-supporting filers were even lower.

Only 11 percent of dependent filers' parents reported elementary/secondary school tuitions in excess of \$0. While many filers reported medical/dental expenses, the average amount of their *allowance* against income was only \$606, which has a negligible effect on the bottom-line contribution expected of them. (For about 15 percent of filers reporting such excess expenses, however, a substantial allowance of nearly \$3,200 was produced – demonstrating the continuing need to allow the exercise of professional judgment in assessing a family's ability to provide funds for education.)

Currently, even though these special treatments and associated questions are applicable to relatively small percentages of the filing population, *all* filers must answer them.

Such questions *do not* appear on the Appendix III draft, because the College Board's reauthorization proposals eliminate the special treatments in the methodology in favor of handling such special cases through the exercise of professional judgment under Section 479 of the Higher Education Act. In fact, we propose the addition of language to Section 479 specifically authorizing consideration for problem cases like these. We also believe that professional judgment should apply equally to the Pell, Stafford, and Campus-Based Programs.

Even without such language, however, most aid administrators would *want* to extend special treatment to a student whose father had just lost a job, or who was herself a displaced homemaker. But affording special consideration to some students does not require cluttering up the form for all students.

Idea #3: Streamline Applications for the Neediest

Ask any school counselor who has ever tried to explain it, any aid administrator who has tried to administer it, or any applicant who has ever tried to complete it: The "Simple Needs Test" on the current AFSA *is not* simple. Students have to complete several questions just to figure out whether they qualify!

The College Board strongly recommends that the Congress repeal the provision, and create instead an "application bypass" for very low-income filers. This is a concept that the College Board initially defined and advanced back in 1986. There are at least two categories of people who might qualify for the bypass:

- Recipients of public assistance who are the parents of dependent applicants, or who are themselves self-supporting aid applicants, and
- Dependent filers' *parents*, provided that they file an IRS 1040A or 1040EZ (or are not even required to pay taxes at all), *and* have total taxable income of less than the IRS earned income credit limit.

Such a bypass would permit certain filers to provide only basic demographic data on the application form, and skip the more complicated income and asset questions. Individuals who qualify for the application bypass would automatically be accorded maximum aid eligibility.

To assess the impact of this proposal, the College Board examined the distribution of parents' contributions in its 10,000-case sample for those dependent filers who would qualify. As Table 2 demonstrates, nearly 13 percent of its filing population would qualify, and 82 percent of them already demonstrate zero parents' contributions under current Part F need analysis.

Table 2. Distribution of Primary CM PC
for Dependent Bypass Qualifiers

PC (primary) \$	AFDC Recipients		Nonfilers- Wages < \$20001		1043A/EZ- AGI < \$20001		Total	
	N	%	N	%	N	%	N	%
0	40	.4	181	28.8	296	47.1	517	82.2
1 to 50	0	.0	2	.3	6	1.0	8	1.3
51 to 100	1	.2	7	.3	5	.8	8	1.3
101 to 150	0	.0	0	.0	7	1.1	7	1.1
151 to 200	0	.0	1	.2	5	.8	6	1.0
201 to 250	0	.0	1	.2	6	1.0	7	1.1
251 to 300	0	.0	0	.0	2	.3	2	.3
301 to 350	0	.0	1	.2	5	.8	6	1.0
351 to 400	0	.0	1	.2	2	.3	3	.5
401 to 450	0	.0	0	.0	6	1.0	6	1.0
451 to 500	0	.0	0	.0	6	1.0	6	1.0
501 to 750	0	.0	2	.3	10	1.6	12	1.9
751 to 1000	0	.0	0	.0	7	1.1	7	1.1
1001 to 1250	0	.0	0	.0	10	1.6	10	1.6
1251 to 1500	0	.0	0	.0	2	.3	2	.3
1501 & higher	4	.6	6	1.0	12	1.9	22	3.5
Total	45	7.2%	197	31.3%	387	61.5%	629	100%

(Note that Table 2 uses total taxable income of \$20,000, rather than the earned income credit limit, but the effects would be comparable.)

The College Board further recommends that the law be amended to authorize the Secretary to enter into agreements with institutions for the purpose of conducting pilot projects with alternative application mechanisms for low-income applicants.

The purpose of such projects would be to demonstrate or determine the feasibility and value of mechanisms for assessing need and eligibility that are *not* reliant on a completed "common financial aid application." Possible

innovations that might be explored under such an authority include alternative forms, computer software, and guided interviews.

In summary, a family on AFDC does not need to prove they are poor; they already demonstrated their need when they qualified for AFDC. And parents whose income is so low they are not even required to pay income taxes cannot reasonably be expected to contribute more than a pittance to their children's educational expenses. So why force them to answer questions that have no relevance to their financial condition?

Idea #4: Merge the Methodologies

Another factor that complicates not just the forms, but virtually every aspect of the need analysis and eligibility determination processes, is the existence of two separate methodologies -- one for Pell Grants and one for all the other Title IV programs.

Families and high school counselors find two sets of formulas confusing. Aid administrators find them burdensome. Policymakers and forms processors alike find them difficult to maintain, analyze, and update. The College Board proposes, therefore, the full integration of the Pell Grant and Part F need analysis methodologies into a single methodology.

The theory and computational detail associated with such an integrated methodology are described in depth in draft legislative language amending Parts B and F. In developing its proposal, the College Board tended more towards the current Part F need analysis methodology than the current Pell Grant methodology. The computations result in a "parent share" and a "student share," constructs analogous to the current "parents' contribution" and "student's contribution" (but renamed for ease of public understanding).

The proposal *does* take into account one very crucial difference between the current Pell and Part F methodologies. In order to preserve continuity in the awarding of Pell Grant dollars and the unique, quasi-entitlement character of the Pell Program, the College Board proposes an adjustment to the expected family share called the "Pell Eligibility Number."

The Pell Eligibility Number would be calculated as the last step in need analysis by subtracting the minimum student share from earnings from the expected family share. The intent of this unique adjustment is to ensure that dependent and self-supporting students who have no family share *beyond* their own contribution from earnings continue to receive maximum Pell Grant awards, as is the case at present. (Need and eligibility for all other Title IV funds currently requires a minimum student contribution from earnings.)

In the proposed new methodology, the Pell Eligibility Number would *not* be the result of a *separate* methodology, but rather, an *adjustment* to the methodology performed specifically for Pell purposes.

The College Board believes that a merger of the two existing methodologies is both feasible and appropriate. However, further research and analysis of a very high order will be required to ensure that it does not produce unintended redistributive effects or other dislocations. The College Board will gladly assist in such an effort.

Idea #5: Streamline Data Flow

There are other factors beyond form and methodology that complicate the delivery of aid unnecessarily, and which cannot be remedied by adjustments to definitions, data elements, and formulas. A prime example is the current requirement that an institution must wait until it has an applicant's Student Aid Report (SAR) in hand to pay a Pell Grant, even if it already has official results from a certified MDE processor.

One of the College Board's legislative proposals, therefore, is to permit an institution to pay a Pell Grant on the basis of an official result -- whether that result is delivered directly by a certified MDE processor, brought or mailed in by the applicant, or transmitted by any other means that the

Secretary might choose to designate. Such a change would substantially simplify the data flow, and result in a more timely delivery of award notifications and actual dollars to students.

Idea #6: Provide Better Information and Guidance

Insufficient information and guidance about the process also complicates student aid delivery. "Gaps in Parents' and Students' Knowledge of School Costs and Federal Aid," the GAO study commissioned last summer by Senator Edward M. Kennedy, reveals that many students and parents have sketchy information at best about either the reality of college costs or the possibility of financial aid.

Information about the availability of aid does not necessarily motivate students to pursue postsecondary education, but as the GAO report suggests, it can be "part of a chain of influences leading to completion of additional schooling." For students at the lowest income levels, such information is critical, for surely they will not and cannot enroll without it. Student aid dollars alone are not enough. More *and earlier* help is needed if we are to increase the rate at which the most disadvantaged students enroll in, and succeed at, higher education.

Concern about more, better, and earlier information and guidance underlie several of the College Board's reauthorization proposals, such as the creation of a new authority under the College Work-Study Program, paralleling the current Community Service Learning authority, that would encourage institutions of higher education to utilize eligible college students in early-outreach activities aimed at low-income junior high and high school students.

In recognition of the increasingly critical role of guidance counselors in facilitating students' transitions from one educational setting and/or level to another, the College Board also recommends the reauthorization for an additional four years of the "Congressional Teacher Scholarship Programs," and an expansion of eligibility to include individuals preparing for careers in school-based counseling.

A third recommendation calls for significantly increasing the authorization levels for the TRIO programs so that they will be able to serve more than the approximately 20 percent of the eligible population now covered.

The College Board also endorses H.R. 1524, the "Student Counseling and Assistance Network Act of 1991," introduced by Representative Tom Sawyer, as well as two proposals advanced by the American Council on

Education (ACE): one authorizing a new authority under the State Student Incentive Grant (SSIG) Program to provide matching grants to states for creating or expanding early intervention programs for at-risk students, and the other authorizing the Secretary to make contracts for an early awareness information program aimed at high school students and families.

Idea #7: Reaffirm MDE, the Key to Simplicity

The number and diversity of aid programs could mean -- and indeed, as recently as 1975, *did* mean -- that applicants for aid from multiple sources had to comply with a wide range of forms requirements, application procedures, and rules.

But for the last 15 years, there has been in place a mechanism that permits integration and coordination of diverse rules and processes without requiring applicants to complete many different forms -- Multiple Data Entry (MDE).

Multiple Data Entry is the living embodiment of a simple principle that emerged -- after long struggle -- from the National Task Force on Student Aid Problems in the 1970s. In this principle lies the very essence of simple equity: that a student should be able to submit *one* application and through it, be considered for *all* types of aid from *all* sources.

There are many other reasons to support Multiple Data Entry as well:

- MDE respects and reinforces the diversity of American postsecondary education. Over 5 million students at more than 7,000 institutions annually receive help from more than 10,000 programs - public and private, large and small, local, regional, and national. No one application form or process could possibly serve the diverse needs of so many students, institutions, and sponsors of aid. MDE enables diversity.
- MDE promotes program quality and integrity. By permitting aid administrators to obtain the data and supporting services they need, on the timetable they require, MDE helps them to be better stewards and more effective managers.
- MDE is cost-effective. MDE lets the federal government (and all aid sponsors, for that matter) take advantage of preexisting application systems.
- MDE improves the overall quality of financial aid services. Competition among processors improves the quality of service and fosters innovation.

We understand that the Department of Education recently proposed to eliminate MDE, and, further, to strike from law the requirement that it consult with the financial aid community about the shape and content of federal forms and services. The inevitable consequence of Federal abandonment of MDE would be the wholesale proliferation of forms, methodologies, deadlines, and rules.

To invite such an outcome seems inconceivable. Why would we voluntarily return to the chaos from which MDE rescued us? Why would we knowingly resurrect the *one* problem we've already effectively resolved?

If forms, methodologies, and rules proliferate -- and they *will*, if the Federal government walks away from the MDE partnership -- then students and families would suffer badly, not just because the system has become so complicated, but because more and more resources will be poured into duplicative application mechanisms and eligibility determination apparatuses, *instead of into aid dollars.*

That situation would be the antithesis of simplicity. Worse, it would produce gross inequities. It is, after all, the *poorest* students who have the greatest stake in maintaining easy access to multiple aid sources. For them, the last dollar is fully as important as the first.

Furthermore, it is often the poorest students who have the lowest tolerance for protracted, overlapping application procedures -- who are most likely to be frustrated or discouraged by multiple forms and iterative processes.

The Congress should *reaffirm* Multiple Data Entry, not dismantle it. However else one defines a simple delivery system, surely it is one that

permits a student to complete a *single* need analysis form and be considered for *all* types and sources of aid.

Nothing is more simple than that. And nothing that fails that test can possibly be simple.

Conclusion

Distributing finite dollars on the basis of relative financial need can be a complex undertaking. But even if there is complexity in the tough *policy* decisions that undergird the programs, that does not mean there has to be complexity in either the application process or in the administration of the programs.

By working together under the leadership of the Congress, all the partners to the delivery system can – and should – simplify many aspects of the system with which *students and their families* have to interact. The members of the CSS Assembly and the College Board stand ready to work with the Congress in that effort.

Simplicity, Equity, and Integrity: An Agenda for the Reauthorization

The College Board
April, 1991

The College Board's Reauthorization agenda was developed over the course of many months in consultation with its Board of Trustees, the Advisory Panel to the Washington Office, the College Scholarship Service (CSS) Council, the CSS Council Committee on Standards of Ability to Pay (CSAP), the financial aid divisions of the six Regional Assemblies of the College Board, and the Advisory Committee to the Office of Adult Learning Services. These ideas were submitted to the House Postsecondary Education Subcommittee and the Senate Subcommittee on Education, Arts, and Humanities in April, 1991.

Simplify application forms, need analysis methodology, and delivery

Distributing finite subsidy dollars on the basis of relative financial circumstances is a complex undertaking. But the complexity should lie in the policy that undergirds the programs, not in the application process or the practice of student aid administration. Simplifying aspects of the system with which students and families interact will promote greater public understanding of, and confidence in, the process.

- Integrate the Pell Grant and Part F (i.e., Congressional) methodologies into a single methodology. The maintenance of two separate methodologies complicates the assessment of need and eligibility. Families find the dual methodologies confusing; aid administrators find them burdensome; processors and policymakers alike find them difficult to maintain, analyze, and update.
- For Pell purposes, adjust the outcome of the new, integrated methodology by subtracting the amount of the minimum student share from earnings from the expected family share, producing a "Pell Eligibility Number."
- Permit institutions to pay a Pell Grant on the basis of an official Pell Eligibility Number, whether the result is delivered directly by a certified MDE processor, by the applicant, or by such other means as the Secretary might choose to designate. This change will simplify the data flow and result in more timely delivery of both award notifications and dollars.
- Use more understandable language throughout Title IV wherever possible, such as "family share" instead of "family contribution" (which carries an inaccurate connotation of being voluntary).
- Eliminate complicating data elements and treatments that affect comparatively few applicants, such as the special allowances for dislocated workers and displaced homemakers, medical/dental expenses, and elementary/secondary school tuition.
- Remove veterans' benefits from the Part F need analysis formulas and treat all such benefits consistently as a resource available to the applicant.
- Place greater reliance on the professional judgment of aid administrators to address such special circumstances as the foregoing.
- Repeal the Income Contingent Loan Program. The program has never garnered wide community or public support, and funds required to fund it in future years can be reallocated to better effect.

Streamline the delivery of aid to very low-income applicants

Their needs are great, their resources are extremely limited, and their interactions with the delivery system can and should be simplified.

- Repeat the complicated "Simple Needs Test," and instead permit certain filers to provide only basic demographic data on the application form and skip all income and asset questions. Qualifying for the bypass: recipients of public assistance who are the parents of dependent filers or are themselves independent filers; dependent filers' parents who do not file an IRS Form 1040 and whose total taxable income is less than the IRS earned income credit limit.
- Automatically accord all filers qualifying for the application bypass a zero parents' share (if they are the parents of dependent students) or a zero student's share (if they are self-supporting students). Dependent filers whose parents are public assistance recipients would also be permitted to skip student income and asset questions. Part F would assume a minimum student share from earnings.
- Authorize the Secretary to enter into agreements with institutions for the purpose of conducting projects designed to demonstrate or determine the feasibility and value of alternative mechanisms for assessing need and eligibility without recourse to a completed common application form. Possible innovations: alternative applications, computer software, guided interviews, early estimates.

Increase assistance to the neediest by restoring the purchasing power of Pell Grants

Rising college costs and a decade of inflation without any increase in the Pell maximums have reduced Pell Grant Program's support for the neediest students and eroded the purchasing power of the grants.

- Increase the maximum award to \$4,000 [\$2,500 for living expenses and up to \$1,500 for tuition, limited to 25 percent of tuition]. The effects of the proposal would be to increase support for the neediest students, provide more realistic living-expense budgets and greater tuition sensitivity, and reconop inflationary losses in the Pell Grant's purchasing power over the last decade. *(Note: This proposal is being advanced by the American Council on Education (ACE) on behalf of 12 higher education associations; the College Board endorses it in principle.)*

Simplify the definition of independent student status

The current definition is too complicated. Students can't understand it; aid administrators find it difficult to administer; the 16 questions currently required to fulfill it make the form look intimidating.

- Preserve the current automatic criteria (but change the date on which age 24 must be established January 1 to July 1 to correspond with the awarding cycle).
- Permit graduate and professional students to establish independence automatically without reference to any other conditional criteria.
- Eliminate all conditional criteria.
- Allow aid administrators to exercise their professional judgment to classify as independent those students who do not meet any of the automatic criteria but who are genuinely self-supporting.

Provide for greater sensitivity, equity, and currency in need analysis

Some aspects of the current methodology violate principles of horizontal and/or vertical equity, others fail to reflect current realities about family attitudes and expenditure patterns, still others are rapidly becoming ossified in law. We can do better.

- **Cap home value at three times income.** (The methodology would compute home equity using either the reported home value minus the mortgage or the total income times three minus the mortgage, whichever is lower.) Such a treatment would provide some relief to families whose home values in "boom markets" have far outstripped their true incomes, while maintaining equity between homeowners and renters.
- **Increase the minimum student share from earnings from \$700/\$900 to \$900/\$1100** (for dependent students) and from \$1200 to \$1500 (for self-supporting students), and tie this and subsequent derivations to the federal minimum wage. This provides an economic rationale for deriving and updating minimum contributions (which are now fixed in law).
- **Renname the Standard Maintenance Allowance (SMA) the "Income Protection Allowance (IPA),"** and compute its value on the basis of norms derived from the annually conducted Consumer Expenditure Survey (CES), rather than from the historical BLS budget standards inflated annually for changes in the CPI.
- **Create an Educational Savings Protection Allowance (ESPA),** to eliminate the perceived disincentives to saving in Part F need analysis by ensuring that a dependent student's expected family share is not disproportionately increased because the parents have chosen to save for college.
- **Exclude parents from the number-in-college adjustment,** but permit financial aid administrators to exercise professional judgment by accounting for their unreimbursed direct educational expenses as an allowance against income, provided that the parents are enrolled in degree or certificate programs. This is a more progressive treatment of families in varying economic circumstances whose parents are enrolled in postsecondary education than current practice.
- **Modify Part F need analysis to treat all independent students without children in a similar manner,** except that the assessment rate on income be set at a "flat" 7) percent (in order to correspond to the treatment proposed in NASFAA's Plan for Reform).
- **Provide for the annual updating of the asset conversion rate tables to Part F** by increasing values to reflect increases in the Bureau of Labor Statistics (BLS) Consumer Expenditure Survey. (The asset conversion tables have not been updated since prior to the last reauthorization, and are currently fixed in law.)
- **Establish a mechanism and a timetable for structuring annual review and updating of Part F formulas and tables.** The goal is to ensure the continuing vitality of the methodology. The Secretary will be directed to solicit advice from the educational community and the public, and present proposals to the Congress for consideration between reauthorizations.

Reinforce and reward program quality and integrity.

Access remains the touchstone of the Higher Education Act, but on behalf of students, we must ask: "Access to what?"

- Authorize the Secretary to establish objective performance standards for the administration of Title IV programs, in consultation with appropriate institutions and agencies. Provide also for systematic program reviews and both automatic and on-site recertification reviews. Require timely notification of the Secretary by accrediting agencies of action taken with respect to a particular institution. *(Note: The College Board endorses in principle this proposal from ACE.)*
- Authorize the Secretary to develop a program of regulatory relief, under which institutions that meet or exceed objective performance standards are eligible to apply for exemption from portions of Federal regulation. Examples of areas subject to possible waivers or modifications: requirements related to transferring funds between programs, reporting to the Federal government, audits and program reviews, collecting data from and/or reporting data to applicants and prospective applicants.
- Permit institutions eligible under Title III, Parts A and B, to use funds to institute such changes as may be required to meet objective performance standards established pursuant to enactment of the foregoing.

Support earlier guidance and outreach, especially to at-risk students.

Student aid dollars alone are not enough. More and earlier help is needed to increase the rate at which the most disadvantaged students enroll in and succeed at higher education.

- Encourage institutions of higher education to develop College Work-Study programs involving eligible students in early-outreach activities aimed at low-income junior high and high school students. (A new authority under College Work Study would parallel the current Community Service Learning provisions of CWS.)
- Reauthorize for an additional four years, expand eligibility to include individuals preparing for careers in school-based counseling, and rename the program the "Congressional Teacher and Counselor Scholarship Program." The broadened focus would recognize the increasingly critical role of guidance counselors in facilitating students' transition from one educational setting and/or level to another.
- As a condition of participation in Title IV programs, require postsecondary institutions to report on enrollments and institutional finances to the Integrated Postsecondary Education Data System (IPEDS), modified as appropriate to accommodate proprietary accounting practices.)
- Authorize a new authority under the State Supplemental Incentive Grant (SSIG) Program that provides matching grants to encourage states to create or expand early intervention programs for at-risk students. *(Note: The College Board endorses in principle this proposal from ACE.)*
- Expand the authorization of the TRIO programs beyond the approximately 20 percent of the eligible population now served.
- Authorize the Secretary to make contracts for an early awareness information program aimed at high school students and families. *(Note: The College Board endorses in principle this proposal from ACE.)*
- Enact provisions of H.R. 1524, the "Student Counseling and Assistance Network Act of 1991"

Application for Federal Student Aid

1991-92 School Year

APPENDIX
11

FREE
Don't send money

NOTICE

You can use the **FREE** "Application for Federal Student Aid" (AFSA) to apply for financial aid from **Federal student financial aid programs**. However, for most public and private aid programs you will have to fill out other forms. To find out more about which form you should use, contact your high school counselor, financial aid officer, or State scheduling agency. You'll find more information about Federal student aid programs on this page.

Be sure to read "Information on the Privacy Act and Use of Your Social Security Number" on page 12.

WARNING: You must fill out this form accurately. The information which you supply can be checked by your college or by the U.S. Department of Education.

You may be asked to provide U.S. income tax returns, the worksheets in this booklet and other information. If you can't or don't provide these records, you may not get Federal aid. If you get Federal student aid based on incorrect information, you will have to pay it back; you may also have to pay fines and fees. If you deliberately give **false or misleading information** on your application form, you may be fined \$10,000, receive a prison sentence, or both.

What Is This Application For?

You fill out the form in this booklet as the first step in applying for student financial aid offered by the U.S. Department of Education.

These Federal student financial aid programs can help you pay for most kinds of education after high school. The aid is available if you are attending a professional school, a vocational or technical school, or college. This application is for Federal student financial aid for the 1991-92 school year (July 1, 1991 - June 30, 1992).

The information on this page will answer some of your questions about these programs. However, for more information on Federal student financial aid, see "Additional Information On The Federal Student Financial Aid Programs" on page 10. The instructions in this booklet will tell you what information you have to provide on the form. If you have any questions after you have read the instructions, seek help. Talk to your high school counselor or the financial aid administrator at the school you want to attend.



OMB No. 1840-0110 uses the marks of the U.S. Department of Education Student Financial Assistance Programs.

Who Can Get Aid From These Federal Student Financial Aid Programs?

Eligibility Requirements	Post-Graduate	Stafford Loans	Department of Education Opportunity Grants (SEOG)	College Work Study (CWS)	Perkins Loans
Undergraduate	Yes	Yes	Yes	Yes	Yes
Graduate	No	Yes	No	Yes	Yes
All these conditions must be met	Yes*	Yes	Yes*	Yes*	Yes*
Must be a U.S. citizen or eligible non-citizen	Yes	Yes	Yes	Yes	Yes
Must be registered with the Selective Service (if required)	Yes	Yes	Yes	Yes	Yes
Must have financial need	Yes	Yes	Yes	Yes	Yes
Must attend a participating school	Yes	Yes	Yes	Yes	Yes
Must be working toward a degree or certificate	Yes	Yes**	Yes	Yes	Yes
Must be making satisfactory academic progress	Yes	Yes	Yes	Yes	Yes
Must not be in default on a Federal grant or educational loan	Yes	Yes	Yes	Yes	Yes
Having a bachelor's degree makes applicant ineligible	Yes	No	Yes	No	No
Carrier on or drug distribution or possession may make student ineligible	Yes	Yes	Yes	Yes	Yes

* In some cases, students going to school less than half time may be eligible. Check with your financial aid administrator.

** In some cases, students don't have to be in a degree or certificate program. Check with your financial aid administrator.

DEADLINE: May 1, 1992

We must receive your form by May 1, 1992. Schools may have earlier deadlines you will have to meet. You should apply as early as possible. Mailing in your form is only the first step in applying for Federal student aid.

- Other eligible noncitizen with a Departure Record (I-94) from the U.S. Immigration and Naturalization Service showing any one of the following designations: (a) "Refugee"; (b) "Asylum Granted"; (c) "Infinite Parole" and/or "Humanitarian Parole"; (d) "Cuban Migrant Entrant"
- Other eligible noncitizen with a Temporary Resident Card (I-686).

If you are a citizen of the Marshall Islands, Federated States of Micronesia, or Palau, see your financial aid administrator.

If you cannot check the first or second box, you must check the third box. If you are in the U.S. on only an F1 or F2 student visa, only a J1 or J2 exchange visitor visa, or only a G series visa (pertaining to international organizations), you must check the third box.

9. Check your year in college from July 1, 1991 to June 30, 1992
10. Check "No" if you do not have a Bachelor's degree and you will not have one by July 1, 1991

Check "Yes" if you already have a Bachelor's degree or will have one by July 1, 1991. Also, check "Yes" if you have or will have a degree from a university in another country that is equal to a Bachelor's degree.

Section B: Student Status

Answer question 11. A blank counts as "No."

11. a. Check the correct box. (See your answer to question 6.)
- b. Check "Yes" if you are a veteran of active service in the U.S. Army, Navy, Air Force, Marines or Coast Guard. Also check "Yes" if you are not a veteran now but will be one by June 30, 1992.

Check "No" if you are or were

- never in the U.S. Armed Forces
- only an ROTC student
- only a cadet or midshipman in one of the service academies
- only a National Guard or Reserves enlistee, or
- currently serving in the U.S. Armed Forces, and will continue to serve through June 30, 1992.

- c. Check "Yes" if (1) both your parents are dead and you don't have an adoptive parent or legal guardian, or (2) if you are currently a ward of the court. For a definition of a "Legal Guardian," see page 10. Otherwise check "No."
- d. Check "Yes" if you have any children who get more than half of their support from you. Also check "Yes" if other people live with you and get more than half of their support from you and will continue to get that support during the 1991-92 school year. (Don't include your spouse.) Otherwise check "No."

"Parents" in questions 12, 14a-14e, and 15 means your mother and/or father, or your adoptive parents, or legal guardian. "Parents" does not mean foster parents, and for this section, it does not mean stepparent. Later, the instructions will tell you if you should supply information about your stepparents.

Unmarried Undergraduate Students Only

12. If your parents claimed you as an exemption on their 1989 and/or will do so on their 1990 income tax return, you must answer "Yes." If your parents are divorced or separated, answer "Yes" if either of your parents claimed you as an income tax exemption in 1989 and/or will do so on their 1990 income tax return. Otherwise check "No."
13. Check the box that best describes when you first received Federal student aid, beginning with the 1987-88 school year (July 1, 1987 - Jun. 30, 1988). Check only one box: a, b, c, d, or e.

Federal student aid includes:

- Pell Grant,
- Stafford Loan/Guaranteed Student Loan (GSL), including Supplemental Loans for Students (SLS),
- Supplemental Educational Opportunity Grant (SEOG),
- College Work-Study (CWS),
- Perkins Loan/National Direct Student Loan (NDSL), or
- State Student Incentive Grant (SSIG). These grants often have other names such as Student Incentive Grants, Income Tax Grants, Tuition Grants, etc.

Below are some examples to help you answer question 13.

EXAMPLE #1 Buck Bundy received Federal student aid in the 1986-87 and 1987-88 school years. Therefore, Buck should check box "a." Even if Buck had received Federal student aid in the 1985-86 and 1987-88 school years, he should still check box "a," because the first school year (beginning with 1987-88) in which he received Federal student aid is 1987-88.

EXAMPLE #2 Jeff Akbar first received Federal student aid in the 1988-89 school year. Therefore, Jeff should check box "b."

EXAMPLE #3 Wu Lin first received Federal student aid in the 1989-90 school year. Therefore, Wu should check box "c."

EXAMPLE #4 Kate Murphy first received Federal student aid in the 1990-91 school year. Therefore, Kate should check box "d."

EXAMPLE #5 Vickie Tingley received Federal student aid in the 1986-87 school year and has not received Federal student aid since then. Therefore, Vickie should check box "e."

EXAMPLE #6 Joaquin Rodriguez has never received Federal student aid. Therefore, Joaquin should check box "e."

14a - 14e. When figuring your resources in questions 14a, 14b, 14c, 14d, or 14e be sure to include:

- wages, salaries, and tips, etc.
- interest income and dividend income,
- any student financial aid (except PLUS loans),
- personal long term cash loans used for educational purposes, and
- any other income and benefits (such as veterans cash benefits, fellowships, etc.)

Don't include any resources from your parents such as money that you earned from them or gifts that you received from them.

Married or Graduate/Professional Students Only

15. If your parents will claim you as an exemption on their 1991 income tax return, you must answer "Yes."

You must see your college financial aid administrator before completing the rest of this form if:

- you answered "No" to all of the questions in 11 but after answering questions 12 through 14, or 15 you were told to fill out the gray and the white areas, and
- you were not required to provide parental information in 1990-91 and
- you were claimed by any person, other than your spouse, as a tax exemption in 1990

Important Instructions for Sections C, D, E, F, G, and I

Parents' Information - gold areas

Read the descriptions below. Check the box that is true for you and follow the instructions.

- Your parents are both living and married to each other. Answer the questions on the rest of the form about them.
- You have a legal guardian. Answer the questions on the rest of the form about your "Legal Guardian." For a definition of "Legal Guardian" see page 10.
- Your parents have divorced or separated. Answer the questions on the rest of the form about the parent you lived with most in the last 12 months. For example, if you lived with your mother most, answer the questions about her, and not about your father. If you did not live with one parent more than with the other in the last 12 months, answer in terms of the parent who provided the most financial support during that time. If neither parent provided greater financial support during the last 12 months, answer in terms of the parent who provided the greater support during the most recent calendar year. (Support includes money, gifts, loans, housing, food, clothes, car, medical and dental care, payment of college costs, etc.)
- Your parent is widowed or single. Answer the questions on the rest of the form about that parent.

If you have a stepparent. If the parent that you counted above has married or remarried, you must include information about your stepparent (even if they were not married in 1990).

If you are giving information about your stepparent, note that whenever we say "parents" on the rest of the form, we also mean your stepparent.

Section C: Household Information

Your parents' household information - gold area

16. Show the current marital status of the people that you give information about on this form. For example, if you give information about your mother and stepfather, check the box that says "married," because your mother and stepfather are married.
17. Write in the two-letter abbreviation for your parents' current State/Country of legal residence. See the list of State/Country abbreviations under the instructions for question 2.
18. Write in the number of people that your parents will support between July 1, 1991 and June 30, 1992. Include your parents and yourself. Include your parents' other children if they get more than half of their support from your parents.

Also include them if they would be required to provide parental information when applying for Federal student aid for the 1991-92 school year. Include other people only if they now live with and get more than half of their support from your parents and will continue to get this support between July 1, 1991 and June 30, 1992. (Support includes money, gifts, loans, housing, food, clothes, car, medical and dental care, payment of college costs, etc.)

19. Write in the number of people from question 18, including yourself, who will be going to college between July 1, 1991 and June 30, 1992. Include only students enrolling for at least 6 credit hours per term. If the school uses clock hours, include only students attending at least 12 clock hours per week.

Your (and your spouse's) household information - gray area

Fill out this section with information about yourself (and your spouse). If you are divorced, separated, or widowed, don't include information about your spouse.

20. Write in the number of people that you will support between July 1, 1991 and June 30, 1992. Include yourself and your spouse. Include your children if they get more than half of their support from you. Include other people only if they meet the following criteria:
- they now live with you, and
 - they now get more than half of their support from you and they will continue to get this support between July 1, 1991 and June 30, 1992.
21. Write in the number of people from question 20, including yourself, who will be going to college between July 1, 1991 and June 30, 1992. Include only students enrolling for at least 6 credit hours per term. If the school uses clock hours, include only students attending at least 12 clock hours per week.

Section D: Your parents' 1990 income, earnings, and benefits

If the instructions tell you to skip a question, leave it blank. If your answer to any other question is "none" or "zero," put a zero in the answer space. Don't leave it blank or use dashes. For example

\$ 0.00

If your parents filed (or will file) a "Foreign Tax Return" or a Puerto Rican tax return, see page 10.

22. 1990 U.S. Income tax figures

From a completed return. Check only one box to indicate which IRS Form was filed. Use this tax return to answer questions 23 through 28.

Estimated. Check the correct box if your parents have not yet filed but will file a 1990 U.S. income tax return. Use their financial records to answer questions 23 through 28. For these questions, you must write in the figures that will be on the tax return. Filing out a 1990 U.S. income tax return will help you answer these questions.

A tax return will not be filed. Check this box if your parents will not file a 1990 U.S. income tax return. Don't answer questions 23 through 25. Skip to question 26.

If you are giving information for only one parent and that parent filed (or will file) a joint tax return for 1990, give only that parent's portion of the exemptions and income asked for in questions 23 through 25.

If your parents are married and they filed (or will file) separate tax returns for 1990, be sure to include both parent's exemptions and income in questions 23 through 25.

23. Total number of exemptions for 1990. Write in the number from Form 1040, line 6e or 1040A, line 6e. If your parent used the 1040EZ and he or she checked "Yes" in question 4 of that form, write in "00." Otherwise, write in "01."

Important: See the table below for some of the types of student financial aid that you should exclude from income and taxes in questions 24 through 28.

Student Financial Aid	Exclude if based on need	Exclude if not based on need
Grants, Scholarships or Fellowships	Yes	Yes
Earnings from a work program (including Assistantships)	Yes	No
Loans	Yes	Yes

24. Adjusted Gross Income (AGI) for 1990. Don't include any income or capital gains from the sale of a business or farm. If the sale resulted from a voluntary or involuntary foreclosure, forfeiture, or bankruptcy or involuntary liquidation.

Use worksheet #1 on page 11 to answer question 24 if you cannot get a 1990 tax form, but will be filing one.

25. U.S. income tax paid for 1990. Make sure this amount doesn't include any FICA, self-employment, or other taxes. Don't copy the amount of "Federal income tax withheld" from a W-2 Form.

26. Income earned from work in 1990

27. If you skipped questions 23 through 25, include your parents' earnings from work in 1990. Add up the earnings from your parents' W-2 forms and any other earnings from work that are not included on the W-2.

If you answered questions 23 through 25, include the "wages, salaries, tips, etc." from your parents' Form 1040, line 7; 1040A, line 7; or 1040EZ, line 1. If your parents filed a joint return, report your father's and mother's earnings separately. If your parents own a business or farm, also add in the numbers from Form 1040, lines 12 and 19.

28. Untaxed income and benefits for 1990.

29. Social security benefits for 1990. Write in the amount of untaxed social security benefits (including Supplemental Security Income) that your parents got in 1990. Don't include any benefits reported in question 24. Don't report monthly amounts; write in the total for 1990. Be sure to include the amounts that your parents got for you and their other children.

29a. Aid to Families with Dependent Children (AFDC or ADC) for 1990. Don't report monthly amounts; write in the total for 1990. Don't report social security benefits.

29b. Child support received for all children. Include the student. Don't report monthly amounts; write in the total for 1990.

29c. Other untaxed income and benefits for 1990. Add up your parents' untaxed income and benefits for 1990. Use worksheet #2 on page 11. Be sure to include your parent's earned income credit and deductible IRA/Keogh payments, if any.

Everyone must answer the questions in the Student (& Spouse) column in Section D.

Section D: Your (& your spouse's) 1990 income, earnings and benefits

If the instructions tell you to skip a question, leave it blank. If your answer to any other question is "none" or "zero," put a zero in the answer space. Don't leave it blank or use dashes. For example,

\$ 0.00

If you (or your spouse) filed (or will file) a "Foreign Tax Return" or a Puerto Rican tax return, see page 10.

22. 1990 U.S. income tax figures

From a completed return. Check only one box to indicate which IRS Form was filed. Use this tax return to answer questions 23 through 28.

Estimated. Check the correct box if you (and your spouse) haven't yet filed but will file a 1990 U.S. income tax return. Use your financial records to answer questions 23 through 28. For these questions, you must write in the figures that will be on the tax return. Filing out a 1990 U.S. income tax return will help you answer these questions.

A tax return will not be filed. Check this box if you (and your spouse) will not file a 1990 U.S. income tax return. Don't answer questions 23 through 25. Skip to question 26.

If you are divorced, separated, or widowed and you filed (or will file) a joint tax return for 1990, give only your portion of the exemptions and income asked for in questions 23 through 28.

If you are married and you and your spouse filed (or will file) separate tax returns for 1990, be sure to include both your and your spouse's exemptions and income in questions 23 through 28, even if you were not married in 1990.

23. Total number of exemptions for 1990. Write in the number from Form 1040, line 6e or 1040A, line 6e. If you used the 1040EZ and you checked "Yes" in question 4 of that form, write in "00." Otherwise write in "01."

Important: See the table (on the next page) for some of the types of student financial aid that you should exclude from income and taxes in questions 24 through 28.



Application for Federal Student Aid

1991-92 School Year

FORM APPROVED
CASE NO. 1989-0170
APR 8 1991
U.S. Department of Education
Federal Financial
Assistance Programs

WARNING: If you purposely give false or misleading information on this form, you may be fined \$10,000, sent to prison, or both.

"You" and "your" on this form always mean the student who wants aid



Section A: Yourself

1. Your name
Last: _____ First: _____ MI: _____

2. Your permanent mailing address (Mail will be sent to this address. See page 2 for State-Country abbreviation.)
Number and Street (include Apt. No.): _____
City: _____ State: _____ ZIP Code: _____

3. Your title (optional)
 Mr. Miss, Ms. or Mrs.

4. Your State of legal residence
State: _____

5. Your social security number
_____-_____-_____-_____-_____-_____-

6. Your date of birth
Month: _____ Day: _____ Year: _____

7. Are you a U.S. citizen?
 Yes I am a U.S. citizen
 No, but I am an eligible noncitizen (See the instructions on page 2.)
A: _____
 No, neither of the above (See the instructions on page 2.)

8. As of today, are you married?
(Check only one box.)
 I am not married (I am single, divorced, or widowed).
 I am married.
 I am separated from my spouse.

9. What year will you be in college in 1991-92?
(Check only one box.)
 1st (never previously attended college)
 1st (previously attended college)
 2nd 3rd 4th
 5th or more undergraduate
 First year graduate/professional (beyond a bachelor's degree)
 Continuing graduate or professional

10. Will you have your first Bachelor's degree before July 1, 1991?
 Yes No

Section B: Student Status

11. a. Were you born before January 1, 1967? Yes No
 b. Are you a veteran of the U.S. Armed Forces? Yes No
 c. Are you a ward of the court or are both your parents dead? Yes No
 d. Do you have legal dependents (other than a spouse) that fit the definition in the instructions on page 3? Yes No

If you answered "Yes" to any part of question 11, go to Section C and fill out the GRAY and the WHITE areas on the rest of the form (Skip questions 12 through 15).
 If you answered "No" to every part of question 11 and you are:
 • Unmarried (not single, divorced, separated, or widowed) and will be an undergraduate student in 1991-92, answer question 12. (Skip question 15).
 • Married now or will be a graduate/professional student in 1991-92, answer question 15. (Skip questions 12 through 14e.)

Unmarried Undergraduate Students Only

12. Did your parents claim you as an income tax exemption?
 Yes No
 In 1989?
 In 1990?
 If you answered "Yes" to either year in question 12, go to Section C and fill out the GOLD and the WHITE areas on the rest of the form. (Skip questions 13 through 15).
 If you answered "No" to both years in question 12, answer question 13 below.

13. Beginning with the 1987-88 school year, you first received Federal student aid. (Check only one box: a, b, c, d, or e. See instructions on page 3.)
 a. In the 1987-88 school year. (Answer 14a below. Skip 14b, 14c, 14d, and 14e.)
 b. In the 1988-89 school year. (Answer 14b below. Skip 14a, 14c, 14d, and 14e.)
 c. In the 1989-90 school year. (Answer 14c below. Skip 14a, 14b, 14d, and 14e.)
 d. In the 1990-91 school year. (Answer 14d below. Skip 14a, 14b, 14c, and 14e.)
 e. In neither a, b, c, or d. (Answer 14e below. Skip 14a, 14b, 14c, and 14d.)

14a. Did you have total resources of \$4,000 or more, not including parents' support?
 Yes No
 In 1989?
 In 1990?

14b. Did you have total resources of \$4,000 or more, not including parents' support?
 Yes No
 In 1987?
 In 1988?

14c. Did you have total resources of \$4,000 or more, not including parents' support?
 Yes No
 In 1987?
 In 1988?

14d. Did you have total resources of \$4,000 or more, not including parents' support?
 Yes No
 In 1989?
 In 1990?

14e. Did you have total resources of \$4,000 or more, not including parents' support?
 Yes No
 In 1987?
 In 1988?

• If you answered "No" to either year in question 14a, 14b, 14c, 14d, or 14e, go to Section C and fill out the GOLD and the WHITE areas on the rest of the form.
 • If you answered "Yes" to both years in question 14a, 14b, 14c, 14d, or 14e, go to Section C and fill out the GRAY and the WHITE areas on the rest of the form.

Married or Graduate/Professional Students Only

15. Will your parents claim you as an income tax exemption in 1991?
 Yes No

 If you answered "Yes" to question 15, go to Section C and fill out the GOLD and the WHITE areas on the rest of the form.
 If you answered "No" in question 15, go to Section C and fill out the GRAY and the WHITE areas on the rest of the form.

ED FORM 235

Section C: Household Information

PARENTS

16. What is your parents' current marital status?

single separated
 married divorced
 widowed

17. What is your parents' State of legal residence?

 State

18. Number of family members in 1991-92 _____
 (Always include yourself (the student) and your parents. Include your parents' other children and other people only if they meet the definition in the instructions on page 4.)

19. Number of college students in 1991-92 _____
 (Of the number in 18, write in the number of family members who will be in college at least half-time. Include yourself—the applicant.)

STUDENT (& SPOUSE)

20. Number of family members in 1991-92 _____
 (Always include yourself and your spouse. Include your children and other people only if they meet the definition in the instructions on page 4.)

21. Number of college students in 1991-92 _____
 (Of the number in 20, write in the number of family members who will be in college at least half-time. Include yourself.)

Section D: 1990 income, earnings, and benefits

(You must see the instructions for income and taxes that you should exclude from questions 24 through 28.)

22. The following 1990 U.S. income tax figures are from

PARENTS
 (Check only one box.)

- a completed 1990 IRS Form 1040EZ or 1040A (Go to 23)
- a completed 1990 IRS Form 1040 (Go to 23)
- an estimated 1990 IRS Form 1040EZ or 1040A (Go to 23)
- an estimated 1990 IRS Form 1040 (Go to 23)
- a tax return will not be filed (Skip to 26)

Everyone must fill out the Student (& Spouse) column below.

STUDENT (& SPOUSE)
 (Check only one box.)

- a completed 1990 IRS Form 1040EZ or 1040A (Go to 23)
- a completed 1990 IRS Form 1040 (Go to 23)
- an estimated 1990 IRS Form 1040EZ or 1040A (Go to 23)
- an estimated 1990 IRS Form 1040 (Go to 23)
- a tax return will not be filed (Skip to 26)

TAX FILERS ONLY

23. 1990 total number of exemptions (Form 1040 line 6e, or 1040A line 6e, or 1040EZ line 6; see instructions on page 5) _____

24. 1990 Adjusted Gross Income (AGI) (Form 1040 line 31, 1040A line 16, or 1040EZ line 3, or see instructions on pages 5 and 6) \$ _____ 00

25. 1990 U.S. income tax paid (Form 1040 line 47, 1040A line 25, or 1040EZ line 11) \$ _____ 00

26. 1990 income earned from work: Father \$ _____ 00

27. 1990 income earned from work: Mother \$ _____ 00

28. 1990 untaxed income and benefits (yearly totals only)

28a. Social security benefits \$ _____ 00

28b. Aid to Families with Dependent Children (AFDC or ADC) \$ _____ 00

28c. Child support received for all children \$ _____ 00

28d. Other untaxed income and benefits from worksheet #2 on page 11 \$ _____ 00

TAX FILERS ONLY

23. _____

24. \$ _____ 00

25. \$ _____ 00

Student 26. \$ _____ 00

Spouse 27. \$ _____ 00

28a. \$ _____ 00

28b. \$ _____ 00

28c. \$ _____ 00

28d. \$ _____ 00

4 1

Section E: College Release and Certification

29. What college(s) do you plan to go to in 1991-92?

College Name	Street Address	City	State
29a.			
29b.			
29c.			

30. Do you give the U.S. Department of Education permission to send information from this form to:

30a. The financial aid agencies in your State?

- Yes
 No

30b. The college(s) you named in 29 (or its representative)?

- Yes
 No

31. Check this box if you give Selective Service permission to register you. (See instructions on page 6.)

Dept. of Ed Use Only
(Do not write in this box.)

--	--	--	--	--	--	--	--	--	--

32. Read and sign

Certification: All of the information on this form and the Supplemental Information page, if completed, is true and complete to the best of my knowledge. If asked by a authorized official, I agree to give proof of the information that I have given on this form and the Supplemental Information page, if completed. I realize that this proof may include a copy of my U.S., State, or local income tax return. I also realize that if I do not give proof when asked, the student may be denied aid.

Everyone giving information on this form must sign below. If you don't sign this form, it will be returned unprocessed.

- Student
- Student's spouse
- Father
- Mother

Date completed: Month Day Year 1991 1992

ATTENTION

If you are filling out the GOLD and WHITE areas, you will need to refer to Section D to complete worksheet #3A below. The worksheet will tell you whether you must fill out the Supplemental Information (Sections F through I).

If you are filling out the GRAY and WHITE areas, you will need to refer to Section D to complete worksheet #3B below. The worksheet will tell you whether you must fill out the Supplemental Information (Sections F through I).

WORKSHEET #3A FOR THE SIMPLIFIED NEEDS TEST

1. Did or will you, your spouse, or your parents file a 1990 IRS Form 1040? (Does not include 1040A or 1040EZ.)

- Yes (Fill out Sections F through I)
 No (Fill out the rest of the worksheet.)

Check "Yes" if a foreign or Puerto Rican tax return was or will be filed.

	PARENTS COLUMN A	STUDENT/SPOUSE COLUMN B
Income from:		
2a. Question 24	\$ _____ 00	\$ _____ 00
OR		
2b. Questions 26 and 27 (Use only if you left Question 24 blank)	\$ _____ 00	\$ _____ 00
3. Write in the total of column A and column B entries from Question 2	\$ _____ 00	

If the total from 3 is \$15,000 or less, mail the form. You do not have to fill out the Supplemental Information (unless you, your spouse or at least one of your parents is a disabled worker or your school or State asks you to). Mail the form to: Federal Student Aid Programs, P.O. Box 6300, Princeton, NJ 08541.

If the total from 3 is \$15,001 or more, you must fill out Sections F through I.

WORKSHEET #3B FOR THE SIMPLIFIED NEEDS TEST

1. Did or will you (or your spouse) file a 1990 IRS Form 1040? (Does not include 1040A or 1040EZ.)

- Yes (Fill out Sections F through I)
 No (Fill out the rest of the worksheet.)

Check "Yes" if a foreign or Puerto Rican tax return was or will be filed.

	STUDENT/SPOUSE
Income from:	
2a. Question 24	\$ _____ 00
OR	
2b. Questions 26 and 27 (Use only if you left Question 24 blank)	\$ _____ 00

If the answer from either Question 2a or 2b is \$15,000 or less, mail the form. You do not have to fill out the Supplemental Information (unless you are, or your spouse is a disabled worker or your school or State asks you to). Mail the form to: Federal Student Aid Programs, P.O. Box 6300, Princeton, NJ 08541.

If the answer from either Question 2a or 2b is \$15,001 or more, you must fill out Sections F through I.

SUPPLEMENTAL INFORMATION

Section F: 1990 expenses

	PARENTS	STUDENT (& SPOUSE)
32. 1990 medical and dental expenses not paid by insurance	\$ _____ 00	23. \$ _____ 00
34. 1990 elementary, junior high, and high school tuition for dependent children	\$ _____ 00	34a. \$ _____ 00
34a. Amount paid. (Don't include tuition paid for the applicant.)	\$ _____ 00	
34b. For how many dependent children	<input type="checkbox"/>	34b. <input type="checkbox"/>

Section G: Asset Information

	PARENTS	STUDENT (& SPOUSE)
35. Is either of your parents a displaced homemaker? (See the instructions on page 7.)	<input type="checkbox"/> Yes <input type="checkbox"/> No	25. Are you or is your spouse a displaced homemaker? (See the instructions on page 8.) <input type="checkbox"/> Yes <input type="checkbox"/> No
36. Write in the age of your older parent	____	36. XXXXXXXXX
	What is it worth today? What is owed on it?	What is it worth today? What is owed on it?
37. Cash, savings, and checking accounts	\$ _____ 00 XXXXXXXX (XX)	37. \$ _____ 00 XXXXXXXXX
38. Home (Renters write in 0)	\$ _____ 00 \$ _____ 00	38. \$ _____ 00 \$ _____ 00
39. Other real estate and investments	\$ _____ 00 \$ _____ 00	39. \$ _____ 00 \$ _____ 00
40. Business and farm	\$ _____ 00 \$ _____ 00	40. \$ _____ 00 \$ _____ 00
41. Does any part of item 40 include a farm?	<input type="checkbox"/> Yes <input type="checkbox"/> No	41. <input type="checkbox"/> Yes <input type="checkbox"/> No

Section H: Your veterans educational benefits per month (for the student only)

(If you are completing this page, you must answer question 42. If you are filling out the GRAY and the WHITE areas, you must also answer question 43.)

		Expected Amount July 1, 1991 through June 30, 1992	
42. Your veterans (Dependent Educational Assistance Program) benefits	42a. Amount per month	\$ _____ 00	a month
	42b. Number of months	____	months
43. Your Veterans Contributory Benefits (VEAB)	43a. Amount per month	\$ _____ 00	a month
	43b. Number of months	____	months

Section I: Expected 1991 taxable and nontaxable income and benefits

(You must see the instructions for income and taxes that you should exclude from questions 45 through 49.)

If you are completing this page, you must fill out the student (& spouse) column below.

	PARENTS	STUDENT (& SPOUSE)
44. Is either of your parents certified as a dislocated worker by the appropriate agency? (See the instructions on page 9.)	<input type="checkbox"/> Yes (Fill out the rest of this column, and go to the student and spouse column, question 44.) <input type="checkbox"/> No (Skip this column and go to the student and spouse column, question 44.)	44. Are you or is your spouse certified as a dislocated worker by the appropriate agency? (See the instructions on page 9.) <input type="checkbox"/> Yes (Fill out the rest of this column.) <input type="checkbox"/> No (Skip this column and fill in the form.)
45. 1991 income earned from work - Father	\$ _____ 00	Student 45. \$ _____ 00
46. 1991 income earned from work - Mother	\$ _____ 00	Spouse 46. \$ _____ 00
47. 1991 other taxable income	\$ _____ 00	47. \$ _____ 00
48. 1991 U.S. income tax to be paid	\$ _____ 00	48. \$ _____ 00
49. 1991 nontaxable income and benefits (See instructions on page 9.)	\$ _____ 00	49. \$ _____ 00



You have finished the application. Recheck your application. **MAKE SURE THAT YOU HAVE COMPLETED SECTION E.**
 Mail the application to: Federal Student Aid Programs, P.O. Box 6900, Princeton, NJ 08541

Student Financial Aid	Exclude if based on need	Exclude if not based on need
Grants, Scholarships or Fellowships	Yes	Yes
Earnings from a work program including Apprenticeships	Yes	No
Loans	Yes	Yes

24. **Adjusted Gross Income (AGI) for 1990.** Don't include any income or capital gains from the sale of a business or farm, if the sale resulted from a voluntary or involuntary foreclosure, forfeiture, or bankruptcy or involuntary liquidation.

Use worksheet #1 on page 11 to answer question 24 if you cannot get a 1990 tax form, but will be filing one.

25. **U.S. income tax paid for 1990.** Make sure this amount doesn't include any FICA, self-employment or other taxes. Don't copy the amount of "Federal income tax withheld" from a W-2 Form.

26. **Income earned from work in 1990.**

27. If you skipped questions 23 through 25, include your (and your spouse's) earnings from work in 1990. Add up the earnings from your (and/or your spouse's) W-2 forms and any other earnings from work that are not included on the W-2.

If you answered questions 23 through 25, include the "wages, salaries, tips, etc." from your (and your spouse's) Form 1040, line 7, 1040A, line 7, or 1040E2, line 1. If you (and your spouse) filed a joint return, report your (and your spouse's) earnings separately. If you (and/or your spouse) own a business or farm, also add in the numbers from Form 1040, lines 12 and 18.

28. **Unearned income and benefits for 1990.**

Don't include benefits reported in questions 28a, 28b, 28c, and 28d of the parent column.

- 28a. **Social security benefits for 1990.** Write in the amount of untaxed social security benefits (including Supplemental Security Income) that you (and your spouse) got in 1990. Don't include any benefits reported in question 24. Don't report monthly amounts; write in the total for 1990. Be sure to include the amounts that you got for your children.

- 28b. **Aid to Families with Dependent Children (AFDC or ADC) for 1990.** Don't report monthly amounts; write in the total for 1990. Don't report social security benefits.

- 28c. **Child support received for all children.** Don't report monthly amounts; write in the total for 1990.

- 28d. **Other untaxed income and benefits for 1990.** Add up your (and your spouse's) untaxed income and benefits for 1990. Use worksheet #2 on page 11. Be sure to include your (and your spouse's) earned income credit and deductible IRA/Keogh payments, if any.

Section E: College Release and Certification

29. Write in the complete name, city, and State of the college(s) that you will most likely be going to during the 1991-92 school year. In 29a, write in the name and address of your first college choice. In 29b, write in the name and address

of your second college choice. In 29c, write in the name and address of your third college choice. Do not use abbreviations for the name or address of the college. If the college you may be going to is a branch campus, be sure to include the complete name of the branch. If you don't know yet which college(s) you are most interested in, you may leave this question blank.

30. We are permitted by regulation to provide your name, address, social security number, date of birth, Pell Grant Index (PGI), Family Contribution (FC), student status, year in college, and State of legal residence to the college(s) that you listed in question 29a, 29b, and 29c (or its representative), even if you check "No" to question 30b. This information will also go to the State agencies in your State of legal residence to help coordinate State financial aid programs with Federal student aid programs, even if you check "No" to question 30a. However, no additional information such as income information will be sent if you check "No" to question 30a or 30b.

- 30a. Check "Yes" if you give us permission to send information from this form to the financial aid agencies in your State. Some State agencies ask for this information. They may use it to help decide whether you will get a State award and to check to see if you reported correct information on your State student aid application. Also, they may use it to help in the processing of your application for a Stafford Loan, if you are eligible.

Check "No" if you don't want us to send information from this form to the financial aid agencies in your State. If you check "No," any State aid you might be eligible for may be delayed, but it will have no effect on your Federal aid.

- 30b. Check "Yes" if you give us permission to send information from this form to the college(s) that you listed in question 29a, 29b, and 29c (or its representative). Many colleges use this information to help estimate the amount of your financial aid package.

Check "No" if you don't want us to send information from this form to the college(s) that you listed in question 29a, 29b, and 29c (or its representative).

31. **Selective Service Registration**

In order to receive Federal student aid, you must be registered with Selective Service if:

- you are a male who is at least 18 years old and born after December 31, 1959.

Check the box only if you:

- are a male and are 18 through 25 years of age, and
- have not yet registered with Selective Service, and
- give Selective Service permission to register you.

If you believe that you are not required to be registered, call the Selective Service at 1-800-621-5388 for information regarding exemptions.

32. **Read and sign**

You must sign this form. If you don't sign this form, it will be returned unprocessed. If you are married, your spouse must

sign this form. If you filed out the **GOLD** and the **WHITE** forms, at least one of your parents must also sign this form. Everyone signing this form is certifying that all information on the form is correct and that they are willing to provide documents to prove that the information is correct. Such documents may include U.S., State, or local tax returns. Any AFSA dated or received before January 1, 1991 will be returned unprocessed.

Sending in Your Form

Double-check your form to make sure it is complete and accurate. Be sure it has the necessary signatures.

Put the form in the envelope provided in this booklet. Don't send money. Don't put letters, tax forms, worksheets, or any extra materials in the envelope. They will be destroyed.

Instructions for the Supplemental Information

Section F: Your parents' 1990 expenses

Don't leave any of these questions blank. If a question doesn't apply to you, write in "0."

33. **Medical and dental expenses in 1990 not paid by insurance.** Write in the amount of money that your parents paid in 1990 for medical and dental expenses (include insurance premiums). Don't include amounts covered by insurance or self-employed health deductions from Form 1040-line 28. If your parents itemized deductions on their 1990 U.S. income tax return, write in the amount from Form 1040, Schedule A, line 1.
34. **Elementary, junior high, and high school tuition paid in 1990.**
- 34a. Write in the amount of money that your parents paid in 1990 for elementary, junior high, and high school tuition for family members who were included in question 18. (Tuition doesn't include room, board, books, transportation, etc.) Don't include tuition paid by scholarships. Also, don't include tuition that your parents paid for you or any tuition for preschool or college.
- 34b. Write in the number of dependent children for whom the amount listed in 34a was paid in 1990. Don't include yourself (the student) or any person who was not included in question 18.

Section F: Your (& your spouse's) 1990 expenses

Don't leave any of these questions blank. If a question doesn't apply to you, write in "0."

33. **Medical and dental expenses in 1990 not paid by insurance.** Write in the amount of money that you (and your spouse) paid in 1990 for medical and dental expenses (include insurance premiums). Don't include amounts covered by insurance or self-employed health deductions from Form 1040-line 28. If you (and your spouse) itemized deductions on your 1990 U.S. income tax return, write in the amount from Form 1040, Schedule A, line 1.

34. **Elementary, junior high, and high school tuition paid in 1990.**

34a. Write in the amount of money that you (and your spouse) paid in 1990 for elementary, junior high, and high school tuition for family members who were included in question 20. (Tuition doesn't include room, board, books, transportation, etc.) Don't include tuition that you paid for yourself, tuition paid by scholarships, or any tuition paid for preschool or college.

- 34b. Write in the number of dependent children for whom the amount listed in 34a was paid in 1990. Don't include yourself or any person who was not included in question 20.

Section G: Your parents' assets

Don't leave any of these questions blank. If a question doesn't apply to you, write in "0."

You must give information about your parents' assets in Section G. If you are giving information for only one parent and that parent has jointly owned assets, give only that parent's portion of the assets and debts. If your parents have assets owned jointly with someone else, give only your parents' portion of the assets and debts.

In Section G, don't include:

- Personal or consumer loans, or any debts that are not related to the assets listed.
 - The value of retirement plans (pension funds, annuities, IRAs, Keogh Plans, etc.)
 - Student financial aid.
35. Check "Yes" if either of your parents (for whom you are providing information) meets all of the following descriptions for a displaced homemaker:
- your parent has not worked full-time in the labor force for a substantial number of years (e.g., approximately five years or more) but has, during those years, worked in the home providing unpaid services for family members, and
 - your parent has been dependent on public assistance or on the income of another family member but is no longer receiving that income, or your parent is receiving public assistance because of dependent children in the home, and
 - your parent is unemployed or underemployed and is experiencing difficulty in obtaining or upgrading employment.

"Unemployed" means not working this week but being available for work. To qualify, your parent must have made specific efforts to get a job sometime during the last four weeks.

"Underemployed" means working part-time even though your parent wants full-time employment. It refers to a condition where work is slack or only part-time work is available.

Check "No" if neither of your parents meets all the descriptions mentioned above.

36. Write in the age of the older parent for whom you gave information on this form.

35. **Home.** If your parents own a home, write in how much the home is worth. Use the price your parents could reasonably expect to receive for their home if it went on sale today. Don't use assessed, insured, or taxed value. A "home" includes a house, mobile home, condominium, etc. If your parents are renters, write in "0."

Then, write in how much your parents owe on the home, including the present mortgage and related debts on the home. (Don't include interest due.) Check with the mortgage company if you don't know.

Other real estate and investments. If your parents own other real estate (including rental property, land, second or summer homes) or have investments, write in how much they are worth today. Investments include trust funds, money market funds, mutual funds, certificates of deposit, stocks, bonds, other securities, installment and land sale contracts (including mortgages held), commodities, precious and strategic metals, etc.

Then, write in how much your parents owe on other real estate and investments.

36. **Business and farm.** If your parents own a business and/or farm, write in how much the business and/or farm are worth today. Include the value of land, buildings, machinery, equipment, livestock, inventories, etc. Don't include the home. (Home value and debt should be given in question 35.)

Then, write in what your parents owe on the business and/or farm. Include only the present mortgage and related debts for which the business and/or farm were used as collateral.

If your parents are not the sole owners, write in only their share of the total value and debt.

Section G: Your (& your spouse's) assets

Don't leave any of these questions blank. If a question doesn't apply to you, write in "0."

You must give information about your (and your spouse's) assets in Section G. If you are divorced or separated and you and your spouse have jointly owned assets, give only your portion of the assets and debts. If you (and your spouse) have assets owned jointly with someone else, give only your (and your spouse's) portion of the assets and debts. Be sure to give information about assets held in trust for you (and your spouse).

In Section G, don't include:

- Personal or consumer loans, or any debts that are not related to the assets listed
- The value of retirement plans (pension funds, annuities, IRAs, Keogh Plans, etc.)
- Student financial aid

37. Check "Yes" if you or your spouse meets all of the following descriptions for a displaced homemaker:

- you or your spouse has not worked full-time in the labor force for a substantial number of years (e.g., approximately five years or more) but has, during those years, worked in the home providing unpaid services for family members; and

- you or your spouse has been dependent on public assistance or on the income of another family member, but is no longer receiving that income, or you or your spouse is receiving public assistance because of dependent children in the home; and

- you or your spouse is unemployed or underemployed and is experiencing difficulty in obtaining or upgrading employment.

"Unemployed" means not working this week but being available for work. To qualify, you or your spouse must have made specific efforts to get a job sometime during the last four weeks.

"Underemployed" means working part-time even though you want or your spouse wants full-time employment. It refers to a condition where work is slack or only part-time work is available.

Check "No" if neither you nor your spouse meets all of the descriptions mentioned above.

38. **Home.** If you (and/or your spouse) own a home, write in how much the home is worth. Use the price you could reasonably expect to receive for the home if it went on sale today. Don't use assessed, insured, or taxed value. A "home" includes a house, mobile home, condominium, etc. Renters, write in "0."

Then, write in how much you (and/or your spouse) owe on the home, including the present mortgage and related debts on the home. (Don't include interest due.) Check with the mortgage company if you don't know.

39. **Other real estate and investments.** If you (and/or your spouse) own other real estate (including rental property, land, second or summer homes) or have investments, write in how much they are worth today. Investments include trust funds, money market funds, mutual funds, certificates of deposit, stocks, bonds, other securities, installment and land sale contracts (including mortgages held), commodities, precious and strategic metals, etc.

Then, write in how much you (and/or your spouse) owe on other real estate and investments.

40. **Business and farm.** If you (and/or your spouse) own a business and/or farm, write in how much they are worth today. Include the value of land, buildings, machinery, equipment, livestock, inventories, etc. Don't include the home. (Home value and debt should be given in question 35.)

Then, write in what you (and/or your spouse) owe on the business and/or farm. Include only the present mortgage and related debts for which the business and/or farm were used as collateral.

If you (and your spouse) are not the sole owners, write in only your (and your spouse's) share of the total value and debt.

Section H: Your 1991-92 veterans educational benefits per month (for the student only)

42. Your veterans Dependents Educational Assistance Program benefits.
- 42a. Write in the amount of veterans Dependents Educational Assistance Program (Chapter 35) benefits that you expect to get per month from July 1, 1991 through June 30, 1992. Don't include Death Pension, or Dependency & Indemnity Compensation (DIC).
- 42b. Write in the number of months from July 1, 1991 through June 30, 1992 that you expect to get those benefits.
43. Your Veterans Contributory Benefits (VEAB).
- 43a. Write in the amount of Veterans Contributory Benefits (Chapter 32) that you expect to get per month from July 1, 1991 through June 30, 1992. (Include both the Government and student portions.) Don't include Death Pension, or Dependency & Indemnity Compensation (DIC).
- 43b. Write in the number of months from July 1, 1991 through June 30, 1992 that you expect to get those benefits.

Section I: Your parents' expected 1991 taxable and nontaxable income and benefits

How to figure expected amounts

This section asks about income and benefits that your parents expect to get. If your parent is divorced, separated, or widowed, don't include information about the other parent. Answer these questions as accurately as you can. If a question doesn't apply, or your parents don't expect to get any income or benefits from that source, write in "0."

44. Check "Yes" if either of your parents (for whom you are providing information) is currently certified as a "Dislocated Worker" (see page 10) by the appropriate State agency.

If you checked "Yes," you may be asked to document your parent's status as a dislocated worker.

Check "No" if neither of your parents is certified as a dislocated worker. Skip to question 44 in the Student (& Spouse) column.

Important: See the table on page 5 for the kinds of income and taxes to leave out of Section I.

45. and 46. 1991 income earned from work. Include wages, salaries, and tips. See important note above.
47. 1991 other taxable income. Write in the total amount of other taxable income that your parents will report on their 1991 IRS Form 1040, 1040A, or 1040EZ. Include interest and dividend income and any other taxable income. Don't include any unemployment compensation or any income that you reported in questions 45 and 46.

48. 1991 U.S. income tax to be paid. Write in the amount of income taxes that you and your spouse expect to pay in 1991. Make sure this amount doesn't include any FICA, self-employment, or other taxes.
49. 1991 nontaxable income and benefits. These are the same types of income and benefits that were asked for in questions 28a, 28b, 28c, and 28d.

Section I: Your (& your spouse's) expected 1991 taxable and nontaxable income and benefits

How to figure expected amounts

This section asks about income and benefits that you (and your spouse) expect to get. If you are divorced, separated, or widowed, don't include information about your spouse. Answer these questions as accurately as you can. If a question doesn't apply to you, or if you don't expect to get any income or benefits from that source, write in "0."

44. Check "Yes" if you or your spouse is currently certified as a "Dislocated Worker" (see page 10) by the appropriate State agency.

If you checked "Yes," you may be asked to document your status (or that of your spouse) as a dislocated worker.

Check "No" if neither you nor your spouse is certified as a dislocated worker. Skip the rest of this section.

Important: See the table on page 5 for the kinds of income and taxes to leave out of Section I.

45. and 46. 1991 income earned from work. Include wages, salaries, and tips. See important note above.
47. 1991 other taxable income. Write in the total amount of other taxable income that you (and your spouse) will report on your 1991 IRS Form 1040, 1040A, or 1040EZ. Include interest and dividend income and any other taxable income. Don't include any unemployment compensation or any income that you reported in questions 45 and 46.
48. 1991 U.S. income tax to be paid. Write in the amount of income taxes that you and your spouse expect to pay in 1991. Make sure this amount doesn't include any FICA, self-employment, or other taxes.
49. 1991 nontaxable income and benefits. These are the same types of income and benefits that were asked for in questions 28a, 28b, 28c, and 28d.

Sending in Your Form

Double-check your form to make sure it is complete and accurate. Be sure it has the necessary signatures.

Put the form in the envelope provided in this booklet. Don't send money. Don't put letters, tax forms, worksheets, or any extra materials in the envelope. They will be destroyed.

Special Instructions & Definitions

Dislocated Worker - To be considered a dislocated worker, you must be currently certified as one by a State agency such as your local Employment Service or Job Service. This certification is done in accordance with Title III of the Job Training Partnership Act. A dislocated worker generally means a person who

- has been terminated or laid-off or has received a notice of termination or lay-off;
- has been terminated or received a notice of termination as a result of permanent closure of a plant or other facility, or was self-employed (including farmers) but is now unemployed because of poor economic conditions in the community or a natural disaster.

Foreign Tax Return - If you and your spouse, or your parents won't be filing a U.S. income tax return in 1990 (for example, Puerto Rican tax filers), follow the instructions below.

- In question 22, check the box "completed 1990 IRS Form 1040" if a foreign tax return has been filed, or "estimated 1990 IRS Form 1040" if a foreign tax return will be filed;
- use the information from that tax return to fill out this form;
- convert all figures to U.S. dollars, using the exchange rate that is in effect today; and
- fill out the Supplemental Information, Sections F-11.

Legal Guardian - A legal guardian is a person who a court has

- appointed to be your legal guardian and this legal designation hasn't continued after June 30, 1991; and
- decided to support you with his or her own financial resources.

Native American - If you are a Native American, report the amount of income and assets over \$2,000 per individual payment that you and your spouse or your parents received in 1990 from the Per Capita Act or the Distribution of Judgment Funds Act. If \$2,000 or less per individual payment was received from either of these Acts, don't report it. Don't report funds received as an award under the Alaska Native Claims Settlement Act or the Maine Indian Claims Settlement Act. Also, don't report any assets received from the Alaska Native Claims Settlement Act.

Additional Information On The Federal Student Financial Aid Programs

How Long Does It Take To Complete This Application?

It takes approximately 40 minutes to one hour and 30 minutes to complete this application. This includes the time for reviewing the instructions and form, gathering and maintaining the necessary information and completing the form.

Send your comments regarding the time it takes to complete this form or any other aspects of the application including suggestions for reducing the burden to U.S. Department of Education, Information Management and Compliance Division, Washington, D.C. 20202-4651, or to the Office of Management and Budget, Paperwork Reduction Project 1840-0110, Washington, D.C. 20503.

Do All Schools Take Part In The Federal Student Financial Aid Programs?

No. More than 8,600 schools do take part in one or more of them. Contact your school's financial aid administrator to find out which Federal programs your school participates in.

Where Can I Get More Information On Federal Student Financial Aid?

This booklet gives you only a brief summary of the student financial aid programs offered by the U.S. Department of Education. Each student financial aid program has its own special features and procedures. You can get more information from the booklet, *The Student Guide: Financial Aid from the U.S. Department of Education - Grants, Loans, and Work-Study 1991-92*. To get a free copy, write to

Federal Student Aid Information Center
P.O. Box 84
Washington, D.C. 20044

What Happens After I Mail In My Form?

Within four to six weeks after you mail in your form, the U.S. Department of Education will send you a **Student Aid Report (SAR)**. On the SAR will be either a request for further information or numbers called a **Pell Grant Index (PGI)** and a **Family Contribution (FC)**. We use formulas established by law to figure these numbers from the information you give us. Your school or the U.S. Department of Education may ask you to prove that the information you give on your application is true.

What Is My Pell Grant Index (PGI)?

The PGI is a number that tells whether you may be able to get a Pell Grant. If you are eligible for a Pell Grant, your school will use this number to determine the amount of your award. Even if you don't qualify for a Pell Grant, you may still qualify for one or more of the other Federal programs. Be sure to ask your financial aid administrator if your school needs any additional information from you for these other programs.

What Is My Family Contribution (FC)?

The FC is a number that helps your financial aid administrator determine if you are able to get one of the several available forms of assistance. These include Stafford Loan, SEOG, CWS, and Perkins Loan. Your school will use this number to determine the amount of your grant, loan or work study award.

What Happens If I Don't Get A SAR Or I Need Another Copy Of My SAR?

If you don't get a SAR within four to six weeks, or you need another copy of your SAR, write to

Federal Student Aid Programs
P.O. Box 6904
Princeton, NJ 08541

Give your name, address, social security number, and date of birth. Be sure to ask for another copy of your **1991-92 SAR**. If your address has changed since you sent in your application, be sure to give us both your old and your new address. Be sure to sign your letter.

What If My Situation Changes?

- Questions 11, 15, 18, 19, 20, and 21 ask you to make projections for the upcoming year. If your answers to these questions change, wait until you receive your SAR and then see your financial aid administrator.
- The income and expenses information that you give must be accurate. They must match what is or will be on your 1990 income tax forms. If your financial situation has recently changed, contact your financial aid administrator.

BEST COPY AVAILABLE

Worksheet 41	For question 28d Parents	For question 28d Student/Spouse
Wages, salaries, tips, etc.	\$ _____	\$ _____
Interest income	\$ _____	\$ _____
Dividends	\$ _____	\$ _____
Other taxable income (interest received, business and farm income, capital gains, pensions, annuities, rental, unemployment compensation, social security, Railroad Retirement, and all other taxable income—see the tables on pages 5 and 6 and the instructions for question 24)	\$ _____	\$ _____
Add all of the numbers in the column	\$ _____	\$ _____
Subtract IRS-allowable adjustments to income (payments to IRA and Keogh Plans, interest penalty on early withdrawal of savings, and ordinary paid)	\$ _____	\$ _____
TOTAL - This is your answer for question:	426 \$ _____	426 \$ _____

Worksheet 42	For question 28d Parents	For question 28d Student/Spouse
Amounts from IRS tax forms		
Deductible IRA and Keogh payments from Form 1040-estate of lines 24d, 24e, and 27 or 1040A line 18c	\$ _____	\$ _____
Earned income credit from Form 1040 line 57 or 1040A line 27c	\$ _____	\$ _____
Unpaid portions of pensions from Form 1040 line 16a minus 10b and 17a minus 17b or 1040A line 14a minus 10b and 17a minus 17b (excluding rollovers)	\$ _____	\$ _____
Credit for Federal tax on special fees from Form 1040 line 60	\$ _____	\$ _____
Foreign income exclusion from Form 2055 line 7b	\$ _____	\$ _____
Tax exempt interest income from Form 1040 line 8b or 1040A line 8b	\$ _____	\$ _____
Other Untaxed Income and Benefits		
Payments to you deferred pension and savings plans (paid directly or withheld from earnings) include untaxed portions of 401(k) and 402(a) plans	\$ _____	\$ _____
Interest benefits (except AFDC or ADC) which you should have reported in question 28b	\$ _____	\$ _____
Workers' Compensation	\$ _____	\$ _____
Federal non-disability benefits such as Death Pension (Dependency & Indemnity Compensation (DIC), etc.	\$ _____	\$ _____
Housing (rent) and other living allowances (excluding rent subsidies for low income housing) paid to members of the military, clergy, and others (including cash payments and cash value of benefits)	\$ _____	\$ _____
Cash support or any money paid on your behalf (including support from a non-related parent)	\$ _____	\$ _____
Any other untaxed income and benefits, such as Black Lung Benefits, Refugee Assistance, untaxed portions of Railroad Retirement Benefits, or Job Training Partnership Act non-disability benefits	\$ _____	\$ _____
TOTAL - This is your answer for question:	428d \$ _____	428d \$ _____
Don't include		
<ul style="list-style-type: none"> • Social security • Any income reported elsewhere on the form • Money from student financial aid • Food stamps 	<ul style="list-style-type: none"> • Gifts and support other than money received from friends or relatives • Veterans educational benefits (GI Bill, Dependents Educational Assistance Program, VA Vocational Rehabilitation Program, VA Conveyance Benefits, etc.) • "Rollover" pensions 	

We urge you to keep these worksheets. Don't send them in with your application form. You may be asked to refer to them later to verify the information on your application. (It may also help you to show that your SAR is accurate.)

INFORMATION ON THE PRIVACY ACT AND USE OF YOUR SOCIAL SECURITY NUMBER

The Privacy Act of 1974 requires that each Federal agency that asks for your social security number or other information must tell you the following:

1. Its legal right to ask for the information and whether the law says you must give it
2. What purpose the agency has in asking for it and how it will be used
3. What could happen if you do not give it

You must give your social security number (SSN) to apply for Federal student financial aid. The U.S. Department of Education's legal right under the Title IV programs to require that you provide us with your social security number is based on Sections 484(a)(4) of the Higher Education Act of 1965, as amended. The SSN is used under the Pell Grant, Supplemental Educational Opportunity Grant, and College Work-Study programs in recording information about your college attendance and progress, and in making sure that you have received your money. The SSN is also used under the Stafford Loan and Perkins Loan programs to identify the applicant to determine program eligibility and benefits and to permit servicing and collecting of the loans.

If you are applying for Federal student aid only, you must fill out everything except questions 29, 30, and 31. If you skip question 30 we will count your answer as "No" for both parts of that question. If you are applying for a Pell Grant only you can skip question 5, 36 and 43.

The authority to request all other information (except the SSN) is based on sections 411A, 411B, 411C, 411D, 411F, 474, 475, 476, 477, 478, and 480 of the Higher Education Act of 1965, as amended. This information is used to determine the amount of Federal student aid for which you may be qualified.

The information which you supplied may be disclosed to third parties that the Department has authorized to assist in administering Federal student aid programs. This disclosure may include private firms that the Department contracts with for the purpose of collating, analyzing, totaling or refining records in the system and who are required to maintain safeguards under the Privacy Act. This may also be accomplished through computer matching programs such as the ones currently conducted with the Selective Service System and the Immigration and Naturalization Service.

We will provide your name, address, social security number, date of birth, student aid indices, student status, year in college and State of legal residence to the college(s) that you list in question 29a, 29b, and 29c (or its representative), even if you check "No" in question 30b. This information will also go to the State agencies in your State of legal residence to help coordinate State financial aid programs with Federal student aid programs. We will provide calculations and determination of eligibility to the agency with which you filed a student aid application, or another similar agency, if you request us to do so. That agency may also release information received from the Department to colleges, State Scholarship agencies, and loan guarantee agencies that you have designated to receive information. Also, we may send information to members of Congress if you ask them to help you with Federal student aid questions. If your parents or your spouse provided information on the form they may also request to see all the information on the application.

If the Federal government, the Department, or an employee of the Department is involved in litigation, we may send information to the Department of Justice, or a court or adjudicative body, if the disclosure is related to financial aid and certain other conditions are met. The information may also be made available to Federal agencies which have the authority to subpoena other Federal agencies' records. In addition, we may send your information to a foreign, Federal, State, or local enforcement agency if the information that you submitted indicates a violation or potential violation of law, for which that agency has jurisdiction for investigation or prosecution. Finally, we may send information regarding a claim which is determined to be valid and overdue to a consumer reporting agency. This information includes identifiers from the record, the amount, status and history of the claim and the program under which the claims arose.

**Remember, we must receive
your application by
May 1, 1992.**

Section D: 1991 Income, Earnings, and Benefits

(You must see the instructions for income and taxes that you should exclude.)

**Student
(and Spouse)**

14. Are you currently receiving welfare, AFDC, or public assistance benefits? (Do not include food stamps or SSL.) Yes No

If "Yes", GO DIRECTLY TO SECTION G, "College Release and Certification." CS

If "No," CONTINUE WITH QUESTION 15.

15. The following 1991 U.S. income tax figures are from: (check only one box)

- a. a completed 1991 IRS Form 1040EZ or 1040A
- b. a completed 1991 IRS Form 1040
- c. an estimated 1991 IRS Form 1040EZ or 1040A
- d. an estimated 1991 IRS Form 1040
- e. a tax return will not be filed

GO TO QUESTION 17.

TAX FILERS ONLY

17. 1991 total number of exemptions from IRS Form 1040 - line 6; 1040A - line 6; or 1040EZ; (see instructions):

18. 1991 Adjusted Gross Income from IRS Form 1040 - line 31; 1040A - line 16; or 1040EZ - line 3; (see instructions):
\$

19. 1991 U.S. Income Tax paid from IRS Form 1040 - line 47; 1040A - line 25; or 1040EZ - line 7:
\$

Parents

14. Are you currently receiving welfare, AFDC, or public assistance benefits? (Do not include food stamps or SSL.) Yes No

If "Yes", GO DIRECTLY TO SECTION G, "College Release and Certification." CS

If "No," CONTINUE WITH QUESTION 15.

15. The following 1991 U.S. income tax figures are from: (check only one box)

- a. a completed 1991 IRS Form 1040EZ or 1040A
- b. a completed 1991 IRS Form 1040
- c. an estimated 1991 IRS Form 1040EZ or 1040A
- d. an estimated 1991 IRS Form 1040
- e. a tax return will not be filed

If you answered "b." or "d." above, GO TO QUESTION 17 and complete the remainder of the form.

If you answered "a.," "c.," or "e." above, CONTINUE WITH QUESTION 16.

16. 1991 Adjusted Gross Income from IRS Form 1040A - line 16; 1040EZ - line 3, or, if you did not and will not complete a U.S. tax return, see instructions: \$

If your answer is less than \$28,264, GO DIRECTLY TO SECTION G, "College Release and Certification."

If your answer is \$28,264 or more, CONTINUE WITH QUESTION 17 and complete the remainder of the form.

TAX FILERS ONLY

17. 1991 total number of exemptions from IRS Form 1040 - line 6; 1040A - line 6; or 1040EZ; (see instructions):

18. 1991 Adjusted Gross Income from IRS Form 1040 - line 31; 1040A - line 16; or 1040EZ - line 3; (see instructions):
\$

19. 1991 U.S. Income Tax paid from IRS Form 1040 - line 47; 1040A - line 25, or 1040EZ - line 7:
\$



Student (and Spouse)

20. 1991 income earned from work by *Father* \$ _____

21. 1991 income earned from work by *Mother* \$ _____

22. Did you receive untaxed social security in 1991? Yes No
If "Yes," how much was received in 1991? \$ _____

23. Did you receive child support in 1991? Yes No
If "Yes," how much was received in 1991? \$ _____

24. Did you receive any other untaxed income, wages, or benefits in 1991? (See instructions.) Yes No
If "Yes," how much was received in 1991? \$ _____

Parents

20a. 1991 income earned from work by *Father* \$ _____

b. 1991 income earned from work by *Mother* \$ _____

21. Did you receive untaxed social security in 1991? Yes No
If "Yes," how much was received in 1991? \$ _____

22. Did you receive child support in 1991? Yes No
If "Yes," how much was received in 1991? \$ _____

23. Did you receive any other untaxed income, wages, or benefits in 1991? (See instructions.) Yes No
If "Yes," how much was received in 1991? \$ _____

Section E: Asset Information

Student (and Spouse)

24. Total amount of cash, savings, and checking accounts: \$ _____

25. Home-what is it worth today? \$ _____
Home-what is owed on it today? \$ _____

26. Business-what is it worth today? \$ _____
Business-what is owed on it today? \$ _____

27. Farm-what is it worth today? \$ _____
Farm-what is owed on it today? \$ _____

28. Other real estate and investments-what are they worth today? \$ _____
Other real estate and investments-what is owed on them today? \$ _____

GO TO QUESTION 30.

Parents

24. Total amount of cash, savings, and checking accounts: \$ _____

25. Home-what is it worth today? \$ _____
Home-what is owed on it today? \$ _____

26. Business-what is it worth today? \$ _____
Business-what is owed on it today? \$ _____

27. Farm-what is it worth today? \$ _____
Farm-what is owed on it today? \$ _____

28. Other real estate and investments-what are they worth today? \$ _____
Other real estate and investments-what is owed on them today? \$ _____

29. Write the age of the older parent:

BEST COPY AVAILABLE

Section F: Special Circumstances

If there are special circumstances such as a large loss of income or benefits, or a major change in family circumstances (death, divorce, disability, unusually high medical or dental expenses, substantial reduction in income, etc.) that are not reflected adequately in Sections D and E, please provide full details, in writing, to the financial aid administrator at each of the colleges to which you are applying.

30. Will you be providing information on special circumstances to your college(s)? Yes No

Section G: College Release and Certification

31. You may have the results of this form sent to three colleges in 1992-93. List the names of the colleges to which you want results sent:

Name of College	City and State

32. Do you give the U.S. Department of Education permission to send information from this form to:

- the college(s) you named in Question 31, (or its representative)? Yes No
- the financial aid agency in your state? Yes No

33. Mark this box if you give Selective Service permission to register you. (See instructions.)

34. I certify that I will use any money I receive under the Title IV student financial aid program only for expenses related to attendance at the college(s) I enroll at during the 1992-93 school year.

I also certify that I am not in default on any educational loans and that I do not owe a refund or a repayment on any education grant. I also certify that I have never been convicted of a drug felony.

All of the information on this form is true and correct to the best of my knowledge. If asked by an authorized official, I agree to give proof of the information that I have given on this form, and I agree that the IRS can provide the financial aid office at the school I am attending with federal tax return information. I realize that if I don't give proof when asked, I may not get aid.

Student signature _____ Date _____ State of legal residence:

(Required)

All of the information on this form is true and correct to the best of my knowledge. If asked by an authorized official, I agree to give proof of the information that I have given on this form, and I agree that the IRS can provide the financial aid office at the school the student attends with federal tax return information. I realize that if I don't give proof when asked, the student may not get aid.

Sponsor signature _____ Date _____ State of legal residence:

(Required, if married)

Parent/Sponsor signature _____ Date _____ State of legal residence:

(Required if parental information is included on this form.)

Chairman FORD. Thank you very much. A very good panel. Let me ask, there is a basic dilemma here. On the one hand, virtually everybody says that we ought to have a single form, a single document, a single universal way to do it.

On the other hand, everybody is saying that it ought to be simple. The reason that presents us with a dilemma is that if you are going to incorporate more and more information into a single document in order to cover the whole spectrum of potential student aid, I don't understand how you make that simple. What do you suggest is the answer to that dilemma? Dr. Koplik?

Mr. KOPLIK. If I might suggest, Mr. Chairman, I think it is possible to incorporate the questions that are essential to a single form, but design the form in such a way that there are exit points on that form for people to leave the form after filling out some fundamental information, we could indicate to them that they need go no further.

For example, if they have demonstrated to us that they are an AFDC recipient, there may be 10, 15 more questions for other people, but if they determine that degree of eligibility, maybe they need go no further.

Chairman FORD. Well, you say that, but I also heard from this panel that you want to make sure, particularly with low income students and first generation students, that they don't miss something, and Ms. Manley put emphasis on that with the job of the counselor.

Now, what if, in fact, there is a scholarship fund established by some corporation or somebody else at an institution that a student is seeking entry to that is for AFDC children. Why would you exit the form before you go to that place?

Mr. KOPLIK. I think it would be quite easy for a financial aid administrator on a campus to abrogate all those AFDC recipients and then make some separate determinations with regard to the campus base.

Chairman FORD. What have you just done to simplicity with that methodology?

Mr. KOPLIK. Mr. Chairman, I think that that—

Chairman FORD. You have added a new factor which I placed in front of you. I hear that a lot of people are paying fees to the data processors for just this very kind of service, to make sure that they obtain the data for everything within that State and in the ambit of that institution, might be within the realm of possibility for the student. It is kind of a serving process.

Now, is there any difference, for example, in the kinds of forms that are being asked for in addition to the Title IV forms at private or public institutions? Has anybody looked at that?

Ms. DONG. Mr. Chairman, if I could answer that. There are the six applications that you can use for Federal financial aid and five of them allow you to apply for non-Federal aid as well.

I think I understand that we want to make student eligible for all the types of aid, but then aren't we asking for more information? There is a big difference between a form that has 118 questions and the College Board's FAF form which has 79 questions.

I mean there are no perfect solutions, but certainly we can reexamine how much data we need on these forms and still make stu-

dents eligible for the whole range of aid. I think it is possible, because some of these forms are clearly more simple than others.

Chairman FORD. Let's go back to the original suggestions, that there ought to be a requirement that if there is a State program, an institutional program, a private program outside the institution providing the money, whatever the source, that we ought to tell them that all the information that is needed to find out whether the student is eligible should be on our form.

That means we have to have the power to tell those people what the criteria for distributing their money will be, and then have the power to order them to use our form.

I don't think we have either of these powers in reauthorization. I think we can only direct what will be on the application for the Title IV programs. I don't think we have any authority to tell any college or university, public or private, what information they are going to get to pass out scholarships, grants or loans on their campus that are not federally funded.

I don't think we have the power to tell any State what information they will acquire to pass out their money for grants or loans or scholarships that are not Federal. That is part of the dilemma. First raised was the question of how far we can go in telling other people what kind of information they should have for passing out their money.

Second, when you get right down to the Federal money, you still have a dilemma. You say you want an all-inclusive system. Now, Mr. Phillips, you talked about a single methodology. What I took from that is you are talking about a single methodology to determine family contribution, which should be the same whether you are seeking Pell money or loan money.

Up to that point, it makes some sense. But how do you get the balance of the information for the difference in the distribution formula in Pell from the less than complicated requirements for a guaranteed student loan?

Mr. PHILLIPS. Well, I think part of the answer is that for a large number of filers, no matter what you collect, the answer is going to be zero. And I think there is coalescing throughout the Nation now in State agencies in NASFAA and the College Board, a realization that you simply don't have to collect any information other than that which is required to determine that someone is an AFDC recipient, someone is, in fact, low income.

And I think for that group, additional information is irrelevant, unnecessary, and it is in fact a barrier for underrepresented students.

So I think for a large number of applicants, as we have outlined, a very simple form. And as Mr. Koplik said, a bypass for once you hit that, you provide no additional information is the solution.

For other students—

Chairman FORD. Which program are you describing that provides that a student is automatically eligible for just showing up at an institution and saying I am on AFDC? Which program are you talking about?

Mr. PHILLIPS. At the moment, there is none. What we are proposing is for reauthorization is that for Federal programs, and at presumably most institutional programs—

Chairman FORD. Being on AFDC as an income factor is a characteristic that would make you eligible with other characteristics. But there is no program for people in any particular group, is there?

Mr. PHILLIPS. There is not currently, and we are proposing that that change.

Chairman FORD. What you have been describing to me is a simplified system that would do that, right?

Mr. PHILLIPS. Yes, sir.

Chairman FORD. So Congress will have to make a clear determination without regard to any of the characteristics that go into determination of eligibility. Simply the income of the person at the moment they arrive at the campus will either trigger acceptance or bar them without regard to any mitigating circumstances.

That simplification, I am afraid, flies in the face of a good many years of your associations, as a matter of fact, working on how we make these programs equitable. The changes that were made in 1986 that Mr. Koplik, I believe, referred to is not being implemented yet by the Department came primarily from NASFAA.

We were going to send a letter over to the Department asking them to justify every single item on this form with statutory language, tell them whether we ask for them to ask this kind of a question.

I suspect that they won't be able to justify it at all, and I also suspect that they are going to be stalling around at the end of the year telling us that they haven't got time to do it. In addition to that, we are going to ask them flat out to give us a report on what progress they have made to implement the 1986 law.

It is, as you say, unconscionable that we have as a committee sat here and let them get away with it for that long. No matter how complicated the job might be, we should at least have in the file a letter saying we are still working on this, but we are having trouble with it.

We don't have any such communication from them, and I am sure that Mr. Coleman will join me in asking them to justify. But if you have suggestions about how you might marry into a single, simplified form, all the various sources of student aid, we will be more than happy to consider them.

And I hope while you are doing that, you will consider that a good many of the requirements that are involved here, the hurdles that are set up for students to jump over were not driven by education policy, they are driven by budgetary considerations.

From time to time, there have been suggestions from the Administration and sometimes from the Congress that if you put up another hurdle, you keep that many more people from getting over it, you save some money.

And a lot of the changes that have been made in the student aid program have not been in reauthorization bills, they have been in budget bills, and that will probably continue. I will finish with this.

Ms. Manley, I have a suburban Congressional District and every time I talk to a counselor, I am told that they may have—at the high school level, that they may have as high as 1000 students theoretically assigned to them.

And when I ask the question, how much time do you find to spend with each student, either individually or in a group to talk about the availability of Federal student aid, the answer frequently is, "I spend all of my time talking to kids who have drug problems and are sent to me by the administrators, kids who have attendance problems and are sent to me by the administrators."

In other words, the counselors in my suburban Detroit area are not truant officers or probation officers, but they are spending most of their time talking to kids about disciplinary deficiencies of one kind or another, and not about their aspirations for education.

Is that an uncommon sort of thing? Is it just my area that is falling on its fanny or are we doing this all over the country?

Ms. MANLEY. It is not just your area. It is occurring in the major cities across the country, but we are working hard to change that situation. We do have truant officers in my city and we try to free the counselors from having to do that kind of thing.

Our association is working very hard to train counselors and to work with administrators and superintendents to help them understand that the counselor is key to the success and the overall education of all students in that building, and they must be free to counsel young people on the correct curriculum, on the opportunities in higher education, and the necessity for that.

We are working also to reduce the counselor ratio. The ideal would be one to 100, but if we can get a 300 to one ratio in this country, we will be able to better serve all of our students and that is a goal that we must achieve.

Chairman FORD. Mr. Coleman held a hearing in Kansas City a couple of weeks ago, and one of the witnesses he provided on the panel was a young black man who I think was about a senior in college, who testified at that point in his career he had received 16, and I remember the number, \$16,181 in aid.

But he didn't go anywhere near a college for several years after he got out of high school, because he grew up believing that the only way that young black males ever went to college was to play basketball or football, and nobody ever told him there was another way for a young black man to go to college, that there was another way to get help.

It was after he worked for a few years and found out how miserable it was with the kind of jobs he held that he then found out on the street, by talking to other people, that he ought to go over to the college and talk to them.

And by the time he appeared before us, he had completed, I believe, 3 years of college successfully, and no question, when we listened to that young man, that he knows where he is going and what he wants to do. That was the most damning evidence that I have heard of the fact that we are letting young people slip through the system with no clue. They don't have a sibling who went to college, they don't have a parent who went to college, they don't have anybody telling them that college is an option. What they have got on the street is people telling them why they can't get help.

Ms. MANLEY. That is why we also must go into the communities and work with the churches and the community agencies to say the same message, that college is available to you, that you can

attend, you must attend, and this is how you will achieve that success, by taking the right courses, upon graduation, here is all the opportunity available to you.

Chairman FORD. Would your group be willing to give Mr. Coleman and I and the rest of the committee your suggestions on how we could, if we had them, the direct resources through the secondary schools in a way that would get some academic counseling, or even student aid counseling, moving out there? Some delivery system that you might have in mind that would work that the local politicians couldn't mess up?

Ms. MANLEY. Yes. We are hopeful that—first of all, if we did have a national data base that will be accessible to everyone in this country, would be a first step. Secondly, if we—we do have some early entry strategies and programs that we have tried across the country, and we are beginning to train individuals to go out into the rural and urban areas to get the message out.

Our feeling is we have to go and meet the public in their communities. We have to do more to help them understand it is available to them. If we had money for advertisements in television, you made the reference to the young man who felt the only way he could go to college was through athletics. He has seen that on TV. He sees the athletes. That is a very impressionable media that our young people watch.

I am always upset when I see some ads that are negative and students buy into that. We need to put more positive advertisements out there to let young people know that success is theirs, college opportunity is theirs, and here is how you go about getting it.

The sooner we do it, the better. If we start in middle schools and high schools, they will be ready for it. We are doing a lot to implement that now, and we are working with young people, and we are finding that 6th, 7th and 8th graders are receptive. They are then encouraged to go to college fairs to find out information to plan their college education appropriately.

Together, we can achieve a lot. Together, we can get the message out and educate America. We must do this.

Chairman FORD. Mr. Coleman?

Mr. COLEMAN. Mr. Chairman, I have just a brief statement at this point, and I apologize for not being here earlier, but I have other responsibilities on other committees, and that is the way our lives are work around there.

But I am going to review your testimony, because I find this to be a critical part of this process. It is broken and needs to be fixed. The application form is worse than an IRS form, probably, for most people. I think two-thirds of the American people go to a tax preparer to do their taxes because they feel overwhelmed. It is a complicated and complex task.

And pretty soon, we are going to have an H & R Block type organization, if there isn't one already, set up to fill out financial aid forms. And I think that, again, is creating barriers between families and access. We will hold hearings on the access issue.

We don't want to get too much into that now, but I think it relates. I sat through this with my first youngster, who went to college, not in the hope that I was going to get any financial aid, but I wanted to see how it was done. They had a special night at the

high school where the parents were invited in, and someone from the school district, I believe, came and walked through this whole thing on an overhead screen.

And I am sure, that half the people who should have been there weren't there. And others who looked to me to be the people who probably already knew the system, were there, because they were aware of it, plugged into it. But the people who probably really needed it weren't there, for one reason or another. But I join the Chairman in his quest to find every line that is needed, and which are not needed. It just makes you go crazy to sit down with these forms. Many people are just going to be turned off.

And we don't need to create a new industry for businesses like H & R Block, regardless of how much I like Henry Block, who is a friend of mine, in Kansas City, who would do this voluntarily. I can't wait to find out what we have coming back from the Department as far as a rationale for every one of these things.

And the young man that Chairman Ford talked about also agreed with you, Ms. Manley, that you do better by contacting them in the middle schools. He said he would have been a better receiver of this information in the middle schools and not around the time he dropped out of high school.

So I think that is something we need to look at as well. But I thank all of you. And if there is any way to simplify this thing, we have got to figure it out and do it. I appreciate all of you being here.

Chairman FORD. Mr. Sawyer?

Did you want to respond to—

Ms. HART. Yes, if I might. I will be glad to share with the committee from the State of Indiana a project that was very successful this year that did what Ms. Manley suggested, and reached out to communities.

I think that part of the answer to both of these issues is making sure—that is, both the issue of access and ensuring that States like mine, and private sources, as well as institutions themselves, have a really credible form for low-income families. We at NASFAA believe that we have advanced such a form that should make it possible, without mandating those institutional and State resources to use a Federal vehicle, which I agree is probably implausible.

But if the form makes sense to those providers, I think they will gravitate to it, will welcome having that simpler approach, leaving a more complicated approach for those who deal with higher-income families who shouldn't be burdened with this whole process, that should be something separate, and we believe that can be achieved.

Ms. HINES. Mr. Chairman, can I respond?

Chairman FORD. Yes.

Ms. HINES. I would like to say that it is not only young black males, that it is also women, too, that don't know and that are being turned away, and I would like to say that if I knew about the 1-800 toll-free number, that would have been really helpful.

I didn't know anything about college, period, when I was in high school even.

Chairman FORD. Is the 1-800 number working now?

Ms. HINES. Yes, it is. 1-800-4-FEDAID.

Chairman FORD. I thought we turned that off during the last Administration to save money, and that is how you save money. Don't tell the kids the money is out there, and they won't come and get it, and you can save money in the budget.

Mr. Sawyer?

Mr. SAWYER. Mr. Chairman, I thank you for calling on me. I just would like to take a moment to associate myself with your remarks and with those of Mr. Coleman. And to thank you for structuring this hearing. My sense is that if we did nothing else but accomplish the kinds of things that we are talking about here today, we would have done an enormous amount to improve access all across this country to postsecondary education.

The dilemmas are difficult, but they are not unsolvable, and they will make a big difference. I particularly wanted to thank Ms. Manley for your comments about the importance of encouraging at an early age. I mean, I think there is no better enhancement to the dropout prevention program that I can think of than to give kids hope where they can access better education than they otherwise would.

I think some of the myths that exist exist not only among those among those who are most in need, but those who perceive themselves to be most burdened by the gap between assistance and means, and that there is a whole range of people who need to be encouraged and to understand what is significant out there.

Finally, just let me thank Mr. Phillips for your kind comments about the legislation that a number of us are working toward to achieve the kinds of goals, operationally, if we can put in place the kinds of procedural reforms that you are talking about today.

And with that, thank you, Mr. Chairman, I yield back the balance of my time.

Chairman FORD. Mr. Andrews?

Mr. ANDREWS. Thank you, Mr. Chairman. I appreciate the comments of all the panelists this morning, and certainly the things I have heard reflect what I hear in my District in New Jersey.

Very frequently, I hear parents talk about the fact that, and students talk about the fact that they don't follow through on the application process because they don't understand it.

And a lot of people who could be going to school are not going to school because they have excluded themselves from the process by virtue of not properly applying. I also hear from counselors all the time that they are not given enough freedom and flexibility when they are in the process, and they are not given enough time to get into the process because they are distracted by so many other things.

And I certainly think that simplification of the process would address each of those two concerns. My question for anyone who—two questions for anyone who cares to respond. The first is, is there in fact a consensus that some kind of by-pass proceeding on the form that would help certain groups or individuals by-pass the more complicated asset analysis, is there a consensus that that makes sense?

And secondly, if so, what should the criteria be for establishing that kind of by-pass? I think the chairman pointed out that if you go to what appears to be a simple, bright-line litmus test as to who

gets by-passed and who doesn't, there might be a lot of factors that unfairly exclude people.

You know, if someone's income is unnaturally high at a given point when they enter college, it might exclude them from the by-pass, when in fact they should be eligible for it.

What should the criteria be for by-pass if, in fact, we should have one?

Mr. KOPLIK. If I can respond quickly, just using a couple of illustrations from our own research, speaking on behalf of the Advisory Committee, two examples. Let's talk first about the simple needs test. If we were to extend the simple needs test cap to \$20,000, we believe we would be able to affect an additional 250,000 students.

That is fairly significant. If you want to get a little bit more dramatic and extend the simple needs test cap to 30,000, you would affect an additional 600,000 students. If you take the 600 and the 250,000, add it to the existing group, you would have about 3.1 million students who would have rapid movement through a form.

I think that would make a significant difference. A second example—

Mr. ANDREWS. If I can interrupt? Do you know what percentage of applicants who fall below the \$30,000 income are ineligible for Title IV programs under present law?

Mr. KOPLIK. No, I don't have a good answer for you today.

Mr. ANDREWS. The reason I ask the question is opponents of your idea are going to say, well, too many people are going to slip through the cracks who are undeserving of aid, and it is going to cost us too much money.

If we are going to be supportive of that idea, we need to know what the answer is.

Mr. KOPLIK. We can provide that information to the committee. My other illustration would be on a theme that I believe you heard consensus on today, AFDC recipients. If you were to—we looked at the Pell Grant data base, and if you were to provide rapid exit for AFDC recipients, we think you would affect about 230,000 students in the existing pool of students, and not make them go through answering overly-complex, burdensome questions that are really irrelevant.

Mr. ANDREWS. Yes?

Ms. HART. I would agree that there is real consensus. I have heard myself that AFDC recipients should be fully by-passed and fully eligible. We find that even asking those recipients to talk about their monthly income and so forth is simply irrelevant, and so we don't have to ask them any questions at all about their income, which is a real plus.

Dr. Koplik talked about the number of people in the current pool who would benefit from that kind of by-pass. I would also submit to you that a large number of those students never get into the pool today, and so, I think we would see not only that population served, but I believe a significant increase in our lowest-income students by ease of the process into that system.

Chairman FORD. Will the gentleman yield?

Mr. ANDREWS. Yes, Mr. Chairman.

Chairman FORD. I am not nearly as cynical as I expect to be before I finish my career here, but you tell me how long a program

will last once it is on the street, that this is a program that AFDC recipients automatically qualify for.

Every Governor out there that got elected the last time is talking about welfare reform, taking people off of public assistance. You turn this into a program that is perceived as an extension of AFDC, and it is dead.

And remember in 5 years that I told you that. You can't stay alive in America today with that kind of altruism. It just won't float. And you would put a label on this program that we have so far avoided. We have talked about concentrating our help on the people who needed it most.

We have never, ever had a newspaper article that said we had another add-on benefit for being welfare-qualified, and if you did that in my District, you wouldn't get the program. I want you to keep that in mind.

Mr. Andrews?

Mr. ANDREWS. Mr. Phillips?

Mr. PHILLIPS. I think there is reasonable consensus on this, and we have a slightly different approach at the College Board than the Advisory Committee in that we think in part the simplified needs test isn't working because it is not that simple.

People are having a difficult time determining if they qualify, and even asking a few questions on the simplified need test on a certain group of students and families who already clearly, in our mind, are not going to—or are going to be providing zero income toward their education, is irrelevant.

And we feel that, I think our proposal is for the broadest group to be by-passed and that is, that anyone whose income is below the earned income credit, whether they don't file a tax return, whether they file a 1040-EZ or file a 1040-A, and that is a broader group than AFDC recipients.

But we also feel that at least in today's climate, the AFDC recipients have proved already, they have gone through hoops and they have proved that they don't have any ability to contribute toward their education, and there is no need to prove it again by providing additional information.

Ms. DONG. If I may just make a brief comment, Mr. Chairman, new Mr. Chairman. USSA also believes that we are so glad that there is a recognition of that, but if AFDC recipients and other families or students who have already proven their need because they receive these types of benefits know ahead of time that there is an expectation that when they do decide to start to go to college, that there is going to be a recognition of their economic need and thus, they will be eligible for substantial financial assistance for college, that adds into what this Congress and what we were asking for, which is to build in some expectation of the possibility and reality of college, and it would have been really helpful, I know, in Annette's case, if her family knew there was this very strong possibility that financial assistance would have been available because they had proven their need already.

Mr. ANDREWS. If I could just quickly respond, and I know it is not your intention, but critics of what you are trying to do are going to say something like this: No, you are not going to build a

more hopeful expectation of going to college, you are going to build a greater disincentive to work.

Now, I don't necessarily subscribe to that, but that is what people are going to say, that what you have done here is given yet another reason for people to stay in the welfare cycle and not move out of it, and that is going to erode the kind of political support that the kind of program like this has to have in order to succeed, and let me just phrase a question of that, which I am interested in the \$20,000, \$30,000 idea.

Is there some other kind of measure of automatic or broader scale economic status that would be more inclusive of people, be more inclusive of working families that would say this is good for you, too? Because you are not to have the kind of political coalition to succeed.

Ms. MANLEY. I would envision that you could incorporate all of it in one form, and you have levels of commitment. You have a level of commitment for the AFDC families, a level of commitment for the 20,000, for the 30,000 families, because we know they always need financial assistance.

If you have level of access points, you can serve. You don't want to label you are in AFDC, you don't have to apply. We do something else when we do that. We have to make sure we are inclusive. They know they have to go through the process.

Once they are in the process, maybe we can do something for them different next year.

Mr. ANDREWS. I appreciate that. The perception we are up against, which is technically irrelevant to what we are talking about, but politically, it is extremely relevant. In my District, there is a perception two kinds of people can go to college today, the college of their choice.

The first are the people that are very wealthy or extraordinarily talented at something, athletics usually being the case, extraordinarily talented. The other are the very, very poor, and the perception out there among the people in the middle is that there isn't much left at all in terms of financial aid.

If you advocate this kind of technical change, you are exacerbating that political problem.

I yield back to you, Mr. Chairman.

Mr. SAWYER. [presiding] Mrs. Mink?

Mrs. MINK. Thank you very much.

I want to support the common thread of the testimony that has been presented here today, recognizing the difficulties the chairman and others have pointed out. I still think basically the objective of this committee and this Congress in reviewing the higher education reauthorization problems is to avoid the problem of access and the problem of presenting the student financial aid package in a way that will attract more students and give them a feeling of being able to overcome the mountain of hurdles that are put forth with all of these forms.

I had no idea until this morning's hearings the enormous package that you presented here and the number of questions that have to be answered for any one of these different categories.

Having most of us experience what we have to do when we file income taxes, we go to the tax office and we find trays of different

forms that you have to hand-select for your unique category. Has there been any thought by any of your organizations to going at this problem from this direction, and that is having a basic form for everybody to file, and then having specialized forms for different categories, loans or whatever, people with different financial situations because of excessive health bills in the family or whatever?

For independent categories, you could have a number of supplements. Not talking about the removal of people from the system, as you have discussed, but developing a basic document which is applicable in common terms for everybody, where the basic information is the same, and I am sure everybody can agree on what that basic information is.

Not to have people eliminated in the system where you fall out, but where everybody falls into a common thing and then have supplemental forms for this or that, or whatever, which can be added on, which the person can select out and add to the forms, depending on what they are qualified for.

Have you thought about that and excluded that as an option? And if you have thought about it and excluded it, may I know from any of you here that that methodology won't work?

Ms. HART. You might correctly view our recommendation as that beginning entry point and that single document that would be used to complete basic Federal eligibility, it is targeted to low-income families.

We believe a second document might be created within consensus of the financial aid community and non-Federal providers to aid to collect those more complicated questions.

As I view personally—and I believe the members of NASFAA have our difficulty, if you take your tax analogy today, we try to take all of those supplements into a single document. That is why the forms that you have looked at look so complicated.

We believe we simply stretch the process across too wide an income, and the time is now to create two vehicles: One targeted at low-income families, inclusive of, not limited to AFDC, and some second community consensus document that could have the same vehicle to apply for other non-Federal forms of aid.

We have looked at that, and that, in fact, correctly characterizes our recommendation.

Mr. COLBERT. In response to the question about developing new types of forms for specific individuals, I see two things might be a good possibility if it is handled correctly, because I believe that simplifying financial aid or making new forms or coming up with new forms, one thing is held constant, you can't be everything to everybody.

I believe that. As a result, I would say you have to walk very gingerly or develop very gingerly these types of forms. I also believe in what I recommended earlier. If you want to come up with a form, simplified form and new types of forms, the key to it is test these forms to see if it will fit the majority of people that you are supposed to serve, or the greater majority of people that would benefit.

I believe with that, you could get very concrete information as to whether this is doing what it is supposed to do, what it is intended to do. In turn, I think we could simplify what we are trying to do,

what we are wanting to do, simplify the form and not create another bureaucracy.

Ms. MANLEY. I would like to add, I am reflecting now on my years in counseling, and I can remember when I first started, it was not quite as cumbersome as it is now, and many of the institutions would send a separate form to those students who they felt were really coming to their institution to ask for specific information that they required, and they then could put the two together and work with that family.

It looks like we might be going back to some of that. Some of them still do that, but very few have that additional form now. Years ago, that was in place.

Mr. PHILLIPS. One of the dilemmas of what you are suggesting was answered in part by Mr. Coleman's comment, most of the people that should have been there weren't there, and Ms. Manley's comments, we are not reaching an awful lot of people who are most disadvantaged.

I am concerned a plethora of funds would be another disincentive. I believe a better solution is what we propose for the most disadvantaged in our society. We propose a very, very different part of a larger form. That being, you tell us what your circumstances are. One of our proposals is that the working poor are those who are at the threshold or below of the earned income credit be excluded also, not just AFDC recipients, but those earning money, but a low level also be excluded.

Mrs. MINK. I have one final question, and that has to do with attention which is now being brought to this committee that the nature of the student enrollment on the campuses has changed a great deal, so you have a large number of part-time students, and what we refer to as the non-traditional before have become the traditional students.

This then changes the character of the campus, because it draws them to night and evening classes. I want to ask those in the counseling field today what extra services are the institutions providing in the way of counseling so these students who work all day but who need some financial assistance counseling may find it on the campuses when they arrive in the evening hours?

Ms. MANLEY. There are a number of support programs on most college campuses, and we are finding that the institution is aware of the needs of this different population. Some schools in our area have even implemented some day care centers because many of these are single parents, and they also need child care.

They are working very, very hard to help them understand the process. We are doing a lot in our area to collaborate with the universities, because I am finding I now have to work with parents as well as the graduating senior to help that parent get additional skills because the father is unemployed or the mother is out of work, and I need to go back to work, so I, too, can become employable again.

There is a lot of collaboration coming together out there. The recognition is we must provide additional services. We need more staff on the campuses so those families and those students have the information, the offices have to remain open longer hours because those students are now on campus during the day.

There is a need there. Some institutions are looking at it and have made changes on their campuses.

Mr. SAWYER. Ms. Dong?

Ms. DONG. With 34 percent of undergraduates being 25 or older, a large number being non-traditional, we see the need to recognize the change in demographics. We hear constantly how students who attend school, night school, because they work full-time, come to the offices and they are closed. We think—we would like to work with the Congresswoman, that is why we submitted legislative language saying they should be required to supply nighttime counseling assistance.

We are excited about the nighttime—if those ideas become part of the authorization, it would not only help intervention, it would help high school counselors who are crucial. The computer data base, with all types of aid, would be a wide net, it would not just help those who are young. It would help those students, those adult workers who need to be retrained.

It would help the student who didn't finish high school, but wants to go back. If we have a publicity campaign that says you can be all you can be by completing college, we want to encourage this committee to look at it in a complete manner.

Mr. SAWYER. Ms. Hart?

Ms. HART. Mrs. Mink, I know every campus which I am familiar would dearly love to increase its access to say campuses are aware of part-time students. The older student—in our State they are called new majority, is very evident.

I think you all will have an opportunity as you look at reauthorization of the Higher Education Act to help us with administrative simplification in some of the financial aid delivery system processes. We believe NASFAA presented those proposals to you.

With streamlining of the system, I can assure you time freed up from administrative detail would be used to address the growing need of those you described, as well as trying to reach younger students.

Both of those are tearing at the campus now. I believe unleashing some of the power by some administrative simplification in the authorization process is absolutely key to that first step, to allowing us to do those efforts.

Mrs. MINK. Thank you very much.

Mr. SAWYER. Mr. Gunderson?

Mr. GUNDERSON. Thank you, Mr. Chairman, and I am going to follow up—perhaps by the time this reauthorization process is done, people are going to think it is the Mink-Gunderson non-traditional show. But everybody is advocating simplification in the financial aid form.

My question to you is, can you accurately, today, determine the true ability of a non-traditional student to pay, or the true financial need for the non-traditional student in this application? I get worried if in honesty we are going to better target our money to those who are needy, full, traditional and non-traditional, part-time, if we are going to get help to this group up here, we may have to get more complex.

Any comments on that? What is your experience on this form of the non-traditional student?

Ms. HART. I will try to respond. I think with the existing form that, in my opinion—I will make it a personal one—it does an adequate job of describing the resources available to that student. Where I feel less confident is on the other side of the equation, and that is understanding individual expenses.

We can tell very directly what students pay for tuition and fees. We have a good sense of what they pay for books. I think an unsolved question that we at NASFAA are trying to resolve is better understanding the budgetary needs of those students and their own dependents.

Child care, that was mentioned earlier, plays a very direct role in the issue, both of the adequacy of the process and of access for those students. And so, in my opinion, this job—this does an adequate job of measuring the resources, and we need to continue work on understanding more about what their real expenses are.

Mr. GUNDERSON. Let me follow that up. If you look in here, in terms of the value of a home, owning a condo in Washington, DC or Northern Virginia, is going to be significantly overvalued on this form compared to owning the same condo in rural Wisconsin.

Now, how do we in that process fairly determine financial need for those two single-parent heads of household mothers going back to school?

Ms. HART. Let me make a semantic distinction, and I hope it is one you will at least understand why I value it, and that is, I think there is a way to be equitable about it. I am not sure it is ultimately fair to each of those individuals, but in terms of equity, we advanced a proposal from the financial aid administrators to cap home mortgage value at three times the person's income, to set some relationship to try to deal in a more equitable fashion with the kind of dissimilarities that you describe.

Mr. GUNDERSON. Cap the mortgage value at three times the person's income. Lord, that disqualified them all.

Ms. HART. That sets their home value. From that, you would subtract any unpaid mortgage and so forth. I am sorry, I meant value.

Mr. GUNDERSON. So, if you are going to school full-time as a single parent, head of household, you have been through a divorce, your husband has left you, are working part-time, and you have \$4,000 annual income, are you telling me you can't have a mortgage value over 12 grand?

Ms. HART. No, I am saying in the system we would cap it at four times the income. It is not what you would find in a commercial real estate market. It is the way within the structure of distributing these funds, we try to achieve some kind of equity.

Mr. PHILLIPS. If I could add onto that, we also are advancing the same proposal. In your example, we would cap the value of the house at \$12,000, even though it might be worth \$150,000. Therefore, that student you illustrated would be treated far, far better in the system than they currently are, because currently, the value would be 150.

If the student's income was \$4,000, it would be \$12,000. One other thing, if I could, on your question. The institution at which I work has a large number of non-traditional students. The average age of our student body is 30. Many, many single parents; many, many people who are much older than the traditional population.

My experience is that group doesn't have as much difficulty negotiating the forms than 18-year-olds, whose parents aren't helping them. But they do have difficulty if we don't provide services such as evening hours.

And as Ms. Hart said, there is difficulty with budget-setting. I haven't found that group to be as disadvantaged by the form as younger individuals.

Mr. GUNDERSON. It is the regulations for eligibility. What does this mean when you look at the Administration's proposal when they are trying to eliminate much of the campus-based discretionary aid, and target this into more direct? Either you qualify and get it, or you don't? Isn't that going to create a more difficult problem in dealing with the non-trationals?

Ms. HART. I believe that kind of elimination would create a lot of inflexibility in the system and be particularly disadvantageous to our current new majority students.

Mr. GUNDERSON. Okay.

Go ahead.

Mr. KOPLIK. I would come back to the suggestion regarding taking a careful look at extending the simple needs test cap to address the circumstances that you describe. I think if you—if we wanted to look at capturing a greater number of people in terms of the essence of the theme of this approach here, which is simplicity, not increasing complexity, one simple way to do that and capture the circumstances, such as that divorced parent you are talking about who wants to go back to school, would be merely to extend the eligibility form, simplify the analysis to \$20- or \$30,000, and I think we would be quite pleased with how large a net that would be without disrupting the integrity of the program.

In other words, would people be falling into that net who really don't belong, and I don't think there would be very many, if at all.

Mr. GUNDERSON. Did you have something else?

Ms. DONG. On the question of professional judgment, we feel very strongly, if anything, this reauthorization gives us an opportunity to simplify the form by taking out some of the special provisions for displaced homemakers, for dislocated workers, for excessive medical expense, and clarify those are one of many criteria that student financial aid administrators should look at carefully.

We think you can take those out and make it a part of the professional judgment, which we think really helps build flexibility into the system. I think it is important to have it for a lot of reasons, including helping to simplify the form.

Mr. GUNDERSON. Have you ever watched this committee try to deal with issues like displaced homemakers in the past? I don't know that we have got enough bulletproof vests to take out that special category.

Chairman FORD. [presiding] I was reminded this morning by the staff that that was Jim Jeffords' contribution, one of the many, since we have to face him when we get in conference.

Mr. GUNDERSON. Thank you.

Mr. PHILLIPS. Could I respond to that? Currently, roughly 2 percent of people who fill out the form say they are a displaced homemaker or dislocated worker. Of that group, we know many misunderstand it and aren't in those categories, but 100 percent of the

people who fill out that form have to answer that question and go through very complicated instructions to determine if, in fact, they fit that category.

I am very sensitive to the needs of that group of people, but I think that should be handled on the campus. There are other questions on the form that are like that, that not many people fit into the category, yet everyone has to complete that and goes through the instructions, and I would urge you to look at our proposals that several of these questions be eliminated.

I do understand that bulletproof vests may be required.

Ms. HART. We have tried to help in our proposal with that particular issue by having an area under which the students identify themselves as fitting into a number of special circumstances, and therefore, the campus itself might do the follow-up.

I believe that aid administrators are well-positioned to deal with that particular need, but to have those enumerated as a special condition category, rather than having every single student complete and wrestle with those definitions is an approach we think is equally as fair as the current system, and removes that labor from a large number of students.

Chairman FORD. Mr. Serrano?

Mr. SERRANO. Yes, Mr. Chairman, thank you.

I just very briefly wanted to first of all thank the panel for participating, in dealing with this most important issue. But without asking a question, I wanted to associate myself with the chairman's comments in the fact, on one hand, we want very much certainly to simplify all forms, and certainly this kind of situation merits the attention of all of us, but I must also agree with the chairman's concern that sometimes, in doing so, we single out a group of people politically without realizing it. The one thing we certainly do not want to do is have a reporter with a lot of free time on his or her hands getting a hold or being able to break down how many thousands in a city or thousands in a State, or millions across the Nation fit into a certain category.

I know we try to do that already, but I can just see the headline in one of my local newspapers in New York, South Bronx, 99 percent qualify for full aid, something that is assumed to be the case now by many people, but certainly if you hang it out in tough political years, those are easy targets to go after.

When I chaired the Education Committee on the New York State Legislature, I always fought off—and much to my dismay, because a lot of people did not understand why I was doing it, but I fought off rating poverty categories, because the minute you did that, you classified a group of people that become political targets to go after during the budget crunch.

I agree, we should not have people go through some of the forms in front of us now, but on the other hand, how do we not single out people who will then become easy political targets is something we have to keep in mind.

I do thank you for your help today.

Chairman FORD. Any other questions from the members? Hearing none, I will thank the panel for your contribution and particularly the preparation you made before today for the record of this committee.

I ask you to follow up on what you have heard here today and give us your additional comments based on what your colleagues have had to say. Thank you.

Chairman FORD. The next panel is Lawrence Hough, President and CEO of the Student Loan Marketing Association; and Jean Frohlicher, Executive Director of the National Council of Higher Education Loan Programs, Incorporated, Washington, DC.

Mr. Hough?

STATEMENTS OF LAWRENCE HOUGH, PRESIDENT AND CEO, STUDENT LOAN MARKETING ASSOCIATION, WASHINGTON, DC; AND JEAN FROHLICHER, EXECUTIVE DIRECTOR, NATIONAL COUNCIL OF HIGHER EDUCATION LOAN PROGRAMS, INC., WASHINGTON, DC

Mr. HOUGH. Good morning.

I am Larry Hough, President and Chief Executive Officer of the Student Loan Marketing Association. I am pleased to appear before you today to address the issue of program simplification.

Mr. Chairman, based on current enrollment figures and average cost data, the resources used by students and families to pay for 2 year and 4 year undergraduate and graduate education totaled an estimated \$80 billion this year.

By school year 1997-1998, just before the next reauthorization, students and their families will need an estimated \$130 billion, or \$50 billion more than was needed this past fall. Clearly, the overwhelming part of these resources will come directly from students and their families in the form of contributions from income, savings, and summer and term-time earnings.

But an enormous portion, surely the pivotal portion, will come from the Title IV programs; and, in particular, the Stafford, SLS, and PLUS loans.

I call your attention to the magnitude of the new resources required, because as the committee considers simplification, it must not overlook the risk of moving too quickly and going beyond the capability of the present system's participants.

In addressing simplification, the committee must ensure that present Federal aid programs continue to facilitate access and choice; and they must do so for a student population that is different than the target served by the present programs.

Present programs, especially the loan programs, are designed to best serve the full-time, single institution student. Students in increasing numbers are pursuing education to achieve retraining and are often doing so sporadically, with varying course loads, at more than one institution. Their education is key to bolstering the Nation's efforts to improve the current work force. No current Title IV program serves this population adequately.

Another underserved group is the middle class. Although the current Stafford loan program started out as their principal source of Federal aid, it no longer serves this population. Without access to guaranteed loans, the incremental resource requirement cited earlier will pose the greatest hardship on the middle class.

Finally, while the current array of loan and grant programs are far from straightforward, they may be most poorly understood

where the student's financial circumstances are most difficult and where helpful assistance and counseling are least likely available.

While simplification will help, structural change may be the best remedy with respect to the problems of the low-income student.

Simplification is not merely about correcting ideas we did not get right the first time, it is about offering a program solution that fits the student, rather than trying to fit the student into an established program. Any programmatic adjustments to increase simplification must be mindful of the new requirements of this generation of students.

Finally, the statute needs to be adjusted to fix program elements which are dated or do not work. Historically, this process has never been easy or direct. Industry participants have strong views on many of the possible changes.

After years of absence of strong Federal leadership, the broadly-dispersed mixture of interpretation which has led to "cast-in-concrete" systems and procedures are a burden that the transition to an improved program must overcome.

While the foregoing are general observations, they serve to introduce my specific suggestions, and this morning, I would like to emphasize five from my written statement.

Recommendation one: Fewer and more flexible loan programs. I am convinced that all the student-driven needs for new loan programs can be accomplished by stretching the current Stafford model to cover a wide range of borrower needs and circumstances.

By staying within the Stafford framework and creating subsets of the program with appropriate differences in subsidy, borrowing limits, and eligibility criteria, we can achieve broader access goals without adding significant program complexity.

In urging no entirely new programs, it also occurs to me that the SLS and PLUS programs could be recast to fit under a Stafford umbrella structure. Clearly, a single loan program, perhaps one known as the "Federal Stafford Loan," would clear up a great deal of "marketplace" confusion over the underlying source of all present guaranteed loans.

Recommendation two: Replace micromanagement with incentives. Underlying much of the program's current complexity is the nature of the program's regulation. Complexity does not stem from the number of participants or the identity of those participants.

Rather, it is driven by the nature and objectives of this program's regulations, regulations which, in their pursuit of precise definition, have removed all incentives for participants to serve borrowers in the most efficient and effective manner.

Here are some of the steps I would take to move away from micromanagement:

Establish an Advisory Committee on Simplification. We recommend that Congress create the Secretary's Advisory Committee on Simplification. This committee would be chaired by a senior-level Department of Education executive, optimally the Under Secretary. Its mission would be to ensure that program simplification is achieved in the most effective manner, and that simplification goals are not undermined by the present regulatory process.

We are convinced that proper government oversight of taxpayer funds can be accomplished without today's total reliance on precise

binding program rules. A move away from micromanagement would afford GSLP lenders the freedom to apply proven consumer servicing techniques and principles to the business of administering student loans.

In moving away from micromanagement, standards of performance will become the critical means of evaluating rule compliance. Such performance standards would gauge lender competence and commitment. Guaranty agencies and the Federal Government would then concentrate their efforts on evaluating overall lender performance, providing technical assistance to lenders that need help in achieving the standards, and investigating and penalizing those who chronically fail to perform.

Finally, establish a mandatory industry-wide status monitoring system.

One of the more troublesome flash points in loan servicing is the confirmation of borrowers' in-school status. This confirmation process is pursued every day with nearly every school by every guarantor and servicer. There is no effective coordination.

And when a lender receives information directly from the student, it frequently cannot be used officially until confirmed in writing. Because of the mobility of borrowers among institutions and the interruptions in their study, this simple process is a tremendous source of frustration.

Sallie Mae is recommending that the Department of Education be directed to create a mandatory limited use data system, expressly for the purpose of establishing and maintaining definitive student status and ownership information.

Recommendation Three: Technical focus on consolidation of forms and rules.

The vast variety of forms used in the GSLP is a major cause of many borrower problems. Each form has associated rules. The greater the number of forms, the greater the number of rules for the student, and the school, the lender or the guarantor. Unless all the numerous people in the chain which links a student to the program understand completely all these rules, the student will receive incorrect information and problems will begin.

The consequences of bad information about the program are often angry and frustrated borrowers. The remedy is simple. Establish a set of industry forms and require that they be accepted by every guarantor.

As the largest holder and user of forms, we would welcome the opportunity to join with the Department, and in the space of the next 12 months move quickly to adopt such a standard set.

Recommendation four is to streamline deferments and forbearances. One of the most important, yet highly complex, facets of the GSLP is the entitlement of the borrower to deferment under certain conditions. These deferments provide borrowers with needed relief when they cannot meet their student loan obligations.

Currently, there are 13 separate categories of deferments available to GSLP borrowers. The eligibility rules for these deferments are many and fraught with confusing requirements on certifications, dates and duration.

We suggest that the current list of deferments be pared down to three or four. For all other cases, borrowers would be accommodated through the use of subsidized or non-subsidized forbearances.

The new message to the borrower would be simple: If you have trouble making your payments for whatever reason, contact your lender and you will be able to gain relief; no irrelevant forms, no need to obtain layers and layers of certifications, no need to understand complex rules, just simple assistance in overcoming hard times.

The final recommendation relates to separate systems of need analysis and loan application.

The complexity and number of forms that students and parents must complete to apply for student aid has been cited as forming a major obstacle to the access of aspiring students to postsecondary education. We endorse efforts to simplify the need analysis system and to create a single form designed for determining need for all student aid.

This committee deserves a great deal of credit for the enormous progress made in this area already. However, I believe that segments of the industry may have overcorrected, and more are likely to do so. The process of applying for aid eligibility has been so well perfected by some that their systems generate too quickly an approved, already signed and ready to go guaranteed student loan.

We believe that encouraging efforts to simplify application for financial aid must not permit concurrent application for a student loan. There is a real danger that simplification in this regard will go so far as to blur the distinctions between programs, especially the crucial differences between grants and loans.

Borrowers need to understand, at the outset, that the loan portion of their aid package carries with it distinct obligations. Loan funds should only become available following a final pause, an extra moment of consideration and recognition.

Mr. Chairman, in conclusion, Sallie Mae's perspective clearly suggests that a multifaceted approach to simplification is needed. We need to keep in mind that the incremental amount of new financial support required in the years immediately following 1992 is enormous.

The student population to be served has a different mix of requirements than the ones we attempted to meet one reauthorization ago. In retuning the existing programs, our efforts should preserve structures which continue to perform well and build from them directly when solving the problems of sectors now poorly served.

Finally, quite apart from the statute and the regulations, the guaranteed loan program needs leadership. This leadership requirement needs little budgetary funding.

Thank you for this opportunity to appear before you today. I would be happy to answer any questions.

[The prepared statement of Lawrence Hough follows:]

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TESTIMONY OF
LAWRENCE A. HOUGH
PRESIDENT AND CHIEF EXECUTIVE OFFICER
STUDENT LOAN MARKETING ASSOCIATION

BEFORE THE
HOUSE SUBCOMMITTEE ON POSTSECONDARY EDUCATION
HEARING ON PROGRAM SIMPLIFICATION

May 14, 1991

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I am Lawrence A. Hough, President and Chief Executive Officer of the Student Loan Marketing Association. I am pleased to appear before you today to address the issue of program simplification.

Today's hearing on simplification is one of the most important topics which the reauthorization hearings will cover. Simplification is the best available window through which to view the structural issues which must be addressed in order to improve the current programs and to ensure their ability to meet the significant challenges ahead of us. The fact that it is the single topic of this hearing indicates that the Committee recognizes its significance. At the risk of being redundant, I would like to set forth Sallie Mae's perspective on the financial aid problems of this decade, and why simplification has become a very key consideration. I have chosen four points of reference to describe our perspective.

Challenges of Meeting the Aggregate Financial Resource Requirements

Based on current enrollment figures and average cost data, the resources used by students and families to pay for two-year and four-year undergraduate and graduate education totalled an estimated \$80 billion this year. This figure is about \$20 billion higher than the amount needed in school-year 1985-86, one reauthorization ago. By the next reauthorization, school year 1997-98, students and their families will need an estimated \$130

billion or \$50 billion more than was needed this past fall. Over the next five years, students seeking higher education will require the expenditure of more than \$550 billion. Clearly, the overwhelming part of these resources will come directly from students and their families in the form of contributions from income, savings, and summer and term-time earnings. But an enormous portion, arguably the pivotal portion, will come from the Title IV programs. The size issue becomes a significant component of the Committee's consideration of simplification for, in assessing change, one must not overlook the risk of moving too quickly and going beyond the capability of the present system's participants.

Mr. Chairman, federal student aid, in the context of the unprecedented growth in required incremental financial resources, will become even more critical to preserving the long-standing national tradition of access and choice. The present programs are a generation removed from the access and choice challenges of this decade. Therefore, a less than complete, a less than thorough examination of the aid programs and their delivery would place on the back of the present programs a responsibility they are not equipped to assume.

Student-Driven Program Challenges

The second element of focus is the student. Federal aid

programs must facilitate access and choice for a student population that is different than the target served by the present programs. Present programs, especially the loan programs, are designed to best serve the full-time, single institution student. As such, it would seem that an absence of responsive loan programs has left many financing obstacles for the non-traditional student who is, perhaps, the most motivated of all students. There are far more non-traditional students enrolled today. Their education is key to bolstering the nation's efforts to improve the current workforce. While I applaud the focus of the President's education program and the attention it has already directed towards the needs of our elementary and secondary schools, it must be remembered that manpower training requirements of the 90's will not be assisted significantly by these early-education programs. However, with improved financial aid for non-traditional students, postsecondary institutions can become far more instrumental in an immediate solution.

Another underserved group is the middle class. Although the current Stafford loan program started out as their principal source of federal aid, it no longer serves this population. Without guaranteed loan eligibility, the incremental resource requirement cited earlier will pose the greatest hardship on the middle class. Preserving both choice and access for this group will not be easy, in any system, but it will be almost impossible to achieve through the present program structure. I believe there has to be a better

way, and a simpler way.

Finally, while current programs are far from straightforward, they may be most poorly understood where the student's financial circumstances are most difficult and helpful explanations from the already experienced friend or neighbor least likely. Both simplification and structural change may be the best remedy with respect to the problems of the low-income student.

Mr. Chairman, any programmatic adjustments need to be designed with an eye dedicated to discerning the new requirements of this generation of students. Simplification is not merely about correcting ideas we did not get right the first time, it is about offering a program solution that fits the student, rather than trying to fit the student into an established program.

Accountability and Ownership

Simplification is also about accountability and ownership. Today the Guaranteed Student Loan Programs (GSLP), the parts of Title IV I know best, are programs in which both ownership and accountability have become fragmented to the point where the management and creative energy of nearly every participant is limited to protecting the pieces most critical to their stake. There are almost no positive incentives of any kind to encourage participants to improve these programs. For those who attempt to

improve, simplify, or deliver something better to the student, there are more disincentives than incentives. Absent national program-wide incentives, the cost of individual initiative, no matter how obvious the problem, is extraordinary and the danger of misunderstanding even greater. Add to this climate the risk of loss of the loan guarantee and one has eliminated entirely the possibility of innovation.

Mr. Chairman, this dual deficiency, too little ownership and badly divided accountability, can be remedied only if the Department asserts leadership and does so decisively. Whether this reauthorization gives rise to new programs or retunes existing programs, unless the federal government reasserts itself as the leader, commensurate with its role as the source of virtually all student aid, no new formulation of programs or rules will produce lasting simplification improvements.

Traditional Improvements to the Statute are Needed

Finally, the statute needs to be adjusted to fix program elements which are dated or do not work. In this regard, the industry stands ready to formulate with the Committee the needed GSLP improvements. The end result will not be easy or direct. Industry participants will have strong views on many of these changes. After years of absence of strong federal leadership, the broadly dispersed mixture of interpretation which has led to the

many system investments and other "cast-in-concrete" fixes to problems are a burden that the transition to an improved program must overcome.

The remainder of my testimony provides specific suggestions and, in keeping with the traditional commentary of an industry participant, slips quickly into the technical details of the program.

Recommendation One:

Fewer and More Flexible Loan Programs

Mr. Chairman, you will be challenged in this reauthorization to address the needs of a variety of populations and to build programs that can meet these needs. We are convinced that much of this mission can and should be accomplished without adding new programs, but by stretching the current Stafford model to cover a wide range of borrower needs and circumstances. By staying within the Stafford framework, which after 25 years is well understood, and creating subsets of the program which vary in terms of interest subsidy, borrowing limits, and eligibility criteria, access to financial aid can be broadened and program complexity minimized. One idea that meets this criterion is the recommendation by NCHERP and the Consumer Bankers Association to re-establish a viable, non-subsidized Stafford loan program for middle-income families; this concept could also be applied to students enrolled in high cost

academic programs. Similarly, the needs of non-traditional students could be met through an enhanced Stafford-like program that acknowledges the needs of these students to study on a less-than half-time basis, or to take courses simultaneously at multiple schools.

To illustrate our concern arising from the past practice of creating new programs to respond to new needs, let us look at the Supplemental Loans for Students (SLS) program, which was created to serve independent graduate and undergraduate students. This program, while similar to Stafford in some respects, is different enough that it causes a good deal of confusion for borrowers who have both Stafford and SLS loans (not an uncommon situation). Here are two examples: First, borrowers are treated entirely differently for purposes of establishing their in-school status. While Stafford borrowers are automatically placed in in-school status by virtue of their eligibility for the loan, SLS borrowers must separately request a deferment for their loan and, in many instances, renew that deferment annually. In trying to keep track of changes in borrower status for Stafford loans, lenders can rely on status updates provided by guarantors. However, the same information is not acceptable in regard to the SLS in-school deferment and must be separately collected and confirmed. Second, the absence of a grace period for SLS loans causes untold confusion for borrowers who begin paying their SLS loans within 60 days of leaving school. Then, four months later, when payments on their

Stafford loan commence, students face a second, frequently unanticipated monthly loan obligation. Borrowers do not understand why repayment cannot commence simultaneously for all loans, especially when they are held by the same lender. We hope that Congress will work to avoid these types of circumstances as it designs new ways to meet the credit needs of students and their families. In this regard, we strongly encourage Congress to utilize the Stafford program, with appropriate enhancements, as the means through which additional credit assistance is provided.

Recommendation Two:

Replace Micro-Management with Incentives

The GSLP has proven itself to be an effective means for utilizing private sector skills, resources, and expertise in carrying out federal policy goals. Throughout its history, the private sector participants in the program have spent millions of dollars in their efforts to find the best ways to deliver loan funds to students and parents, to process the overwhelming amount of data associated with loan management, to develop the most efficient sources of capital for the program, and to build state of the art systems for servicing student loans. We believe that some of the kinks in the GSLP can be worked out by allowing private-sector principles to be the cornerstone of efforts to reinvigorate the program. In a speech last year at the California Institute of Technology, David Kearns, Chairman of the Xerox Corporation,

expressed basic, business-based principles that he felt were readily transferable to education, and which, I believe, are equally transferrable to the administration of the GSLP. In Mr. Kearns' words:

We know what works: incentives to perform, standards to meet, rewards when those standards are met.... Alone among economic systems, capitalism's free markets eliminate inappropriate, inefficient, and anachronistic practices. That, indeed, is the purpose of markets and the purpose of capitalism; not to serve the owners of capital, not to serve the managers, but to serve the customers.

Mr. Chairman, this is not radical economic theory, it only seems radical in the context of the GSLP and the way we currently administer and regulate that program. Underlying much of the program's current complexity is the nature of the program's regulation and the lack of a concerted attempt to apply fundamental private sector principles to the management of the program. Complexity does not stem from the number of participants or the identity of those participants, rather, the level of complication is driven by the nature and objectives of program regulation which has led to a situation where there are a lack of incentives for participants to perform up to their highest levels and to serve borrowers in the most efficient and effective manner.

As noted earlier, the federal government's role as the provider of the funding for these programs demands that Secretary Alexander assert his leadership over the program and its participants. Much of the current complexity in the collection of student loans derives from the micro-management of the program at the regulatory level. Thus, even if Congress enacts changes designed to achieve simplification, there is no guarantee that the requisite accompanying regulatory simplification will occur. Sallie Mae has four suggestions which it hopes will ensure the necessary emphasis on simplification within the Department.

Establish an Advisory Committee on Simplification

In order to ensure that program simplification is achieved in the most effective manner and that the goal of simplification is not undermined by the regulatory process, Sallie Mae is recommending that Congress create the Secretary's Advisory Committee on Simplification. This committee would be chaired by a senior-level Department of Education executive (optimally the Under Secretary) and would be comprised of representatives of the many interests involved in the making and delivery of student loans, including students, financial aid administrators, guarantors, lenders, secondary markets, and loan servicers.

The committee's objective would be to develop agreed upon

simplification standards and ways to measure the complexity of existing and proposed program components. The committee would be expected to comment on all proposed rules and "Dear Colleague" letters issued by the Department. Representative of the issues that should be examined by this committee are the changes required to advance a number of important, program-wide revisions -- including loan collections, status monitoring, and the standardization of practices among guarantors.

We recommend that the committee report quarterly to the Secretary, and that it provide the Education Committees with an annual report. These reports should include the simplification standards and measurements noted above, the committee's recommendations for ensuring long-term adherence to and recognition of the simplification objectives, and an enumeration of ways that program participants can avoid further complicating the program for the borrower. Through this mechanism, we would hope to make simplification a way of life in the GSLP.

Provide Incentives to Improve Loan Collections

The absence of proper incentives for program participants is plainly evident in the collection of student loans, where lenders and holders must operate in accordance with unyielding program rules that typically do not allow for even minor variations. While we all know that every borrower is an individual with unique

circumstances and characteristics, the current loan collection due diligence rules force loan servicers to treat all borrowers as if they were alike, ignoring any special needs that fall outside of the prescribed mainstream.

We are convinced that proper government oversight of taxpayer funds can be accomplished without binding program rules. A move away from collections micro-management would afford GSLP lenders the freedom to apply consumer loan collection techniques and principles to the business of servicing student loans. In consumer lending, loan holders evaluate their borrowers and determine which collection efforts are best suited to their particular characteristics: borrowers who truly cannot afford to repay are identified and efforts are not wasted on attempting to get blood from a stone; borrowers who are seen as intentionally avoiding their obligations are diligently and, often relentlessly, pursued; borrowers needing special consideration, such as a little extra time or a modified payment schedule, are dealt with one-on-one in order to maintain their commitment to repay. However, servicing student loans, the federal government has set forth rules where time and form rather than results determine success: meet the timeframes for letters, phone calls, and guarantor notification; submit insurance claims within the proper filing window; and retain each and every document, scrap of paper, and remotely relevant item associated with each loan. Simplifying the collections process for GSLP lenders does not mean the investment of less effort, but

rather a redirection of effort.

In moving away from micro-management, standards of performance will become the critical means of evaluating rule compliance. Such performance standards would gauge lender competence and commitment. In line with Mr. Kearns' statements, lenders who meet standards would be rewarded with the opportunity for flexibility in collections; lenders who could not reach the standards would be subject to increased scrutiny. Guaranty agencies and the federal government could then concentrate their efforts on evaluating overall lender performance, providing technical assistance to lenders that need help in achieving the standards, and investigating and penalizing those who chronically fail to perform.

In the same way that lenders are constrained to treat all borrowers alike, guarantors' hands are similarly tied in that they must review each insurance claim submitted by each lender to assure cookie-cutter compliance with prescribed processes. This scrutiny continues on each claim even though the collection activity may have clearly been hopeless. Even death and disability claims may be denied for payment if the lender has not made all required telephone calls or sent all necessary delinquency letters, errors that obviously had no effect on the ultimate collection of the asset. This process saps energy and resources from guarantors that could be used more effectively if they were directed towards remedying identifiable problems.

Establish a Mandatory Industry-Wide Status Monitoring System

One of the more troublesome flashpoints in loan servicing for borrowers, schools and lenders is the confirmation of borrowers' in-school status. Because of the mobility of borrowers among institutions and the potential for the involvement of multiple lenders and guarantors in a single student's loans, the simple-sounding act of informing lenders that a borrower has left school (or enrolled) can be a frustrating exercise for the lender, the school, and the borrower. Sallie Mae is recommending that the Department of Education be directed to create a mandatory limited use data system, expressly for the purpose of establishing and maintaining definitive student status confirmation information.

Though seemingly trivial, a resolution to this area of technical and administrative concern will address countless problems for students which are direct off-shoots of bad status data. Our vision is that such a system will provide one-stop shopping for lenders and servicers seeking reliable status information and for schools seeking to provide such data. Schools are facing an increasing workload as they attempt to provide status information to multiple guarantors and to respond to the individual requests of lenders for updates or re-confirmation in order to resolve data conflicts. This system would eliminate duplication and provide a ready conduit between schools, lenders, guarantors,

and borrowers. It could determine apparent data and through interactive communications with schools, immediately correct confirmed status problems. Importantly, students also need to know that there is a single source they can contact to update their status information and clear up problems in tracking their status or in locating the holder of their loans.

Incentivise Standardisation Among Guarantee Agencies

One cannot hope to simplify the GSLP without achieving a greater degree of uniformity in program practices. The existence of unique loan application forms for each guarantor, the lack of a uniform set of program delivery and servicing rules, and the absence of a positive incentive for guarantors to limit their individual idiosyncracies add to the program complexity and thwart efforts to simplify the program for the borrower. We would urge this Committee to give careful consideration to efforts to promote further standardization in need analysis forms and processing. For example, there are proposals from the National Association of Student Financial Aid Administrators, among others, to combine the Pell and Congressional methodologies into a single system. The same principles that underlie this move towards a standard assessment of aid eligibility should also be applied to mandating that guaranty agencies agree upon the use of standard forms, policies, and data requirements. The goals of these efforts are the same -- to simplify the system for students and their families

and to eliminate items that stand in the way of the delivery of efficient, reliable service to program beneficiaries.

Standardization will reduce the level of complexity for borrowers at the time of application, remove obstacles that prevent some loans from being combined into a single account, and allow lenders to take resources that are currently diverted into ensuring adherence to multiple guarantor policies and requirements and shift them into efforts to improve service to borrowers.

While we applaud the efforts of NCHelp to address the need for standardization, we are not convinced that all guarantors are as committed to this effort as the association's leadership. We believe that Congress should consider adopting incentives for those who use standard forms and subscribe to other standardization efforts, or should develop a set of penalties for those who do not join in these efforts.

Recommendation Three:

Technical Focus on Consolidation of Forms and Rules

The vast variety of forms used in the GSLP is a major cause of many borrower problems. Each form has associated rules. The greater the number of forms, the greater the number of rules for the student, and the school, the lender, or the guarantor. For the numerous people in the chain which links a student to the program, these forms and their rules have become a growing burden. To the

program participants, each new form and rule represents a new and usually significant training problem. If training programs are underfunded, or if travel funds to get to a training program are cut, the all-important critical knowledge to properly handle a student's question is lost.

Literally, the more forms, the more new program provisions, the more guarantor specific data elements on forms, the greater the ensuing confusion and possibility for incorrect information. The consequences of bad information about the program are often angry and frustrated borrowers. The remedy is to systematically eliminate program elements which have created the unmanageable number of forms and rules. Deferment and forbearance requirements are representative of the problem and indicative of the types of hard decisions faced in clearing the path for fewer rules and fewer forms.

Recommendation Four:

Streamline Deferments and Forbearances

One of the most important, yet highly complex facets of the GSLP is the entitlement of the borrower to deferment under certain conditions. These deferments provide borrowers with needed relief when, due sometimes to circumstances of their own choosing and at other times to circumstances not of their choosing, they cannot meet their student loan obligations. Currently, there are 13

separate categories of deferments available to GSLP borrowers. Eligibility for these deferments hinges on when the borrower secured his or her loan, the borrower's ability to identify that his or her circumstance may allow for deferment and make a formal request for deferment, and, importantly, the borrower's ability to understand the nature of the benefit and obtain all required certifications in a timely manner. This is not as easy as it sounds. The deferment form is second only to the need analysis form in its level of complexity and its ability to discourage people from exercising their rights to obtain benefits for which they would otherwise be entitled.

Compounding the bewildering array of deferments are the requirements that the U.S. Department of Education has imposed for certifying deferment eligibility. While current practice is bad enough, the Department has recently proposed to increase the levels of certification for these deferments and, thus, the complexity of the deferment process. The following are examples of the requirements proposed by the Department in its November 20, 1990 Notice of Proposed Rulemaking:

- o All borrowers would have to request deferments in writing, precluding lenders from providing deferment forms to borrowers in response to telephone requests.

- o Two separate signatures from school officials (the

registrar and the aid administrator) would be required for students seeking a deferment for half-time study, even if one office was able to confirm the student's enrollment and receipt of a GSLP loan for the period or the borrower certified that he or she had received a loan.

- o Disability deferments would be limited to six-month intervals, with a full round of new certifications required in order to renew the deferment; this would apply even if the borrower's doctor could certify that the disability would extend beyond six-months.
- o Requiring borrowers to document six employment searches before being eligible to begin a period of unemployment deferment, forcing most borrowers in this condition to become delinquent in payments until they have fulfilled the six attempt requirement.
- o Disallowing valid military orders or other documentation of military service as proof of the borrower's eligibility for deferment, only a Department-approved deferment form would be acceptable.

Mr. Chairman, we suggest that the current list of deferments can be substantially pared down to a crucial three or four and that

borrowers can in other cases have their individual circumstances accommodated through the use of subsidized and non-subsidized forbearances. On March 31, 1991, we took a look at the universe of Sallie Mae borrowers and found that of the 13 deferments for which borrowers are eligible, 91% of those in deferment status were either in-school, unemployed, or serving in an internship or residency program. In the absence of compelling evidence that GSLP deferments for military service, Peace Corps or Action volunteers, or members of the NOAA corps are significantly increasing recruitment into these groups, I would suggest that lenders can provide borrowers with the same level of benefit as the current deferment system by evaluating the financial condition of borrowers seeking relief and granting them such forbearance. The message to the borrower, whether or not engaged, in one of those services, would be simple: if you have trouble making your payments for whatever reason, contact your lender and you will be able to gain relief -- no irrelevant forms, no need to obtain layers and layers of certifications, no need to understand complex rules, just simple assistance in overcoming hard times.

Recommendation Five:

Permit Broader Application of Administrative Forbearance

Administrative forbearance, which could be initiated by the lender can help borrowers better cope with some of the complexity found in GSLP. Once possible application occurs at the time of

transfer of student loans from one eligible holder to another. Such transfers are more common today than ever before. The ability of lenders to sell loans in the secondary market is crucial to the formation of the capital necessary to meet the demand of parents and students for GSLF loans. As the largest purchaser of student loans, Sallie Mae takes extraordinary steps to ensure that borrowers are aware that their loan obligations have been transferred and that their repayment responsibilities remain unchanged. As part of a just-completed comprehensive review and revision of all its borrower correspondence, Sallie Mae has developed a new package of materials for borrowers whose loans we acquire. Among the items provided to borrowers at the time of the transfer of loans to Sallie Mae are:

- o A joint letter signed by an officer of Sallie Mae and the selling lender informing the borrower of the loan sale.
- o A detailed, "plain English", statement of their loan account, which includes detail on each loan in the account and requests borrowers to update the address and telephone information which Sallie Mae received from the prior holder.
- o A brochure designed to help borrowers understand who Sallie Mae is and why their loan was sold by the original lender.

Despite our best efforts, some borrowers still experience problems related to the transfer of their loans. Some of these problems are directly traceable to the effect of current collection rules for loans that are in repayment at the time of transfer. One example is the requirement that the receiving lender begin due diligence processing on a transferred loan within 15 days of its acquisition. This does not allow adequate time for the new holder to ascertain whether a borrower has made a payment to the prior holder that has not yet been forwarded. Sending delinquency notices to borrowers in this circumstance, though required due diligence, is frustrating to the borrower and builds ill-will between the lender and its new customer -- just the opposite of the desired relationship. To help avoid these types of situations, we have suggested to this Committee that lenders be permitted to place transferred loan accounts in an administrative forbearance -- a form of suspense -- for a brief period after transfer, until the status of the borrower's account is confirmed. A borrower could simply be advised of the forbearance without it involving the formal exchange of more paperwork between the borrower and the lender.

Use of an administrative forbearance would also help lenders avoid circumstances in which they otherwise might have to place borrowers in default for technical reasons unrelated to the borrower's refusal to pay. For example, an administrative

forbearance would assist borrowers through the confusion that results when they have loans of different types or loans which are eligible for different grace periods or deferments (such as in the situation I earlier described in regard to borrowers with both SLS and Stafford loans). Authorization to use such forbearance will enable lenders to bring all of a borrower's loans in line and smooth over the technical differences that are an increasing source of confusion for borrowers.

Recommendation Six:

Separate Systems of Need Analysis and Loan Application

The complexity and number of forms that students and parents must complete has been cited by several associations and members of this Committee as forming a major obstacle to the access of aspiring students to postsecondary education. While we are not experts in this end of the program, we endorse efforts to simplify the need analysis system and to merge the Pell Grant and Congressional Methodologies into a single system and to reduce the amount of data elements required to evaluate the financial condition of low-income families. Similarly, we applaud efforts to create a single form designed for determining need for all student aid.

We stop short, however, of encouraging efforts to combine the application for a GSLP loan with the financial aid application

form. Simplification in this important area should not go so far as to blur the distinctions between programs -- especially the crucial differences between grants and loans. Past efforts by this Committee, and by you, Mr. Chairman, to ensure that all of a borrower's rights and responsibilities are carefully disclosed to the borrower prior to the time the loan check is negotiated are being undermined by procedures that, in the name of simplification, disguise the loan element of the package. Borrowers need to understand, at the outset, that the loan portion of their aid package carries with it distinct obligations. The use of a separate application/promissory note for GSLP loans, which fully informs the borrower of the consequences of non-payment and of the characteristics of the type of loan being secured (e.g., interest rate, repayment term) is an important component of proper debt counseling.

Other Proposals

Elsewhere in this testimony, I suggested that different student and family educational credit needs could be achieved within a single loan program, albeit one which had different interest rates and some other contrasts. Without such an overriding single structure, the danger is that new needs will give rise to new programs. Such was the case ten years ago, when without any context to predict problems, the SLS and PLUS programs were conceived and implemented with rules and forms which differ

from the Stafford program. Without the suggested single program structure, we are now left with the task of inserting some program level specific "fixes". The following suggestions which were submitted to your Committee on April 8, 1991, are relevant to SLS, PLUS, or loan consolidation.

- o Clearing up confusion regarding the timing of disclosing repayment information to SLS and PLUS borrowers.
- o Instituting a one-time, 6-month grace period for borrowers who defer SLS loans while attending school.
- o Clarifying and extending the use of forbearances in order to help borrowers avoid unnecessary or "technical" loan defaults.
- o Allowing lenders to benefit SLS and PLUS borrowers by capitalizing interest less frequently than quarterly.
- o Enhancing the consolidation loan program by extending the repayment period for smaller balance consolidation loans, allowing borrowers to consolidate previously defaulted loans which are currently in good standing, permitting spouses to jointly consolidate their student loan indebtedness, and providing borrowers with a 180-day window to add loans to a consolidation loan package.

These measures, while largely technical in nature, can help to improve the workings of the current program to the ultimate benefit of the student consumer.

Conclusion

Sallie Mae's perspective clearly suggests that a multi-faceted approach to simplification is needed. Throughout the reauthorization process, we need to keep in mind that the incremental amount of new financial support required in the years immediately following 1992 is enormous. In particular, new support from education loans will be second only to the contribution from family and student resources. The student population to be served, has a different mix of requirements than the ones we attempted to meet one reauthorization ago. In retuning the existing programs, our efforts should preserve structures which continue to perform well and build from them directly when solving the problems of sectors now poorly served. Finally, quite apart from the statute and the regulations, the guaranteed loan program needs leadership. This requirement needs little budgetary funding. I know I speak for many in the industry who are today more hopeful on this score than we have been in many years. The initiatives Secretary Alexander has already begun in the Department are very encouraging, but an appropriate boost from the Congress may be helpful.

Thank you for this opportunity to appear before you today. I
would be happy to answer any questions.

Chairman FORD. Ms. Frohlicher?

Ms. FROHLICHER. Mr. Chairman, members of the subcommittee, I am Jean Frohlicher, Executive Director of the National Council of Higher Education Loan Programs, which is a trade association representing State and nonprofit guaranty agencies, secondary markets, commercial lenders, third-party services, Sallie Mae, collectors.

Essentially, if you view the student as the consumer of a guaranteed loan, my association is the provider side of the industry. We see a number of phases of the guaranteed loan program that are in need of simplification, some statutory, other regulatory and administrative.

Statutorily, I think that you could simplify the program in two major areas: Disclosures and disbursements.

In the disclosure area, it is very clear we want the students to know this is a loan. We want to make it very clear this isn't a grant. We want them to understand their rights and responsibilities.

However, in its zeal to ensure the students have adequate disclosure, it is our belief in some cases they are overdisclosed. They receive so much paper at so many points in the process, they cease to read any of it.

While we would want to continue to have the promissory note they sign to contain all the borrower rights and responsibility statements that it currently does, we believe at initial disbursement, the borrower should receive a very simplified disclosure.

He should be told the name of his lender, principal amount of his loan, what insurance or origination fees are charged on that loan, and whether those fees have been deducted from the principal amount of his loan.

Current law has 10 additional things that need to be disclosed at the time of the disbursement of each loan. Projections of his repayment obligations. Statements about what will happen to him if he doesn't pay. These are not relevant at the time he receives his first check. That disclosure at that point should be essentially to enforce upon him this is a loan, which must be repaid, and that message is lost in the disclosure that is currently required.

Before repayment commences at the time he leaves school, he then should get a repayment addendum and disclosure statement, discussing his repayment obligations and penalties for not repaying this loan.

And NCHELP has developed a disclosure form that should be made to all GSL participants to standardize that process.

As a result of accumulation over the years, culminating in the 1986 amendments, we now have 13 deferments which are available to students under the Stafford loan program. Many of them are totally unrelated to the borrower's ability to make payments on the loan.

They are statements of furtherance of social goals, rather than anything to do with his ability to repay. We would suggest that the student would be best served and best understand his deferment rights if they were limited to a basic three: In-school, unemployment, and temporary, total disability. The remainder from displaced homemakers to commissioned officers of NOAA to the other

kinds that are available are used very little by borrowers, but complicated forms, complicated disclosures, could easily be handled by lender forbearance, either subsidized or unsubsidized, but on an individual case-by-case basis.

I shared with staff copies of some of the standard forms that NCHELP has developed and had approved by the Department. Every form used must be approved by the U.S. Department of Education before it can be used. We have developed standardized forms.

I think the committee will see—for example, on a standard unemployment deferment form, because of the incremental way these things have been done because of budgetary pressures that have occurred at various times, the form doesn't just say, are you unemployed; it asks when you were given your loan, because you have different rules if you borrowed on or before this date, or after this date.

All of these things complicate the forms. Unfortunately—and here we get to the administrative side of this, the regulations that the Department—the notice of proposed regulations that the Department recently issued to implement the 1986 amendments goes in the direction of further complication for the student.

Deferments, which are now essentially self-certified, will require that the borrower get certified statements from various individuals in order to qualify for a deferment. A half-time student would have to get signatures of both the institutional registrar and financial aid registrar.

If a borrower had a total disability, he would have to get a physician certification every 6 months, even though the physician was willing to certify at the beginning of the deferment the disability could be expected to last 2 or 3 years.

To qualify for parental leave, a simple situation which could easily be handled by forbearance under—the borrower would have to provide a certification from the school he was attending. A self-certification about the situation that says the borrower, the spouse was pregnant or adopted a child, and it was not in school, certified not employed full-time, and a third certificate from the physician attesting to a pregnancy, birth or adoption.

Now, this may sound as if, since it is little used, it is little complicated, but this means every lender, every agency, must maintain computer systems to deal with this. This could be handled by forbearance. By the time someone gets all those certificates, he probably has exhausted his parental leave time anyhow.

Unemployment deferment, the Department's proposed regulations require the borrower to certify he is unemployed every 6 months, and as part of that certification, he must document six attempts to find work, including the name of the employer, the address of the employer, the telephone number of the employer, and name and title of the person he talked to at the potential employer site.

Simply, he cannot certify, yes, I am unemployed. These certification requirements, first of all, discourage people from taking deferments for which they are eligible. They make it burdensome enough, and the lender is unable to put a borrower into deferment unless he has all this paperwork so the borrower slides further and

further into delinquency and ultimately default, simply because the paperwork required is so massive.

Simplification would go a long way towards allowing those borrowers who have true need for deferment for repayment obligations to receive it and probably prevent a lot of default costs.

As part of the Federal student aid application that you were given this morning, the Council has been working very actively with the U.S. Department of Education to assure that all guaranty loan questions which are required will be part of that form for the 1992-1993 school year.

Here we come into a conflict of what Congressional desires are. It will make the form longer. It will make it more complicated. It will also provide the basic data necessary for a lender or guaranty agency to certify a loan will be part of the central process record, and you wouldn't have to ask the student to fill it all out again at a later date.

It will be available in the Federal free form. There will be a separate identifiable application. We want to distinguish the program from grants. We want to make sure the students know it is a loan. The law talks in terms of a separate application, and we contemplate there will still be one which will essentially collect the other pieces of data that we need for collections purposes.

References, driver's license numbers, the back end of the procedure which we will do.

Finally, on the standardization of forms, in February, our President and Board asked every committee in the organization to examine every publication within their jurisdiction, with an eye towards what could be standardized or what could be simplified.

And we are expecting a report this coming Sunday at the Board meeting from these committees on what areas of the program that could be standardized between lenders and services and guaranty agencies, and I am hopeful we will reduce the paperwork even more.

We have made a lot of strides within this program within the past decade or past 5 years. A number of guaranty agencies use combined application-promissory note, so there is only one set of papers the student has to sign.

Increasingly toward linkage of lenders and schools. Increased use of electronic fund transfer. Again, administratively and regulatorily, too often the Department of Education still is looking for a piece of paper to document the files for auditing purposes.

We look forward to working with the committee as the reauthorization progresses on other ways we can simplify things.

[The prepared statement of Jean Frohlicher follows.]

STATEMENT OF
JEAN S. FROHLICHER
EXECUTIVE DIRECTOR
NATIONAL COUNCIL OF
HIGHER EDUCATION LOAN PROGRAMS
before the
SUBCOMMITTEE ON POSTSECONDARY EDUCATION
COMMITTEE ON EDUCATION AND LABOR
U.S. HOUSE OF REPRESENTATIVES

May 14, 1991

Mr. Chairman and Members of the Subcommittee.

My name is Jean Frohlicher, and I am the Executive Director of the National Council of Higher Education Loan Programs (NCHELP). The Council is a trade association representing State and private nonprofit guaranty agencies, secondary markets, direct and commercial lenders, loan servicers, collectors, institutions of postsecondary education, and other organizations involved in the administration of the Guaranteed Student Loan Program. If the student is visualized as a consumer of a Guaranteed Loan, my organization represents the wide range of providers which make that loan available to him.

However, the typical borrower is usually unaware of the complexity behind the scenes of the Guaranteed Student Loan Program. He is advised of his eligibility for a loan by his institution's financial aid administrator. He signs the necessary application form, often combined with a promissory note for further simplification. He may or may not see the lender; he is undoubtedly unaware of the existence of the guaranty agency. The next thing the borrower knows, his check is at his institution, ready for disbursement to him at the appropriate time. Every program participant is striving to make the student's application process as simple as possible.

There are other phases of the GSL Program that are desperately in need of further simplification--some statutory and others regulatory and administrative.

Statutorily, the GSL Program needs simplification in two areas--disclosures and deferments. In its desire to assure that borrowers are aware of their loan obligations and potential levels of indebtedness, the Congress has mandated so many disclosures, of such a comprehensive nature, that the borrower can only become confused (if, indeed, he reads them at all.)

Simplification of Disclosures to the Borrower

NCHELP supports the simplification and strengthening of the student loan disclosure process according to the following guidelines:

- All promissory notes must include a statement of Borrower Rights and Responsibilities and a full description of program components and additional terms (as required by section 433.)
 - At the initial disbursement, the borrower shall receive a simplified disclosure stating:
 - the name of the lender;
 - the principal amount of the loan;
 - the amount of insurance and origination fees; and
 - whether these fees are being deducted from the proceeds of the loan.
- Current law requires 10 additional disclosures relating to repayment options and obligations. They are irrelevant to the borrower at the point of initial disbursement and often serve to confuse him. The purpose of disclosure at initial disbursement should be to convey the message to the borrower that he is receiving a loan which must be repaid, and this message is too often lost in the extensive disclosure currently required to be made.
- Before repayment commences, the borrower should receive a repayment addendum and disclosure statement containing specific information regarding his financial responsibilities, as currently required in section 433(b). NCHELP

has developed a common addendum and disclosure form which should be made available to all GSL participants.

Simplification of Deferments

Changes made by the Education Amendments of 1986 resulted in a total of 13 deferments for Stafford Loans. Many of these deferments are totally unrelated to the borrower's ability to repay the loan; rather, they seek to encourage social policy goals through suspension of a borrower's loan repayment obligation. Others are so rarely used that offering and administering them is expensive, time-consuming, and frequently of questionable value. Unfortunately, the panoply of deferment possibilities merely serves to confuse the typical borrower. Confronted with a wide range of options unrelated to his personal situation, the borrower too often fails to seek a deferment to which he is entitled until it is too late, and he is inextricably in the cycle of delinquency and default.

NCHELP urges the Committee to simplify deferments for all new borrowers to a basic three--

- in-school (full- and half-time),
- unemployment (for 2 years), and
- temporary, total disability (for 3 years).

Other situations could and should be handled by lender forbearance as a borrower's individual situation warranted.

Further simplification could be achieved if the Department of Education's regulations were changed to reduce significantly the paperwork attendant to each deferment. For example, under current regulations, a separate application for an in-school deferment must

be made by the borrower and certified by the postsecondary institution, even though the student's in-school status is regularly monitored by the guaranty agency as part of the Student Status Confirmation process. If a lender were able to rely on the anticipated graduation date, unless the SSC process indicated that the student had dropped out, a borrower would not have to file an additional form each year.

Unfortunately, the Department of Education's recent Notice of Proposed Rulemaking, designed to implement the 1986 Amendments, goes in the opposite direction:

- It would change the current self-certification process required of a half-time student to one requiring the signatures of both the institutional registrar and financial aid administrator.
- Similarly, it would require semi-annual certification by a physician of a borrower's temporary total disability.
- To qualify for parental leave, under the NPRM, the borrower would have to provide a certification from the school he was attending verifying such attendance, a self-certification concerning the particular situation (pregnancy of self or spouse or adoption, not in school, not employed full-time), and a physician's certificate attesting to the pregnancy, birth, or adoption. While this is a little-used deferment, all program participants must develop forms and computer programs to deal with it. It makes much more sense to eliminate the deferment and its cumbersome enforcement procedures, and to let a lender exercise forbearance for those individuals needing parental leave.

In its zeal to assure that no borrower receives a deferment for which he is not eligible, the Department's regulations require almost all communications to be in writing. A borrower may not receive a deferment by making a telephone call, and a lender must have a written agreement to grant a forbearance. Under the NPRM, an unemployed borrower must semiannually document six attempts to find work, including the name of the employer contacted, its address and telephone number, and the name and title of the person contacted.

Reduction of the "laundry list" of deferments to the basic three -- in-school, unemployment, and temporary total disability -- with clear Congressional intent that the Department of Education encourage administrative forbearance on the part of lenders when borrowers encounter other circumstances which impair their ability to repay their loans, would go far in simplifying the GSL Program and assuring that borrowers did not lapse into delinquency and default through confusion or inability to cope with a maze of paperwork.

Other Areas for Simplification

An NCHFP Task Force has been working actively with the Department of Education in the development of the Federal Application for Student Aid (AFSA) for academic year 1992-93. We are confident that all data elements necessary to process an application for a Guaranteed Student Loan will be included in the free Federal form and as part of the free portion of the forms of the Federal Multiple Data Entry processors. However, there will still be a separate, identifiable, application for a Guaranteed Student Loan, as required by section 483(a), primarily to collect data needed for collections purposes, such as references and driver's license number.

NCHELP does not believe that it is in the student's best interest to make loan information available too early in the process; a student should receive as much of his assistance as possible in the form of Pell Grant and campus-based aid before he should be required to borrow. However, if all GSL data elements are collected through MDE's and available through the Central Processor, guaranty agencies will be able to access those data directly for students who express interest in borrowing, and will not require potential borrowers to duplicate information already provided as part of their Pell Grant processing. This should significantly streamline the whole procedure by the 1992-93 academic year.

In February, the NCHELP Board of Directors asked each of its active Committees to analyze all of the forms and other communications which fell within their jurisdictions, with an eye to recommending which would benefit from standardization and simplification. The Committees are expected to make their reports at a Board meeting of May 19. I am hopeful that, as an organization, NCHELP can provide leadership in reducing paperwork and standardizing forms, to make the process run even more smoothly.

Conclusion

NCHELP strongly supports the Subcommittee's focus on making Federal student aid programs more responsive to the needs of students. We believe that the track record of the providers of Guaranteed Student Loans over the past few years reflects that commitment. Many guaranty agencies now use combined application/promissory notes. Guarantors, lenders, and schools are frequently linked electronically. Increasingly, electronic funds transfer is being used to speed delivery of loan funds to the campus.

Thank you for the opportunity to appear before the Subcommittee today. We look forward to working with the Subcommittee in the reauthorization of the Higher Education Act to make it responsive to the needs of the '90's.

I will be happy to answer any questions you might have.

Chairman FORD. Thank you.

Ms. Frohlicher, I have to keep reminding myself and the witnesses that we are talking about what the Act is going to look like from fiscal year 1994 forward, hopefully at least for 5 years. We are not talking about something that leaves us with no time for implementation, assuming the legislation gets passed by the end of this year.

How would you go about assuring that if we could clean a lot of these very specific kinds of requirements out of the legislation, that the geniuses at the Department of Education wouldn't reinvent them and more to go with them?

Ms. FROHLICHER. I think that part of our recommendation in the longer paper that we presented to the subcommittee would help in this. One of the suggestions that we make that we feel very strongly about, and I am sure you will hear about in subsequent hearings, is that we go to negotiated rule-making for at least the guaranteed student loan program, if not all Title IV programs.

Right now, in GSL, we are operating a \$10 to \$12 billion program on regulations issued in December of 1986, which implemented the Education Amendments of 1980. The Department issues a notice of proposed rule-making to implement the 1986 amendments last November, I believe.

I am frankly concerned the attention given to this and the pressure put on them to get regulations out will mean they will do just that, without listening to the outcry of the community about what was in that.

I think by going to a negotiated rule-making process, such as under Chapter 1, we can expedite it and provide for community input early into the decision-making process, and we can attempt to get some vehicles for community involvement in some of the rule-making and decision-making process that is not there right now.

The program is run primarily now through your colleague letters, which are unilaterally issued.

Chairman FORD. Counsel observes that it is an oxymoron to suggest you get more people from higher education involved to simplify anything. That is his question. How do you involve more people and make it simpler?

Ms. FROHLICHER. I think the involvement of people from lending and guaranty community brings a sense of what commercial standards are to a group of individuals within the Department who don't have this background.

Chairman FORD. I would just like to observe this application for Federal student aid should win some sort of a prize in the gobbledygook award, but even in using the colors and choice of language, it is one of the most intimidating things I have ever seen.

I don't remember anything from the service that was this intimidating to fill out. I would be kind of afraid of this thing. It starts out, be sure to read information on the Privacy Act and the use of your Social Security number.

Another bold, black warning with the word "warning," you must fill out this form accurately. The information which you supply can be checked by your college or U.S. Department of Education. You may be asked to provide U.S. income tax returns, the work sheets

in this booklet and other information; if you can't or don't provide these records, you may not get Federal aid. If you get Federal student aid based on incorrect information, you will have to pay it back.

You may also have to pay fines and fees. If you purposefully give false or misleading information on your application form, you may be fined \$10,000, receive a prison sentence or both.

What is missing here, it should say in bold red letters, if we haven't discouraged you by now, go on to the next section. The whole thing is full of stuff like that, which indicates people over there are of a mind-set not how you get the aid quickly and swiftly to people and make it reasonable to provide a portfolio of information that a lender or secondary market is going to need, but make sure you scare the bejeebies out of people for doing business with the Federal Government.

As I said to the previous panel, we are going to ask them to justify all of this.

Unfortunately, as I read through it, I can see a number of things in the legislation which would justify a reaction. Whether they necessarily justify the reaction evidenced in this document is something we will have to look at.

Unfortunately, with a good deal of what they are doing with lenders, they are responding to almost everybody who says we do too many things because of a handful of people. These deferments of a six-month grace period, for example, have become very complex as we expanded deferments.

Almost invariably, there is a concomitant mind-set that doesn't, for goodness sakes, make it possible for somebody to get something they are not entitled to. We waste, it seems to me, an awful lot of time and money, but I don't see how we can legislate without those concerns showing up as a condition of getting the legislation passed.

I was looking with interest at the forms that NCHELP has put forward. I notice in order to set a one-page form, you used type so small that I can't read it. That is one way to get everything on one page.

Ms. FROHLICHER. That was a model to send out to the guaranty agencies. It was assumed they would reset it in readable type.

Chairman FORD. If you put it in readable type, for me, it will be three pages. I guess that illustrates the problem we are kind of hung up on—and I tried to follow the directions here. I have to tell you that the explanation of the three-year period left me—I looked back to see if there was a part of the sentence I missed. Even with my years of working with these, I find them hard to follow.

If this is where we come to, we have to put some serious effort into simplification and anything you can do to help us—and don't design any more forms. Anything other than that you can do to help us to simplify it, we would appreciate it.

And I would say those same things to Mr. Hough. Your shop over there has always been a wellspring of good suggestions for us, but ought to be able to tell us how we can calm the passions of the bankers and the secondary markets out there, so they will go on with this program.

There is enough loading ground here to upset them. I don't have any questions of either of you that would contribute to this record.

Mr. Sawyer?

Mr. SAWYER. Mr. Chairman, if the standard is whether or not my question is going to contribute to the record, I shouldn't say anything at all. I am so tempted.

For the last several years, I have been looking for that nexus point where the force of demographic change and education trend lines come together, and I think I found a very special example here.

I have to admit, when I looked at that one-page form, I thought it was the warranty application and disclaimer for my wristwatch. I have found a use for the application for Federal student aid, Mr. Chairman. If we would include one of these in every Census form that we sent out and simply say, never mind, it would so simplify the completion of the Census form we would get 100 percent return.

I didn't think that was going to contribute to the record, so I yield back the balance of my time.

Chairman FORD. For those who don't know it, Mr. Sawyer is the chairman of the subcommittee that has been laboring long and hard to produce a Census which all the wise guys are saying didn't count the people. I saw on television this weekend after all your efforts, the spokespersons for the homeless said it was a waste of time, and we didn't count them, anyhow. Every time I see something on the Census, I feel sorry for you Tom and the tremendous effort you put into it.

Tom?

Mr. COLEMAN. I notice Mr. Hough mentioned in his testimony—I am not sure if I saw it in yours, Jean, or not, how we might approach the middle-income access issue. Our proposal to present home equity, all or some? And what kind of limitations, parameters, gaps, either on the asset or income. Also, I would assume farming interest, simply stated. Any suggestions along those lines on how you would approach that?

Mr. HOUGH. The comments I had this morning were on simplification. The prologue was to point out we do have a problem of anticipating what the new loan program initiatives might be as we look at the different profile of students.

Certainly, the middle-income family, in addressing the need for resources as those needs are escalating, is a particular problem.

We looked at Sallie Mae, at the middle-income need, and find it not only large, but the element of overall profile of Stafford borrowers that is missing today. When the taxpayer reads about the Stafford loan program in contrast to the program of a decade ago, they are looking at the same kinds of data with escalations in the negative sense.

In keeping with a couple of my recommendations, I think we need to stretch the Stafford loan program, not create a new program. And that gives us tremendous benefits. It lines up deferment forms and grave periods.

If we stay with the Stafford program, keep the basic set of rules in place, that ought to be the starting point. We have enormous fiscal constraints through the budget mechanism, so at least as I

see it, the middle-income program is not a program with subsidies that are as broad as has been the case in the Stafford program.

You then need to consider carefully the interest subsidy, which is the largest, and see if there isn't a way to collect or defer interest on middle-income family students, and in doing so, do not burden the program with even more complexity to achieve the budgetary objective.

I think all that can be done. The Stafford program is the most sound of the three generically. We just have to eliminate the tendency to place dates on eligibility for this new element or that new element. That has been a burden in the past, where we have effective dates that change rules and create multiple categories of loans.

Some have a benefit and some don't. A student may have two or three loans, each with different sets of benefits. So, again, if I could summarize, use the Stafford program, address the issue of cost early on so that doesn't come along later.

And I think the course may be somewhat easier than what others might suggest.

Ms. FROHLICHER. I didn't discuss that, because I was told to limit it to simplification. I was very pleased to see Mr. Hough has endorsed the proposal the Council has put forward to the committee, which would be in essence to—as he would put it—stretch Stafford to create an unsubsidized Stafford loan for any student who does not qualify under whatever needs analysis for the needs for Stafford loan is in place for the remainder of the nineties.

This could be done on the same application so that if a student were—had a Stafford eligibility for \$3,000 or \$4,000, of which the needs analysis showed he was eligible for \$2,000 subsidized, he could get the other \$2,000 on an unsubsidized basis, and simply could receive a \$4,000 loan, which the Federal Government would subsidize part.

We feel there is a tremendous demand for this program. The people—I always felt it was *deja vu* all over again, people starting to talk about by-passes for people with adjusted gross incomes of under \$30,000. That was where we were in 1986. The imposition of needs analysis in the 1986 amendments is, as Mr. Hough said, changed the characteristics of GSL borrower dramatically, and has eliminated from GSL eligibility a large portion of those prior subsidized borrowers into the \$20 to \$30,000 adjusted income range who, under the old law, were presumed to have need.

We would like to build those people back in through an unsubsidized structure with a 5 percent reinsurance premium, rather than origination fee. The 5 percent should more than cover any kind of special allowance or default costs that would be engendered by the middle-income program.

It would be essentially, as far as we can see, non-budget hide-away. We are building a model to demonstrate that.

Chairman FORD. Thank you.

Mr. Hough, you put your finger on how we chase our tail around here. As we have gone along and said, well, if you go in the Peace Corps, we will give you some deferment. If you are unemployed, we will give you some deferment. We have been told by the lenders that we can't do anything to change the terms and conditions of existing indebtedness, that we can't provide a new form of relief

for somebody who already has a debt under an existing document, a contract for the loan.

And that is the reason why every one of these changes has been made prospective and why probably, if there are any changes in this reauthorization, I would be surprised if there weren't, they will be made prospective, so as not to interfere with any pre-existing contractual relationship.

You have one more set of trigger dates. Counsel reminds me when we were doing this, we are responding to the financial institution saying it would be too complicated and too complex to administer these programs if we couldn't treat the three loans you mentioned that a student has differently. They believe it would be too complicated to treat them all the same.

If there is somebody out there that can figure out how we can clear up the present problem, and any future problems created by changes we make this year by ignoring their plea for simplicity and just giving them a complicated problem dealing with the whole package of loans as if they had all been made at the same time, we would like to do that.

I guess there are two problems: Whether the bankers and others would sit still for it; and, two, whether it is legal for us to interfere with an already existing contract.

So, it isn't easy to make things easy.

Mr. HOUGH. Mr. Chairman, there—is there is a blessing of sorts—and I am not sure it is a blessing, there are a lot fewer people in the first category to process than there were 6 years ago. There is a tremendous concentration in processing today that didn't exist 6 years ago.

While all that you have said is well taken, I think there is—as I indicated, fewer players to coalesce, and I also think there is renewed appreciation for where our past practices have brought us, and there may be far more flexibility and willingness to confront some of those difficult issues.

Notwithstanding that, we do have the problems of prior contracts, and I am not an expert in that area. Hopefully, if you are not taking away a right, the prior contract problem can be melded in more easily.

Chairman FORD. It depends on who you are taking it away from. You give me the right not to make a payment, because I adopted a child, you are taking from the lender something, aren't you?

Mr. HOUGH. I think you are taking away from the consumer, not the lender, unless I missed your example.

Chairman FORD. No. One of the many things we did was say, you don't go into default if the reason you drop out of school is to have a child or adopt a child. And that thereby changes the repayment schedule for your loan. To the extent we stretch out or put off the repayment—beginning of the repayment, we are taking something from the lender, aren't we?

Mr. HOUGH. Not really. The way that provision works today, and the way we would choose to amend it would provide a benefit to the consumer and merely defer the receipt of the income on a cash basis to the lender.

It would not permanently affect that lender's view of the loan. I believe that I just said would be accurately reflected.

Chairman FORD. Assume for a moment we reach a stage where we begin to proceed with the slicked-up, modernized version of the Stafford loan, and by that stage resisted the siren song of the more dramatic alternatives.

Who would we look to in the financial community to tell us how to write the parameters of the rules? The rules would be written by the Department, for the future, so if we continued Stafford on into the future, we could do so without the impediments of the mistakes we have been making for decades in the past.

Who can give us that kind of advice?

Mr. HOUGH. At the risk of being overly optimistic, one of the things I mentioned this morning early on is the need for leadership at the Department. This is a Federal program. Almost every penny that I have ever identified that comes into this program comes either from the student or Federal Government.

To begin with, we need to get the attention of a higher level of the Department in looking at how this loan program is adjusted. And I mean a higher level. My comments this morning cited the Under Secretary. Although I reject the notion sort of superficially, a committee at the Under Secretary's level that looked at simplification and anticipated some of the problems you are talking about would be critical.

To that group, I would add representatives from CDA and secondary markets and make either a modest committee in size, but I think it could make a considerable amount of progress. It won't make progress if, in fashioning those recommendations, we don't allow commitment at the senior level to eliminate or reduce the probability we will end up 7 years from now waiting for the regulations attendant to this reauthorization.

This, I don't think enjoys the commitment of senior levels at the Department. At the risk of creating a committee which, as I indicated, is not a good solution, it is the only way I could see to raise this level to the level of attention it deserves. It is the biggest source of financial aid flowing out of the Federal Government into the community as a whole.

It needs to be understood as such.

Chairman FORD. Well, the Secretary has indicated to us one of the reasons he brought this high-powered business background talent on board was precisely to look at these programs, particularly the student loan program, like a businessmen and figure out how to operate it in a more businesslike way.

I had specific discussions with the Secretary, reminding him the Carter Administration was the first one who told us they were doing that, and they brought in a fellow from New York that discovered almost immediately there wasn't anything to work with because nobody had been serious at collecting student loans. He whacked away and we ended up with a whole bunch of loan collectors.

Then we got a new President, who wanted economy by reducing Federal employees, and the first thing we did was fire 200 loan collectors. We have been up and down the street with how much business we are going to apply in operating the program.

I am optimistic that this Secretary means it. I believe he has Mr. Carnes in mind. If you have a committee, maybe we can facilitate a

meeting, and if you let us participate to the extent of being observers, it might be helpful.

Mr. Payne?

Mr. PAYNE. Thank you, Mr. Chairman.

Let me apologize, as it seems like most of us from time to time have to open our remarks with an apology. It is not the best way to start, but it is common practicing because of the scheduling. I am very sorry I was unable to hear the witnesses here.

Let me commend you for calling this hearing on simplification of the financial need analysis and delivery system. We know everyone is interested in increasing access to postsecondary education. However, currently, the complexity of the process, especially for low-income and disadvantaged students still prevail.

Perhaps we can work together towards the simplification of the application requirements, extending the income gap for eligibility, under simplified need analysis and streamlining the reapplication.

So, I certainly look forward to reading the testimony of the witnesses and hopefully, we will be able to come up with some new approaches to making the process simpler. Thank you very much, Mr. Chairman.

Chairman FORD. Mr. Hayes?

Mr. HAYES. Thank you, Mr. Chairman.

Let me say ditto to what my colleague, Mr. Payne, has already said. Congressman Payne, I just landed in here from Chicago a few minutes ago, and came directly here.

Chairman FORD. Thank you very much for your assistance to the committee. We look forward to meeting with your committee at some time in the future.

The subcommittee is adjourned.

[Whereupon, at 12:35 p.m., the subcommittee was adjourned.]

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