ED 104 189 HE 006 295

TITLE	Basic Opportunity Grants Family Contribution Schedule-1975-76. Hearings Before the Special Subcommittee on Education of the Committee on Education and Labor, House of Representatives, Ninety-Third Congress, Second Session on H. Res. 1396.
INSTITUTION	Congress of the U.S., Washington, D.C. House Committee on Education and Labor.
PUB DATE	74
NOTE	111p.
EDRS PRICE	MF-$0.76 HC-$5.70 PLUS POSTAGE
DESCRIPTORS	College Students; Educational Finance; Family Income; *Federal Aid; Federal Legislation; Federal Programs; *Grants; *Higher Education; *Student Costs; Tuition; *Tuition Grants
IDENTIFIERS	*Basic Opportunity Grant; BOG

ABSTRACT

Statements, tables, and letters relating to the (Basic Opportunity Grant) program provide materials pertaining to eligibility status and income range, net assets by total income, average family contribution by total income, home equity for all qualified dependent applicants, and family size allowance. (MJM)

BASIC OPPORTUNITY GRANTS FAMILY CONTRIBUTION SCHEDULE—1975-76

HEARINGS

BEFORE THE

SPECIAL SUBCOMMITTEE ON EDUCATION

OF THE

COMMITTEE ON EDUCATION AND LABOR HOUSE OF REPRESENTATIVES

NINETY-THIRD CONGRESS

SECOND SESSION

ON

H. Res. 1396

RESOLUTION ON BASIC OPPORTUNITY GRANTS
(FAMILY CONTRIBUTION SCHEDULE)

HEARINGS HELD IN WASHINGTON, D.C.,
SEPTEMBER 30, OCTOBER 2, AND NOVEMBER 19, 1974

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

U.S. GOVERNMENT PRINTING OFFICE
42-782 WASHINGTON : 1974

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BASIC EDUCATIONAL OPPORTUNITY GRANTS—FAMILY CONTRIBUTION SCHEDULE, 1975-76

MONDAY, SEPTEMBER 30, 1974

HOUSE OF REPRESENTATIVES,
SPECIAL SUBCOMMITTEE ON EDUCATION
OF THE COMMITTEE ON EDUCATION AND LABOR.
Washington, D.C.

The special subcommittee met at 9:35 a.m., pursuant to notice, in room 2261, Rayburn House Office Building, Hon. James G. O'Hara (chairman) presiding.

Present: Representative O'Hara.

Present also: Jim Harrison, staff director; Webster Buell, counsel; Elnora Teets, clerk; Bonnie Stricklin, assistant clerk; and Robert C. Andringa, minority staff director.

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

Today the subcommittee will begin its consideration of House Resolution 1396, a resolution which I introduced on Thursday last week, disapproving the proposed family contribution schedule under the basic grant programs.

[The text of H. Res. 1396, the bill under consideration, is as follows:]

[H. RES. 1396, 93d Cong., 2d sess.]

Resolved, That the House of Representatives, in the exercise of its authority under section 411(a)(3)(A) of the Higher Education Act of 1965, as amended, disapproves of the proposed family contribution schedule and regulations submitted to the House on July 3, 1974, and as modified on September 23, 1974, by the Commissioner of Education.

Mr. O'HARA. The proposed schedule for 1975-76 was submitted to the Congress in its completed form on September 23 by letter from Commissioner Bell to me. The letter contained modifications which the Office of Education proposes to apply to the current year's schedule which was printed in the Federal Register on July 2 for public accounting.

I am happy to have this proposed schedule, and I ask unanimous consent; and without objection, the proposed schedule and correspondence regarding it will be printed at this point in the record.

[The documents referred to follow:]

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

Office of Education

[45 CFR Part 190]

BASIC EDUCATIONAL OPPORTUNITY GRANT PROGRAM

Expected Family Contribution for 1975-1976 Academic Year

Pursuant to the authority contained in the subpart 1 of part A of Title IV of the Higher Education Act of 1965 as amended (20 U.S.C. 1070a) notice is hereby given that the Commissioner of Education, with the approval of the Secretary of Health, Education, and Welfare, proposes to issue the following regulations as an amendment to 45 CFR Part 190, covering the basis for determining the expected family contribution of both dependent and independent students for academic year 1975-76. The regulations appear below in their entirety.

These regulations are being submitted for public comment and review by both Houses of Congress in advance of the February 1 deadline specified in section 411(a) of the Higher Education Act of 1965 as amended (20 U.S.C. 1070(a)) so that review of the Schedules may be completed earlier than May 1, which is the date listed in the statute.

It is the opinion of the Commissioner that the May 1 deadline for Congressional action does not permit students, parents, and educational institutions sufficient time to make effective decisions concerning the packaging of student financial aid resources. This opinion is also shared by the House Special Subcommittee on Education, and legislation has been introduced which, if adopted would require that the Commissioner submit the Family Contribution Schedules, to be used for Fiscal Year 1976, no later than July 1, 1974, and would give the Congress until October 1, 1974, to review the proposed Schedules. Although this legislation has not yet been enacted into law, the Commissioner has testified in support of it and is submitting the Family Contribution Schedules at this time.

The Schedules submitted for use in academic year 1975-76 are identical to those in use during academic year 1974-75. It is realized that changes in the Family Contribution Schedules will need to be considered as comments are received by the Office of Education on the basis of experience gained regarding the effect of the Schedules during academic year 1974-75.

Interested persons are invited to submit written comments, suggestions, or objections regarding the proposed rules to Mr. Peter K. U. Voigt, Director, Division of Basic Grants, U.S. Office of Education, Room 5678, ROB-3, 400 Maryland Avenue, SW, Washington, D.C. 20202. All relevant material received on or before September 3, 1974, will be considered. Comments received will be available for public inspection at the above office Monday through Friday between 8 a.m. and 4:30 p.m.

(Catalogue of Federal Domestic Assistance Program Number 13.539, Basic Educational Opportunity Grant Program)

Dated: June 18, 1974.

PETER P. MUIRHEAD,
Acting U.S. Commissioner of Education.

Approved: June 26, 1974.

CASPAR W. WEINBERGER,
Secretary of Health, Education, and Welfare.

It is proposed to amend Subparts C and D of 45 CFR Part 190 to read as set forth below.

Subpart C—Expected Family Contribution for Dependent Students

Sec.	
190.31	Indicators of financial strength.
190.32	Special definitions.
190.33	The expected family contribution for dependent students from parents' income.
190.34	Computation of expected contribution from the students effective income.
190.35	Computation of standard expected contribution from parents' assets.

Subpart C—Expected Family Contribution for Dependent Students

§ 190.31 Indicators of financial strength.

"Expected family contribution" with respect to each dependent student means the amount which the family of that student may reasonably be expected to contribute toward the cost of his education for an academic year. Each of the following elements of financial strength will be considered in determining the family contribution for dependent students:

(a) The amount of the effective income of the student.

(b) The amount of the effective income of the student's parent(s).

(c) The number of dependents of the student's parent(s).

(d) The number of dependents of the student's parent(s) who are in attendance, on at least a half-time basis, in a program of postsecondary education.

(e) The amount of assets of the student.

(f) The amount of assets of the student's parent(s).

(g) Unusual expenses of the student and the unusual expenses of the student's parent(s). Such unusual expenses shall be limited to medical and dental expenses and expenses arising from catastrophe.

(h) The additional expenses incurred in providing an income when two parents are employed or when a family is headed by a single parent.
(20 U.S.C. 1070(a)(3)(B)(ii))

§ 190.32 Special definitions.

For purposes of this subpart:

(a)(1) "Annual adjusted family income" for any base year means the sum of the following: Adjusted gross income as defined in section 62 of the Internal Revenue Code of the student's parents, whether or not the parents file an income tax return. Investment income of the student's parents upon which no Federal income tax is required to be paid such as interest on municipal and State bonds, other income of the parents upon which no Federal income tax is required to be paid such as child support payments, income of the parents received under income maintenance programs including welfare benefits, social security benefits paid to the student's parents except those educational benefits paid on account of the student or other members of the student's family, and Veteran's benefits paid to the student's parents except those educational benefits paid on account of the student or other members of the student's family under Chapter 35 of Title 38 of the United States Code.

(2) In the case of the student whose parents are divorced, or are separated and file separate returns for Federal income tax purposes, only the income as described in subparagraph (1) of paragraph (a) of this section of the parent who provides more than one-half of the student's support for the base year shall be considered in determining the annual adjusted family income. If no parent provides more than one-half of the support of the student, only the income as described in subparagraph (1) of paragraph (a) of this section of the parent who provides the greater amount of that student's financial support in the base year shall be considered in determining the annual adjusted family income.

(3) In the case of the student whose parents are married, and not separated and file separate returns for Federal income tax purposes, the income as described in subparagraph (1) of paragraph (a) of this section of both parents shall be combined to determine the annual adjusted family income for that student.

(b) "Assets" means cash on hand including amounts in checking accounts, savings accounts and trusts, the current market value at the time of application of stocks, bonds, any other securities, real estate, home (if owned), income producing property, business equipment and business inventory which are held by the student's parents and by the student.

(c) "Base year" means the tax year for which information is requested by the Commissioner for the purpose of determining family income.

(d) "Dependent student" means any student who does not qualify as an independent student as defined in § 100.42(a).

(e) "Effective income of the student" means any amount paid to or on account of, the student under the Social Security Act which would not be paid if he were not a student, i.e., under section 202(d) of title II of the Social Security Act, 42 U.S.C. 402(d), and one-half of any amount paid the student under chapter 34 of title 38, United States Cod (Veterans Educational Assistance—38 U.S.C. 1651 et seq.) and chapter 35 of title 38, United States Code, War Orphans' and Widows' Education Assistance—38 U.S.C. 1700 et seq.). The amount of the effective income of the student is the amount to be received during the academic year for which Basic Grant assistance is requested.

(20 U.S.C. 1070a(a)(3)(B)(iii))

(f) "Effective family income" of a student's parents means the annual adjusted family income received for the base year minus the Federal income tax paid or payable with respect to such income during the base year.

(20 U.S.C. 1070a(a)(3)(B)(iii))

(g) "Employment expenses offset" means an allowance to meet expenses relating to employment where both parents are employed or where one parent qualifies as a surviving spouse or as head of a household under section 2 of the Internal Revenue Code.

(h) "Expenses arising from catastrophe" means those types and amounts of casualty losses which may be deducted under section 165(c)(3) of the Internal Revenue Code which were incurred during the base year by the student, the parents of the student and the parents' dependents.

(20 U.S.C. 1070a(a)(3)(B)(ii)(V))

(i) "Family size offset" means an allowance to meet subsistence expenses, including food, shelter, clothing, and other basic needs of a family. For purposes of this part the "Weighted Average Threshold at the Low Income Level," as developed by the Social Security Administration shall be used as a basis to determine the amount for the family size offset.

(j) "Federal income tax" means the tax on income paid to the U.S. Government under chapter 2 of the Internal Revenue Code and the tax on income paid to the Governments of Puerto Rico, Guam, American Samoa, the Virgin Islands, and the Trust Territory of the Pacific Islands under the laws applicable to those jurisdictions.

(20 U.S.C. 1070a(a)(3)(B)(iii))

(k) "Medical expenses" means those types of medical and dental expenses, except premiums for medical insurance, that may be deducted under section 213 of the Internal Revenue Code which were incurred during the base year by the student, the parents of the student and the parents' dependents.

(l) "Net assets" means the current market value of the assets included in paragraph (b) of this section, minus the outstanding liabilities (indebtedness) against such assets at the time of application.

(m) "Parent" means the mother or father of the student, unless any other person, except the student's spouse, provides more than one-half of the student's support and claims or is eligible to claim the student as an exemption for Federal income tax purposes for the base year, in which case such person shall be considered the parent.

(n) "Student's parents' dependents" means any of the following persons for whom the parents provide or will provide during the calendar year in which the student applies to have his expected family contribution determined more than one half of support: (1) Any other children of the student's parents; (2) any other persons related to the student's parents by blood or marriage; or (3) any person living with the parents.

(20 U.S.C. 1070a(a)(3)(B) unless otherwise noted)

§ 190.33 The expected family contribution for dependent students from parents' income.

The expected family contribution for dependent students from parent's income for each grant shall be an amount determined in the following manner:

(a) Determine the effective family income of the student's parents.

(b) Add to the amount determined in paragraph (a) of this section the effective income of the student attributable to the dependents of the student who is a veteran.

(c) Determine discretionary income by deducting from the amount calculated in paragraph (b) of this section the following:

(1) *Family size offset.* A family size offset is the amount specified in the following table. Family size includes the student, the student's parents and the student's parents' dependents. If the parents are divorced or separated, family size shall include the student and any parent whose income is taken into account for the purpose of computing the annual adjusted family income and that parent's dependents.

Family size offsets

Family sizes:	*Dollar (amount)*
2	3050
3	3050
4	4050
5	5500
6	6200
7	6800
8	7600
9	8900
10	9000
11	9700
12	10400

(2) *Unusual expenses.* The amount by which the sum of medical and dental expenses and losses resulting from catastrophes incurred in the base year and not compensated by insurance exceeds 20 percent of effective family income. Unusual expenses may be deducted if they were incurred by the student, the student's parents or the student's parents' dependent.

(3) *Employment expense offset.* An employment expense offset in an amount equal to 50 percent of the adjusted gross income earned in the base year by the parent earning the lesser income if both parents are employed, or 50 percent of the adjusted gross income earned in the base year of a parent qualifying as surviving spouse or as head of household as defined in section 2 of the Internal Revenue Code, but in no case shall such an offset exceed $1,500. The expense may be claimed only if the income of both parents or the income of the surviving spouse or head of household is taken into account for the purposes of computing the annual adjusted family income.

(d) To determine the expected family contribution from parental income the following rates shall be applied to discretionary income:

$0	(No contribution expected).
$1 to 4,999	20 percent of Discretionary Income.
$5,000 or more	$1,000 plus 30 percent of Discretionary Income in excess of 5,000.

(20 U.S.C. 1070(a)(3)(B))

§ 190.34 Computation of expected contribution from the student's effective income.

(a) Except as provided for in paragraph (b) of this section the expected family contribution shall include 100 percent of the student's effective income for the academic year for which aid is requested: *Provided*, That, that portion of effective income of the student attributable to the dependent of a veteran shall instead be included as a part of the discretionary income of the student's parents.

(b)(1) The contribution from the student's effective income calculated in paragraph (a) of this section shall be reduced by the amount of negative discretionary income as defined in subparagraph (2) of paragraph (b) of this section.

(2) The amount of negative discretionary income is the amount by which the sum of deductions for offsets and expenses set forth in § 190.33(c)(1) through § 190.33(c)(3) exceeds the amount of family income determined in § 190.33(b). (20 U.S.C. 1070a(a)(3)(B))

§ 190.35 Computation of standard expected contribution from parents' assets.

(a) Except as provided for in paragraph (b) of this section, the expected contribution from parental assets shall be an amount determined in the following manner:

(1) Determine the net assets owned by the parents.

(2) Deduct an asset reserve of $7500 from net assets as determined in subparagraph (1) of paragraph (a) of this section.

(3) The contribution from parental assets shall be an amount equal to 5 percent of the remainder obtained in subparagraph (2) of paragraph (a) of this section.

(b) Where the calculations required by § 190.33(c) produce an amount of negative discretionary income as defined in § 190.34(b)(2), the expected contribution from parents' assets, calculated in subparagraph (3) of paragraph (a) of this section, shall be reduced by the amount of such negative discretionary income except to the extent that pursuant to § 190.34(b)(1) such income was used to offset the expected contribution from the student's effective income.

(c) If the student's parents are divorced or separated only the assets of the parent whose income is taken into account for the purpose of computing annual adjusted family income shall be considered.

(20 U.S.C. 1070a(a)(3)(B).)

§ 190.36 Computation for expected contribution from parents' income and assets, adjusted for number of family members attending institutions of postsecondary education.

(a) For each grant the amount expected from parents' income as determined in § 190.33 shall be added to the amount expected from parents' assets as determined in § 190.35.

(b) For each grant the combined expectation calculated on the basis of the above formula shall be further adjusted in the following manner to take into consideration the number of family members who will be in attendance, on at least a half-time basis, in programs of postsecondary education during the academic year for which basic grant assistance is required:

Number of family members attending postsecondary education:	*Expected contribution from combined contribution per student*
1	100 percent of contribution from the amount determined in paragraph (a) of this section.
2	70 percent of contribution from the amount determined in in paragraph (a) of this section.
3	50 percent of contribution from the amount determined in paragraph (a) of this section.
4 or more	40 percent of contribution from the amount determined in paragraph (a) of this section.

Family members include the student, the student's parents and the student's parents' dependents. When the student's parents are divorced or separated and are filing separate returns for Federal income tax purposes, family members shall include the student and any parent whose income is taken into account for the purpose of computing annual adjusted family income and that parents' dependents.

§ 190.37 Computation of expected contribution from student's assets.

(20 U.S.C. 1070a(a)(3)(B))

For each grant the contribution from the student's assets shall be an amount equal to 33 per centum of his net assets as defined in § 190.32(1).

(20 U.S.C. 1070a(a)(3)(B))

§ 109.38 Computation of the total expected family contribution.

For each grant the total expected family contribution shall be the sum of:

(a) The expected contribution from the student's effective income as determined in § 190.34.

(b) The expected contribution from parents' discretionary income and parents' assets as determined in § 190.36.

(c) The expected contribution from the student's assets as determined in § 190.37

Subpart D—Expected Family Contribution for Independent Students

Sec.	
190.41	Indicators of financial strength.
190.42	Special definitions.
190.43	The expected family contribution for independent students from annual adjusted family income.
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190.45 Computation of expected contribution from the assets of the independent student and his or her spouse.
190.46 Computation for expected contribution from income and assets, adjusted for number of family members attending institutions of post-secondary education.
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Subpart D—Expected Family Contribution for Independent Students

§ 190.41 Indicators of financial strength.

"Expected Family Contribution" with respect to each independent student means the amount which that student, and his or her spouse, if any, may reasonably be expected to contribute toward the cost of his or her education for an academic year. Each of the following elements of financial strength will be considered in determining the family contribution for independent students:

(a) The amount of effective income of the independent student.

(b) The amount of annual adjusted family income of the independent student and the independent student's spouse.

(c) The number of persons whom the independent student can claim as an exemption.

(d) The number of dependents of the independent student who in addition to the student will be in attendance, on at least a half-time basis, in a program of postsecondary education.

(e) The amount of the assets of the independent student and his or her spouse.

(f) The unusual expenses of the independent student, and his or their dependents. Such unusual expenses shall be limited to medical and dental expenses and expenses arising from catastrophe.

(g) The additional expenses incurred in providing an income where both the independent student and his spouse are employed or where the independent student qualifies as a surviving spouse or as head of a household under section 2 of the Internal Revenue Code.

(20 U.S.C. 1070a(a)(3)(C))

§ 190.42 Special definitions.

For the purposes of this subpart:

(a) "Independent Student" means a student who:

(1) Has not and will not be claimed as an exemption for Federal income tax purposes by any person except his or her spouse for the calendar year(s) in which aid is received and the calendar year prior to the academic year for which aid is requested.

(2) Has not received and will not receive financial assistance of more than $600 from his or her parent(s) in the calendar year(s) in which aid is received and the calendar year prior to the academic year for which aid is requested, and

(3) Has not lived or will not live for more than 2 consecutive weeks in the home of a parent during the calendar year in which aid is received and the calendar year prior to the academic year for which aid is requested.

(b)(1) "Annual Adjusted Family Income" for any base year means the sum of the following: Adjusted gross income as defined in section 62 of the Internal Revenue Code of the student and the student's spouse, whether or not the student or the student's spouse files an income tax return, investment income upon which no Federal income tax is required to be paid such as interest on municipal and State bonds, other income of the student and the student's spouse upon which no Federal income tax is required to be paid such as child support payments, income of the student and the student's spouse received under income maintenance programs including welfare benefits, social security benefits except those benefits paid to or on account of the student included in paragraph (f) of this section, and veteran's benefits except those veteran's benefits paid to the independent student under chapters 34 and 35 of title 38 of the United States Code.

(2) In the case of the student who is divorced, or is separated only the student's own income shall be considered in determining the annual adjusted family income.

(3) In the case where the student and his spouse are married and not separated but file separate returns for Federal income tax purposes, the income as described in subparagraph (1) of paragraph (b) of this section of both the applicant and spouse shall be combined to determine the annual adjusted family income for that student.

(c) "Assets" means cash on hand including amounts in checking accounts, savings accounts and trusts, the current market value at the time of application of stocks, bonds, and other securities, real estate, home (if owned), income producing property, business equipment and business inventory which are held by the independent student and/or his spouse.

(d) "Base year" means the tax year for which information is requested by the Commissioner for the purpose of determining family income.

(e) "Dependent" means the independent student's spouse and any of the following persons for whom the student or his spouse provides or will provide during the calendar year in which the student applies to have his expected family contribution determined more than one-half of support:

(1) Any children of the student or his spouse; (2) any other persons related to the student or his spouse by blood or marriage; or (3) any person living with the student and his spouse.

(f) The "effective income of the student" means any amount paid to, or on account of, the student under the Social Security Act which would not be paid if he were not a student; i.e., under section 202(d) of title II of the Social Security Act, 42 U.S.C. 402(d), and one-half of any amount paid the student under chapter 34 of title 38, United States Code (Veterans Educational Assistance—38 U.S.C. 1651 et seq.) and chapter 35 of title 38, United States Code (War Orphans' and Widows' Education Assistance—38 U.S.C. 1700 et seq.). The amount of the effective income of the student is the amount to be received during the academic year for which basic grant assistance is requested.

(g) "Effective family income" means the annual adjusted family income received during the base year minus the Federal income tax paid or payable with respect to such income.

(h) "Employment expense offset" means an allowance to meet expenses relating to employment where both the independent student and his or her spouse are employed or where the independent student qualifies as a surviving spouse or as head of a household under section 2 of the Internal Revenue Code.

(i) "Expenses arising from catastrophe" means those types and amounts of casualty losses which may be deducted under section 165(c)(3) of the Internal Revenue Code which were incurred by the independent student and his dependents during the base year.

(j) "Family size offset" means an allowance to meet subsistence expenses, including food, shelter, clothing, and other basic needs of the independent student and his dependents. For purposes of this part the "Weighted Average Thresholds at the Low Income Level," as developed by the Social Security Administration, shall be used as a basis to determine the amount for the family size offset except in the case of a single independent student, where an amount estimated to be equal to living expenses during periods of nonenrollment shall be utilized.

(k) "Federal income tax" means the tax on income paid to the U.S. Government under chapter 2 of the Internal Revenue Code and the tax on income paid to the Governments of Puerto Rico, Guam, American Samoa, the Virgin Islands, and the Trust Territory of the Pacific Islands under the laws applicable to those jurisdictions.

(20 U.S.C. 1070a(a)(3)(B)(iii))

(l) "Medical expenses" means those types of medical and dental expenses, except premiums for medical insurance, that may be deducted under section 213 of the Internal Revenue Code, which were incurred by the independent student and his dependents during the base year.

(m) "Net assets" means the current market value at the time of application, of the assets included in paragraph (c) of this section minus the outstanding liabilities (indebtedness) against such assets.

(20 U.S.C. 1070a(a)(3)(C))

§ 190.43 The expected family contribution for independent students from annual adjusted family income.

The expected family contribution of the independent student from annual adjusted family income shall be an amount determined in the following manner:

(a) Determine effective family income by subtracting from the annual adjusted family income (including the portion of the effective income of the student attributable to the dependents of a veteran) the amount of Federal income tax paid or payable with respect to such income.

(b) Determine discretionary income by deducting the following from effective family income:

(1) *Family size offset.* A family size offset is the amount specified in the following table. Family size includes the student and his dependents. If the student is divorced or separated, family size shall include any person whose income is taken into account for the purpose of computing the annual adjusted family income and his or her dependents.

Family size offset

Family size:	*Dollar Amount*
2	3050
3	3650
4	4650
5	5500
6	6200
7	6900
8	7600
9	8300
10	9000
11	9700
12	10400

An offset of $850 shall be made for the single independent student.

(2) *Unusual expenses.* The amount by which the sum of medical and dental expenses, and losses resulting from catastrophes incurred in the base year and not compensated by insurance, exceeds 20 percent of effective family income. Unusual expenses may be deducted if they were incurred by the independent student and his dependents during the base year.

(3) *Employment expense offset.* An employment expense offset in an amount equal to 50 percent of the adjusted gross income earned in the base year by either a married independent student or the student's spouse, whoever earns the lesser, or 50 percent of the adjusted gross income earned during the base year by an independent student qualifying as a surviving spouse or as head of household as defined in section 2 of the Internal Revenue Code, but in no case shall such an offset exceed $1,500.

(c) Determine the expected family contribution from the family income of the independent student and his or her spouse by applying the following rates to discretionary income:

(1) 75 percent of discretionary income for the single independent student with no dependents;

(2) 50 percent of discretionary income for the married independent student with no dependents other than spouse; and

(3) 40 percent of discretionary income for the independent student who has dependents other than spouse.

(20 U.S.C. 1070a(a)(3)(C))

§ 190.44 Computation of the expected family contribution from effective income for independent students.

(a) Except as provided for in paragraph (b) of this section, the expected family contribution shall include 100 per centum of the student's effective income for the academic year for which aid is requested; except that, that portion of effective income of the student attributable to the dependents of a veteran shall instead be included as a part of, and treated as, annual adjusted family income.

(b)(1) The contribution from the student's effective income calculated in paragraph (a) of this section shall be reduced by the amount of negative discretionary income as defined in subparagraph (2) of paragraph (b) of this section.

(2) The amount of negative discretionary income is the amount by which the sum of deductions for offsets and expenses set forth in § 190.43(b) exceeds the amount of family income determined in § 190.43(a).

§ 190.45 Computation of expected contribution from the assets of the independent student and his or her spouse.

(a) Except as provided for in paragraph (b) of this section, the expected contribution from the assets of the independent student and his or her spouse shall be determined in the following manner:

(1) Determine the total amount of net assets owned by the student and the student's spouse.

(2) The contribution from assets shall be an amount equal to 33 percent of the amount determined in subparagraph (1) of paragraph (a) of this section.

(b) Where the calculations required by § 190.43(b) produce an amount of negative discretionary income as defined in § 190.44(b)(2), the expected contribution from the assets of the student and his spouse calculated in paragraph (a) of this section shall be reduced by the amount of such negative discretionary income except to that extent that pursuant to § 190.44(b)(1) such income was used to offset the expected contribution from the student's effective income.

§ 190.46 Computation for expected contribution from annual adjusted family income and assets adjusted for number of family members attending institutions of postsecondary education.

(a) For each grant the amount expected from family income as determined in § 190.43 shall be added to the amount expected from assets as determined in § 190.45.

(b) For each grant the combined expectation calculated on the basis of the above formula shall be further adjusted in the following manner to take into consideration the number of family members who will be in attendance, on at least a half-time basis in programs of postsecondary education during the academic year for which basic grant assistance is requested:

Number of family members attending institutions of postsecondary education:	*Expected contribution from combined contribution per student*
1	100 percent of contribution from the amount determined in paragraph (a) of this section.
2	70 percent of contribution from the amount determined in paragraph (a) of this section.
3	50 percent of contribution from the amount determined in paragraph (a) of this section.
4 or more	40 percent of contribution from the amount determined in paragraph (a) of this section.

Family members shall include any person whose income is taken into account for the purpose of computing the annual adjusted family income and his or her dependents.

§ 190.47 Computation of the total expected family contribution.

For each grant the total expected family contribution shall be the sum of:

(a) The expected contribution from the student's effective income as determined in § 190.44, and

(b) The expected contribution from discretionary income and assets, as determined in § 190.46.

APPENDIX

EXPECTED FAMILY CONTRIBUTION FOR DEPENDENT STUDENTS, ACADEMIC YEAR 1975–76

Summary of Calculations

1. Parents' adjusted gross income in 1974 ______
   a. Amount earned by father ______
   b. Amount earned by mother ______
2. Other parental income in 1974 + ______
3. Parents' annual adjusted income in 1974 = ______
4. Parents' Federal Income Tax paid for 1974 − ______
5. Effective family income in 1974 = ______
6. Family size offset (table 1) + ______
7. Unusual expenses + ______
8. Employment expense offset (table 3) + ______
9. Total offsets against income (lines 6+7+8) = ______
10. Discretionary income (line 5 minus line 9) ______
11. If line 10 is a positive amount, multiply discretionary income by applicable rate ($1–$4999 @ 20%; $5000 or more, $1000 +30% of amount in excess of $5000) to obtain standard contribution from income. If line 10 is a negative amount, enter 0 ______

12. Effective incoming of the student (social security and one-half of Veterans benefits) ________
13. If line 10 is a negative amount, enter that amount as a positive number; otherwise enter 0 ________
14. Subtract line 13 from line 12 to obtain contribution from effective income of the student. (May be a negative number.) ________
15. If line 14 is a negative amount, change to 0; if line 14 is a positive amount, enter as a contribution from the effective income of the student ________
16. Determine net assets of parents ________
17. Subtract asset reserve of $7500 —$7500
18. Available parental assets (line 16 minus line 17) = ________
19. Multiply available parental assets by 0.05 ________
20. Enter line 19 as standard contribution from available parental assets. If line 19 is negative, enter 0 ________
21. If line 14 is negative, enter as a positive amount; if line 14 is 0 or postive, enter 0 ________
22. Substract line 21 from line 20 to obtain contribution from parental assets ________
23. Add lines 11 and 22 to obtain contribution from parents' income and assets ________
24. Multiply line 23 by multiple student rate to determine expected family contribution for each family in postsecondary education (table 2) ________
25. Determine net assets of student ________
26. Multiply student's net assets by 0.33 ________
27. Student Eligibility Index equals sum of lines 15, 24, and 26 ________

EXPLANATION OF CALCULATION [1]

1. *Parents' adjusted gross income in 1974 (line 1).* All income which is available to the parents should be considered in the evaluation of parental ability to support the cost of postsecondary education. The most valid reference for parental income subject to Federal income tax is the adjusted gross income item in the family's Federal income tax return. This information is readily available to most families, and the information can be verified by referring to the IRS forms actually filed by the parents.

If it may be assumed that family income will be measured on an annual basis, which year of family income shall be used? Parents provide from their current income for the education of their children. However, if we attempted to use current year information, a parent would have to estimate the amount of income which he will receive during a year in which a child is a student since application for aid is made before the student enrolls for a particular year of study. A study by Orwig and Jones shows that income received during the tax year prior to the year in which the student is applying for aid is the best practical indicator of the income from which a student's actual expenses will be paid.[2] If estimates of the income received during the actual year of attendance are provided by parents, middle income families systematically underestimate their earnings, and lower income families systematically overestimate their earnings. The amount to be entered here, therefore, is from the previous year's Federal income tax form.

2. *Other parental income in 1974 (line 2).* Information on other family income must also be collected since this income does clearly contribute to family financial strength and may represent a considerable portion of the parental income of many Basic Grant recipients. Elements of other family income are: Income from tax exempt bonds, that portion of pensions on which no Federal income tax is required, welfare benefits, social security benefits (except those benefits paid to or on account of the student or other educational benefits paid to other members of the family), child support payments which are received for all children for whom the parents provide more than one-half support, income of families which didn't file income tax returns, that portion of capital gains on which no Federal income tax is required, etc.

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[1] Reference numbers are keyed to the line numbers in preceding summary.

[2] Orwig and Jones, "Can Financial Need Analysis Be Simplified?" The American College Testing Program, Iowa City, Iowa, 1970—p. 11.

3. *Parents' annual adjusted income in 1974* (*line 3*). Parents' annual adjusted income is the sum of parents' adjusted gross income (line 1) plus other family income (line 2).

4. *Parents' Federal income tax paid for 1974* (*line 4*). The legislation requires that a deduction be made, from annual adjusted income, for the amount of Federal income tax paid on income received during the base year.

5. *Effective family income in 1974* (*line 5*). The result of subtracting Federal income tax paid (line 4) from the annual adjusted income (line 3) is effective family income and is the base for calculating expected contribution from parental income.

6. *Family size offset* (*line 6*). In addition to taxes, a family has basic subsistence expenses which must be met before any contribution from income can be expected. These expenses will vary depending on size of the family involved. For purposes of the basic grant, the "Weighted Average Thresholds at the Low Income Level," developed by the Social Security Administration and published by the Bureau of the Census, have been used as a reasonable approximation of basic family expenses.[3] These expenses are based on the food costs of a family of a given size, and make certain assumptions about the additional expenses of shelter and other family needs.

The data are revised annually, and thus can be used to update the family contribution schedules from year to year. The figures supplied by the Bureau of the Census have been incremented by 8.8 percent to reflect estimated cost of living increases from the fall of 1972 to the present, and then rounded to facilitate calculation. The resulting figures have been called "Family Size Offsets." Their derivation is illustrated below:

Family size offsets

Family size:	*Dollar amount*
2	3, 050
3	3, 650
4	4, 650
5	5, 500
6	6, 200
7	6, 900
8	7, 600
9	8, 300
10	9, 000
11	9, 700
12	10, 400

7. *Unusual expenses* (*line 7*). The basic Grant program is required by law to take into consideration two kinds of unusual expenses, those arising from a "catastrophe" and "unusual medical expenses." It is proposed to use the Internal Revenue Service definitions of medical and dental expenses and casualty loss in determining "unusual expenses" for the Basic Grant program. The use of Internal Revenue Service definitions avoid the need for creating a new definition of expenses which would be used only by the Basic Grants program. However, some distinction must be made between expenses which may be itemized for income tax purposes, and those itemized expenses which are "unusual" as used for the Basic Grant legislation.

For purposes of the Basic Grant program, those items which may be included as unusual expenses are:

1. Those medical and dental expenses (not compensated by insurance or otherwise) which may be listed as "medicine and drugs" on line 2 of Schedule A, Form 1040 of the Internal Revenue Service and those expenses which may be listed as "Other Medical and Dental Expenses" on line 6 of Schedule A, Form 1040. The gross amount of all such medical, dental and drug expenses is to be used in the Basic Grant calculation.

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[3] From "Weighted Average Thresholds At the Low Income Level" in 1972 by size of family and sex of head, by farm-nonfarm residence; current population reports, consumer income, characteristics of the low-income population; 1972 series p. 60, No. 88, June 1973.

2. Those casualty or theft loss(es) permitted by the Internal Revenue Service (Form 1040, Schedule A, line 29).

The amount of unusual expenses which may be deducted from effective family income (line 5 of this illustration) is that amount of unusual expenses (as defined above) in excess of 20 percent of effective family income. This exclusion is designed to confine claims for such expenses to those which are genuinely unusual.

8. *Employment expense offset* (*line 8*). In constructing budgets which recognize expenses for families, due provision must be made for the expenses of the breadwinner which occur as a result of employment itself. Some expenses for clothing, transportation, and other items are attributable to occupational needs. When both parents work, additional employment expenses are incurred. Also, if a household is headed by a single parent, the costs associated with that employment are greater than for a comparable worker who has the economic advantage of a nonemployed spouse. Therefore in the determination of family contribution an "Empolyment Expense Offset" has been constructed to treat more equitably the income of the two parent family where both parents work, or the single parent household. It is recognized that both of these types of families will occur frequently in the lower income families where Basic Grant eligibility is greatest. The offset provides that 50 percent of the earnings of that parent with the lesser earnings, or 50 percent of the earnings of the single parent, will be protected from any contribution toward education. The maximum offset is $1,500 and would thus assure that up to $30 a week would be available for the additional expenses which these parents face.

9. *Total offset against income* (*line 9*). The sum of line 6 (family size offset) plus line 7 (unusual expenses) plus line 8 (employment expense offset) is the total amount which can be deducted from effective family income (line 5) in order to determine discretionary parental income.

10. *Discretionary income* (*line 10*). The income which remains after allowance has been made for family living expenses, Federal income taxes, unusual expenses and the employment expense offset may be identified as discretionary income. This income is available for the purchases of goods and services which enhance the standards of living of the family including the cost of postsecondary education.

11. *Standard income contribution* (*line 11*). A contribution of 20 percent is expected from the first $5000 of discretionary income. When discretionary income exceeds $5000, the expected income contribution is $1000 plus 30 percent of the amount in excess of $5000. The contribution rates will generally be at the 20 percent level for most of the income range where Basic Grant eligibility will occur.

These contribution rates appear reasonable in terms of the several demands made on family income, especially in light of the fact that the cost of supporting the student for the academic year is included in the cost of education and does not have to be met from the general budget resources.

12. *Effective income of the student* (*line 12*). For purposes of the Basic Grants program, the enabling legislation requires that effective income of the student is: That amount of social security benefits paid to or on behalf of a student because he is a student; and one-half of that amount of veteran's readjustment benefits and/or war orphan's benefits (exclusive of dependency allowances) paid to or on behalf of a student because he is a student. In both cases, the amount is the total to be received during the academic year for which Basic Grant assistance is requested. Veteran's dependency allowances are clearly not for the support of the Veteran himself. Therefore they are included with, and given the same treatment as, "effective family income."

13 *Adjustmentt of effective income of the student for negative income* (*line 13*). In the event that the family has a negative income, that is, if the effective family income is less than the various offsets against income, the support of basic family needs must be given priority over the support of postsecondary education. Therefore, the effective income of the student may be decremented by the amount of the negative income before effective income is added into family contribution. In the event that the negative income of the parents exceeds the effective income of the student, the amount of the excess is preserved to be subtracted from any contribution from parental assets as calculated below.

14. (*line 14*). Subtract line 13 from line 12 to obtain the difference between the effective income of the student and the discretionary income of the family.

15. (*line 15*). If line 14 is a negative amount, enter 0; if line 14 is a positive amount, enter it as the effective income component of the family contribution.

16. *Net assets of parents* (*line 16*) —For purposes of Basic Grants, the following types of assets will be considered: Equity in farm, business, home, other real estate, stocks, bonds, other investments, savings accounts, etc. Since equity is being measured, debts against the stated assets will be deducted in evaluating the net worth of these assets.

17. *Available parental assets* (*line 18*).—In order to determine the amount of parental assets which can be assessed for contribution for educational purposes, an asset reserve of $7,500 is subtracted from the net assets of parents. Since families accumulate assets for several purposes including retirement, future consumption, the postsecondary education of their children and the provision of an economic buffer in the event of catastrophe, some portion of assets should be reserved from any contribution toward postsecondary education, and remaining assets be assessed at some rate less than 100 percent. A review of the net asset positions of the 1973–74 Basic Grant recipients indicates that $7,500 is an adequate reserve since it appears that the average home equity for Basic Grant applicants is this amount. In addition, the $7,500 amount would allow for emergencies and retirement needs.

Subtracting line 17 (asset reserve) from line 16 (net assets of parents) results in available parental assets.

18. *Asset assessment rate* (*line 19*).—Once the available parental assets have been determined, a contribution rate of 5 percent will be assessed on the parents' net worth in excess of $7,500. Because the value of assets grows, this rate of asset assessment will generally leave the family's asset position largely unimpaired.

A 5% rate is equal to or below current real estate and savings account appreciation rates, and therefore seems reasonable.

19. *Standard contribution from parental assets* (*line 20*). Multiplying available parental assets (line 18) by 5% results in the standard contribution from parental assets. The total measure of available family resources in a particular year is the assessment of both income and assets of the family. This procedure takes into consideration the interdependent relationship between assets and income. In the event that there is a negative assessment of income (e.g. there exists offsets (line 9) exceeding total effective income (line 5)), the amount of negative assessment should be taken into account when determining the total measure of available family resources. This can be accomplished by offsetting the standard asset contribution by that amount which the negative income exceeds the effective income of the student. Entering the standard parental asset component in line 20 allows for this offset to occur.

20. (*line 21*). Entering line 14 (the difference between effective income of the student and the discretionary income of the family) allows for the offset against the contribution from family assets. If line 14 is 0 or positive, enter 0.

21. (*line 22*). Subtracting line 21 (offset against contribution from assets) from line 20 (parental asset contribution) results in the component of contribution from family assets.

22. *Standard contribution from parental income and assets* (*line 23*). Adding line 11 (parental income contribution) to line 22 (parental asset contribution) provides the parental income and asset components of the family contribution.

23. *Multiple student adjustment* (*line 24*). Adding the parental income contribution to the parental asset contribution and the other parental asset contribution results in the expected contribution from parents with one family member in postsecondary education. Some adjustments must then be made for those families in which more than one family member will be enrolled in postsecondary education for the academic year 1975–76.

Since each student has an allowance for costs of attendance, the family's discretionary income is effectively increased when there is more than one family member in postsecondary education. In order to determine the appropriate percentages, the contributions expected from different family sizes were compared. These investigations indicated that 140 percent of the contribution for one child would be a reasonable assessment against the family with two students. Thus, each student would receive 70 percent of the contribution which the family would make if there were only one student in the family. Similarly, 150 percent of the single student contribution seemed adequate for the family with three children in postsecondary education; each student could expect 50 percent of the single student contribution. For families with four or more students, each family will be assessed 40 percent of the single student contribution for each child in postsecondary education.

The following table summarizes the treatment of families with different numbers of family members in postsecondary education:

Number of students	Contribution per student as a percent of standard contribution	Family contribution for all students as a percent of standard contribution
1	100	100
2	70	140
3	50	150
4 or more	40	160+

24. *Net assets of the student (line 25)*.—The applicant net assets would be defined in the same fashion as the assets of the parents. Debts against these assets would be deducted. Trust funds in the student's name would be included.

25. *Student asset contribution (line 26)*.—In determining a fair treatment of student assets the theory of the major need analysis systems has been followed: i.e., that because the student himself is the direct beneficiary of postsecondary education, he should be expected to invest a greater portion of his resources in meeting his educational costs than should be expected from his parents.

For the Basic Grants program, one-third of the student's assets (recalculated each year) would be expected. This method is simple and provides a modest reserve for the student.

The result of multiplying the student's net assets (line 25) by the student asset assessment rate (.33) is that amount expected from student assets for educational purposes.

26. *Total family contribution (line 27)*.—The total expected family contribution for a dependent student is determined by adding line 15 plus line 24 plus line 26.

EXPECTED FAMILY CONTRIBUTION FOR INDEPENDENT STUDENTS, ACADEMIC YEAR 1975–76

Summary of calculations

1. Adjusted gross income of applicant (and spouse) in 1974 ________
   a. Amount earned by applicant ________
   b. Amount earned by spouse ________
2. Other family income in 1974 +________
3. Annual adjusted family income of applicant (and spouse) (line 1 + line 2) =________
4. Federal Income Tax Paid for 1974 −________
5. Effective family income =________
6. Family size offset (table 1) +________
7. Unusual expenses +________
8. Employment expense offset (table 3) +________
9. Total offsets against income (lines 6+7+8) =________
10. Discretionary income (line 5 minus line 9) =________
11. If line 10 is a positive amount, enter that amount. If line 10 is a negative amount, enter 0 ________
12. Multiply discretionary income of line 11 by applicable rate to obtain standard contribution (table 4) ________
13. Effective income of student ________
14. If line 10 is a negative amount, enter as a positive number; otherwise enter 0 ________
15. Subtract line 14 from line 13. (May be a negative amount) ________
16. If line 15 is positive, enter as contribution from effective income of student. If line 15 is negative or 0, enter 0 as contribution from effective income of student ________
17. Determine net assets of applicant (and spouse) ________
18. Multiply amount of assets of applicant (and spouse), entered in

line 17 by 0.33 to obtain standard contribution from assets________ ________

19. If line 15 is a negative number, enter as a positive number; otherwise enter 0________ ________

20. Subtract line 19 from line 18 to obtain standard contribution from student assets. If negative number, change to 0________ ________

21. Add lines 12 and 20 to obtain standard contribution from income and assets________ ________

22. Multiply standard contribution by multiple student rate to determine expected family contribution for each member in postsecondary education (table 2)________ ________

23. Student Eligibility Index equals sum of lines 16 and 22________ ________

EXPECTED FAMILY CONTRIBUTION FOR INDEPENDENT STUDENTS ACADEMIC YEAR 1975-76

Explanation of calculations.[1] For the purposes of the Basic Grants program, independent (self-supporting) student status may be claimed if the applicant:

(1) Has not been and will not be claimed as an exemption for Federal income tax purposes by any person except his or her spouse for the calendar year(s) in which aid is received and the calendar year prior to the academic year for which aid is requested, and

(2) Has not received and will not receive financial assistance of more than $600 (in cash or kind) from his or her parent(s) in the calendar year(s) in which aid is received and the calendar year prior to the academic year for which aid is requested, and

(3) Has not lived or will not live for more than two consecutive weeks in the home of a parent during the calendar year(s) in which aid is received and the calendar year prior to the academic year for which aid is requested.

Once a student has been determined to meet these criteria and is defined as an independent student, his expected family contribution is calculated according to the process outlined below.

1. *Adjusted gross income of applicant (and spouse) (line 1).* All income which is available to the applicant (and spouse) should be considered in the evaluation of ability to support the cost of postsecondary education. The most valid reference for taxable income is the adjusted gross income item in the Federal income tax return. This information is readily available and can be verified by referring to the IRS forms actually filed.

The decision as to which year's income is to be considered is a difficult one for independent students. Traditionally, a student's income may vary considerably from year to year. While it may be preferable to ask the student to estimate his earnings for the current year, obtaining realistic projections of earnings would not be possible without establishing counseling centers where students could be assisted in preparing this information.

Because this is not feasible at this time, it has been determined that the adjusted gross income to be considered is that amount entered on the previous year's Federal income tax form.

This also has the advantage of being consistent with the data collected for dependent students and assures that the family contribution of all students is determined from the same base.

2. *Other income of the independent student (line 2).* Information on other income of the independent student must also be collected since this income does clearly contribute to financial strength and may represent a considerable portion of the income of many Basic Grant recipients. Elements of other income are: Income from tax exempt bonds, that portion of pensions on which no Federal income tax is required, that portion of capital gains on which no Federal income tax is required, welfare benefits, social security retirement, that portion of the veteran's benefits attributable to the dependents of the veteran, child support payments, veteran's disability, income of persons who did not file income tax returns, etc.

3. *Annual adjusted family income of applicant (and spouse) (line 3).*—Annual adjusted family income is the sum of adjusted gross income (line 1), and other family income (line 2).

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[1] Reference numbers are keyed to line items of preceding summary.

4. *Federal income tax paid by applicant (and spouse) (line 4).* The legislation requires that a deduction be made, from annual adjusted income, for the amount of Federal income tax paid on income received during the base year.

5. *Effective family income (line 5).* The result of subtracting Federal income tax paid (line 4) from the annual adjusted family income (line 3) is effective family income.

6. *Family size offset (line 6).* In addition to taxes, there are basic subsistence expenses which must be met before any contribution from income can be expected. These expenses will vary depending on the size of the family involved. For the single independent student, this offset is $850 which covers the student's summer living expenses. Using the same base for deriving family size offsets as is used for multiple member families (weighted average thresholds at the low-income level) and adjusting for an 8.8 percent increase in the cost of living, the family size offset for a single member family is $2,861 per year. Generally, a student is in school for approximately 65 percent of the year (two 16-week semesters plus a 2-week break between semesters). Since his expenses during this 34-week academic year are covered in his cost of attendance, the $850 offset provides for his expenses during that period of time when he is not in school.

For married independent students and those with additional dependents, the family size offset is the same as that for the parent's of dependent students:

Family size offsets

Family size:	*Dollar amount*
2	3,050
3	3,650
4	4,650
5	5,500
6	6,200
7	6,900
8	7,600
9	8,300
10	9,000
11	9,700
12	10,400

7. *Unusual expenses (line 7).*—The Basic Grants program is required by law to take into consideration at least two kinds of unusual expenses, those arising from a "catastrophe" and "unusual medical expenses." It is proposed to use the Internal Revenue Service definitions for medical and dental expenses and casualty loss(es) to constitute "unusual expenses" for the Basic Grants program. The use of Internal Revenue Service definitions avoids the need for creating a new definition of expenses which would be used only by the Basic Grants program. However, some distinction must be made between expenses which may be itemized for income tax purposes, and those itemized expenses which are "unusual" for Basic Grants.

For purposes of the Basic Grants program those items which may be included as unusual expenses are:

1. Those medical and dental expenses incurred during the base year (not compensated by insurance or otherwise) which may be listed as "medicine and drugs" on line 2 of Schedule A, Form 1040 of the Internal Revenue Service and those expenses which may be listed as "Other Medical and Dental Expenses" on line 6 of Schedule A, Form 1040. The gross amount of all medical, dental and drugs expenses may be listed.

2. In addition, those casualty or theft loss(es) incurred during the base year permitted by the Internal Revenue Service (Form 1040, Schedule A, line 29).

The amount of unusual expenses which may be deducted is that amount of unusual expenses (as defined above) in excess of 20 percent of the effective family income. This exclusion is designed to confine claims for such expenses to those which are genuinely unusual.

8. *Employment expense offset (line 8).* In constructing budgets which recognize minimum expenses for families, provision must be made for the expenses of the breadwinner which occur as a result of employment itself. Some expenses for clothing, transportation, food, and other items are attributable to occupational needs. When two persons work, additional employment expenses are incurred.

Also, if a household is headed by a single person, the costs associated with that employment are greater than for a comparable worker who has the economic advantage of a nonemployed spouse. Therefore, in the determination of family contribution an "Employment Expense Offset" has been constructed to treat more equitably the income of the two-person family where both persons work during the base year, or the single person who heads a household during the base year. It is recognized that both of these types of families will occur frequently in the lower income families where Basic Grants eligibility is greatest. The offset provides that 50 percent of the earnings of that person with the lesser earnings, or 50 percent of the earnings of the single head of household, will be protected from any contribution toward education. The maximum offset would be $1,500 and would thus assure that up to $30 a week would be available for the additional expense which these persons face.

9. *Total offsets from income* (*line 9*). The sum of line 6 (family size offset) plus line 7 (unusual expenses) plus line 8 (employment expense offset) is the total amount which can be deducted from effective family income (line 5) in order to determine discretionary income.

10. *Discretionary income* (*line 10*). The income which remains after adjustment has been made for family living expenses, Federal income taxes, unusual expenses and the employment expense offset may be identified as discretionary income. This income is available for the purchase of goods and services which enhance the standard of living of the family, including postsecondary education.

11. *Adjusted Discretionary Income* (*line 11*). Adjusted discretionary income is the discretionary income determined in line 10 and adjusted to eliminate negative amounts in the calculation of contribution from income. If the discretionary income in line 10 is a negative amount, or 0, it should be entered as a zero (0); if positive, that amount should be entered.

12. *Standard income contribution* (*line 12*). Because of the direct benefits of postsecondary education received by the independent student, the expected contribution rate for such students from income has traditionally been much greater than the rate applied to the discretionary income of the parents of dependent students. In fact, the independent student has usually been expected to use all of his discretionary income for educational purposes.

In developing a system for the Basic Grants program, it was felt that a 100 percent contribution rate was excessive, especially for independent students with family responsibilities.

The following income contribution schedule was developed to accommodate these responsibilities:

(a) 75 percent of discretionary income for the single independent student with no dependents;

(b) 50 percent of discretionary income for the married independent student with no dependents other than spouse;

(c) 40 percent of discretionary income for the married independent student who has dependents other than spouse.

13. *Effective income of the student* (*line 13*). For purposes of Basic Grants, effective income of the student is: That amount of social security benefits paid to or on behalf of the student because he is a student; and one-half of the amount of veteran's readjustment benefits and/or war orphan's benefits (exclusive of dependency allowances) paid to or on behalf of a student because he is a student.

In both cases, the amount is the total to be received during the academic year for which Basic Grant assistance is requested. Dependency allowances are clearly not for the support of the Veteran himself. Therefore, they are included with, and given the same treatment as, "effective family income."

14. *Statement of negative income* (*line 14*). In the event that the independent student and his family have a negative income (that is the income of the independent student and spouse are less than the sum of the various offsets against income (line 9)), the support of basic family needs must be given priority over support of postsecondary education. Therefore, the effective income of the student may be decremented by the amount of the negative income before effective income is added into family contribution. Line 14 allows any negative income to be restated as a positive figure for purposes of further calculations.

15. *Subtraction of negative income from effective income of the student* (*line 15*). This subtraction establishes the amount of effective income remaining after any negative income is subtracted. In the event that negative income exceeds

effective income, a negative balance will remain after this subtraction. Such a negative amount is preserved for subtraction from the contribution from assets.

16. *Statement of contribution from effective income of the student (line 16).* The amount of effective income which remains after the adjustment for negative income of the student is the contribution from effective income. This amount may be 0 (zero) or positive. It may not be a negative number.

17. *Net assets of applicant (and spouse) (line 17).* For purposes of Basic Grants, the following types of assets will be considered: Equity in farm, business, home, other real estate, stocks, bonds, other investments, savings accounts, etc. Since equity is being measured, debts against the stated assets will be deducted in evaluating the net worth of those assets.

18. *Asset contribution rate (line 18).* In determining a fair treatment of student assets, it has been assumed that since a student is the direct beneficiary of postsecondary education, he should be expected to invest a portion of his resources in meeting his educational costs. Therefore, one-third of the student's assets (recalculated each year) would be expected. This method is simple and provides a modest reserve for the student. The result of multiplying the student's net assets (line 13) by the student asset assessment rate (line 17) is that amount expected from student assets for educational purposes.

19. *Offset against the asset contribution of the applicant and spouse (line 19).* Line 15 is the amount that is remaining after the offset of negative discretionary income against student effective income. It is entered here as an offset against student asset contribution.

20. *Contribution from assets of the applicant and spouse (line 20).* The amount of the asset contribution that remains after the adjustment for negative discretionary income is that amount expected from their assets for educational purposes.

21. *Standard contribution from income and assets (line 21).* The amount of standard contribution from the applicant's and spouse's income (line 12) and the amount of contribution from the assets of the applicant and spouse (line 20) are added here to determine the amount of expected family contribution from income and assets for Basic Grants purposes.

22. *Multiple student adjustment (line 22).*—Adding the contribution from annual adjusted family income to the asset contribution results in the expected contribution for one family member in postsecondary education from family income and assets. Some adjustment must then be made for those families in which more than one family member will be enrolled in postsecondary education for the academic year 1975–76.

The adjustments used for the dependent student may also be used for the independent student. The use of the same adjustments for both groups of students assures consistency of treatment, and implements the general principle that a family with more than one person in postsecondary education should contribute less per person than a family with only one member engaged in such study.

23. *Total family contribution (line 23).*—The total expected family contribution for an independent student is determined by adding line 16 plus line 22.

(Subpart 1 of Part A of title IV of the Higher Education Act of 1965, as amended (20 U.S.C. 1070a))

[FR Doc. 74-14926 Filed 6-26-74; 11:06 am]

JULY 8, 1974.

Dr. TERRELL BELL,
Commissioner of Education,
Department of Health, Education, and Welfare,
Washington, D.C.

DEAR COMMISSIONER: On July 2, there appeared in the Federal Register the text of a proposed BOG family contribution schedule for 1975–76. The accompanying statement indicated that you were submitting the exact text of the currently-effective schedule, that you were seeking public comments, and that those comments would be given consideration in the developing of an actual schedule for 1975–76. We believe this is a very useful step, and that your office can, on the basis of the public comments you receive on this proposal, come up with a constructive proposed family contribution schedule to submit to the Congress under Section 411(a)(3)(A)(ii) of the Higher Education Act.

But the same page of the Federal Register suggests that you believe the printing of this existing schedule constitutes compliance with that provision of the law, and that it can serve as the basis for Congressional review. We must advise you that we do not consider this as consistent with the intention of the law.

The law envisages that you will develop a family contribution schedule for the academic year 1975-76, and that you will submit that schedule to the Congress for review, and possible veto. By the express wording of the introductory paragraphs of your submission of July 2, it is apparent that you have not yet unveiled the real family contribution schedule for 1975-76, that you are still in the process—indeed, just beginning the process, of developing such a schedule, and that you consider the Congressional review process to be the same as the opportunity for public comment which is required by Section 411(a)(3)(A)(i).

The two clauses of subparagraph 411(A)(3)(A) provide for wholly different processes. Clause (i) allows for public comment to which you may then give appropriate consideration. Clause (ii) provides for Congressional review and veto. Clearly, the basis for the exercise of the clause (ii) procedure must be, at the very least, a family contribution schedule which you are in fact proposing even if you are not irrevocably wedded to it.

Last year, this Subcommittee was faced with the same procedure, and the Chairman objected to it when, on September 25, he introduced a resolution of disapproval. But considerations of time which were urged upon the Subcommittee by the Office of Education prevailed, and hearings were begun in the absence of a "real" family contribution schedule. When, on November 30, the Office of Education submitted its real proposal, the Subcommittee was able to take speedy action, and, after securing some superficial improvements, the 1974-75 schedule was released for implementation on December 10.

It is not our intention to follow the same procedure this year. We will cooperate fully with the Office of Education and convene the Subcommittee to consider the real family contribution schedule, as soon as it is unveiled. We will not ask the Subcommittee to meet and either the public or the Office of Education to testify on a proposal that is not yet put on paper.

Very truly yours,

JAMES G. O'HARA,
Chairman.

JOHN DELLENBACK,
Ranking Minority Member.

Enclosure.

SEPTEMBER 18, 1974.

Dr. TERRELL BELL,
Commissioner of Education,
Department of Health, Education, and Welfare,
Washington, D.C.

DEAR COMMISSIONER BELL. On July 8, we wrote you commenting on the preliminary family contribution schedule which you had printed in the Federal Register earlier that month, and urging that a new submission be made, in accordance with the provisions of Section 411(a)(3)(A)(ii) of the Higher Education Act. In that letter, we assured you that we would cooperate fully with the Office of Education and schedule hearings and Subcommittee action on the new proposal as soon as it was unveiled.

We have, in the meantime, received a number of informal assurances that the new schedule is moving along, and will soon be submitted to the Congress. We would be delighted to begin public hearings on the new schedule as early as September 26, if the new proposal is in fact before the Congress by that time. Our present series of hearings are scheduled to end on September 25, and we have reserved hearing rooms and stand ready to announce hearings on September 26, 27 and 30, if we can be assured that we will have the real 1975-76 family contribution schedule before us for our consideration at that time.

Please let us know as soon as you can if this will be possible, so we may move to expedite the implementation of the BOG program for the next academic year.

Very truly yours,

JAMES G. O'HARA,
Chairman.

JOHN DELLENBACK,
Ranking Minority Member.

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE,
OFFICE OF EDUCATION,
Washington, D.C., September 25, 1974.

Hon. JAMES G. O'HARA, *Chairman,*
Special Subcommittee on Education, Committee on Education and Labor, House of Representatives, Washington, D.C.

DEAR MR. O'HARA: On July 2, 1974, the Office of Education published proposed Family Contribution Schedules for the Basic Educational Opportunity Grant Program for the 1975-76 academic year in the *Federal Register.* These Schedules were also submitted to you on July 3, 1974. As you may recall, these Schedules were published unchanged from those currently in effect with the expectation that modifications would be proposed as we had the opportunity to receive public comment and analyze data on the impact of the 1974-75 Schedules.

We know that you share our concern that the implementation of the Basic Grant Program for the 1975-76 academic year be earlier than that which occurred for 1974-75. If we are to achieve our goal of making the 1975-76 applications available to students in January 1975, we will have to resolve these Schedules by November 1, 1974.

In anticipation of your hearings on the Family Contribution Schedules for 1975-76, we would like to propose some modifications. These proposed modifications deal with the following problems:

1. One of the continuing problems we have encountered is the treatment of assets, especially as this treatment affects families with home equity. In order to maintain the principle that assets do contribute to a family's financial strength and, at the same time, alleviate some of the difficulties we know exist, we are proposing that the asset reserve (currently $7,500) be increased to $8,500. Therefore, the only asset value which would be considered would be that amount remaining after a deduction is made for debts against the asset and an asset reserve of $8,500. We believe that by increasing the asset reserve to this level, we would alleviate the problems we have recently experienced.

2. As you know, another continuing problem we have had is the treatment of the "effective income of the student" which is defined by law to be any amount paid to or on behalf of a student either under the Social Security Act *which would not be paid if he were not a student* and one-half of any amount of educational benefits paid through the Veterans Administration. Since these benefits paid either under the Social Security Act or through the Veterans Administration are paid to students because they are students, they appear to be for educational purposes and are a significant factor in the current calculation of the student's eligibility index.

This issue was a primary concern in our discussions on the Family Contribution Schedules in effect for the current year. As a result of these discussions, the treatment of "effective income of the student" was modified from the 1973-74 Schedules.

While this modification did alleviate some of the problems we had encountered and appears to be a satisfactory treatment for social security recipients from the lowest income families, this treatment still results in problems with regard to inequities for other recipients of social security benefits. In some cases, student social security benefits are being treated as effective income to the student even though the family would receive the same benefits whether or not the applicant is a student. This can occur when a family is receiving the maximum social security benefit allowed. We would propose, therefore, that the "effective income of the student" be made equivalent dollar-for-dollar with other family income, and assessed at the same marginal rate.

In line with the provisions of present law, this proposal will require a comparable change in the treatment of veterans benefits. This means that income from veterans education benefits will be assessed at half the rate applied to family income for all other students. This is not the best way to treat veterans benefits and accordingly we intend to seek remedial action as part of our legislative program for higher education next year.

3. The third modification we would propose would be to adjust the basis of the family size offsets currently in use by the Consumer Price Index for 1974.

4. The last change we would propose deals with the independent student who was employed in the base year but who lost his employment in order to pursue postsecondary education. Currently, the only provisions which would allow an

independent student to file a Basic Grant application using estimated current year income data are (1) the inability of the applicant to pursue normal income-producing activities due to disability or natural disaster and (2) the separation or divorce of the applicant or spouse since the time the Basic Grant application was filed.

Therefore, the independent student who had earned income in the base year has often been determined to be ineligible for Basic Grant assistance even though that student is no longer employed.

In order to deal with this problem, we would propose permitting all independent applicants, who were not students in the base year and who were employed on a full-time basis, to file a Basic Grant application using estimated current year income data.

We believe that this modification will greatly alleviate the difficulties these kinds of applicants are currently experiencing. Under the regulations that we would draft to implement this change the student would be subject to a later adjustment in any initial payment. We will be examining possible mechanisms to accomplish this.

My staff and I took forward to discussing these proposed changes with you when we testify before your Subcommittee.

Sincerely,

T. H. BELL,
U.S. Commissioner of Education.

Mr. O'HARA. Commissioner Bell and several of his top staff are here to testify on the new proposal. I will recognize them shortly for the purpose of presenting it.

First, I want to make two observations:

To begin with, there is, I am advised, a misprint in the Office of Education testimony cover sheet of monumental proportions. After weeks of untiring testimony before this subcommittee in patient response to our questions, the Office of Education has rewarded John D. Phillips, who until this very day had been Acting Associate Commissioner for Education for Student Assistance. When the sun rose this morning, where there had been an Acting Associate Commissioner, there appeared a *real* Associate Commissioner.

The Chair is not going to pass judgment on whether or not that is a comment on your energy, your talent, your suffering—or your acting, but in any event, congratulations.

Second, the Chair wishes to welcome the Honorable T. H. Bell, newly appointed U.S. Commissioner of Education, to his first appearance before the subcommittee, or at least his first appearance in that capacity. Commissioner Bell has served earlier with the Office of Education and is a familiar figure to those who have long been involved in this legislation. His latest appointment is a new distinction in an already distinguished career.

The Commissioner is accompanied by several of his top staff members, all of whom are old friends of this subcommittee: Mr. S. W. Herrell, Acting Deputy Commissioner; (no longer acting) Associate Commissioner Phillips; Mr. Peter Voigt, Director, Division of Basic Grants; and Charles M. Cooke, Deputy Assistant Secretary of HEW for Legislation.

Commissioner Bell, if you will expeditiously present your proposal to this committee, I think we can for our part expeditiously get about the business of letting you know what it will take to get us to table this resolution of disapproval.

STATEMENT OF HON. T. H. BELL, U.S. COMMISSIONER OF EDUCATION, DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE, ACCOMPANIED BY S. W. HERRELL, ACTING DEPUTY COMMISSIONER, BUREAU OF POSTSECONDARY EDUCATION, OE; JOHN D. PHILLIPS, ASSOCIATE COMMISSIONER FOR STUDENT ASSISTANCE, BUREAU OF POSTSECONDARY EDUCATION, OE; PETER K. U. VOIGT, DIRECTOR, DIVISION OF BASIC GRANTS, BUREAU OF POSTSECONDARY EDUCATION, OE; AND CHARLES M. COOKE, JR., DEPUTY ASSISTANT SECRETARY FOR LEGISLATION (EDUCATION), HEW

Mr. BELL. Thank you, Mr. Chairman.

I am pleased to be with you today to discuss the basic educational opportunity grant program and to share with you our proposals for modifying the family contribution schedules for the 1975–76 academic year.

Before we begin a detailed discussion of the family contribution schedules, I would like to take this opportunity to give you a brief status report on the current operation of the basic grant program.

We are pleased to report that we are receiving 25–30,000 application forms per week and have received over one million applications to date. This compares to 500,000 applications for the entire first year of operation which, as you know, was the year 1973–74. We attribute this increase in volume to several factors: First, as a result of your timely action on the 1974–75 family contribution schedules, we were able to print and distribute the basic grant applications by March. This allowed us to reach many potentially eligible students while they were still in school. Secondly, the comprehensive training effort which was conducted between April and June of this year resulted in an increased awareness of the basic grant program on the part of high school guidance counselors, postsecondary school officials, and others who are in a position to assist students in making decisions regarding postsecondary education. These training sessions were conducted under a contract with the National Association of Student Financial Aid Administrators, the National Association of College and University Business Officers, and the American Personnel and Guidance Association. During this Spring over 500 sessions were held throughout the country and we were very pleased with the extent of participation at the secondary and postsecondary levels. Finally, we believe that the financial aid community is much more comfortable with the program this year, and a number of the operational and administrative problems experienced in the first year have been alleviated.

The fact that the number of eligible postsecondary schools have increased from about 4,300 at the beginning of 1973–74 to approximately 5,500 now, allows students even greater flexibility in determining their own educational goals. In addition, since most of these schools are acting as disbursing agents for the program, we have already issued initial authorizations totaling about $240 million to these schools to cover awards to first- and second-year students for the first half of the current school year. These initial authorizations will, of course, be adjusted throughout the year to reflect the actual utilization of basic grant funds at each school.

In addition to those ongoing activities for the current academic year, we are also well under way with preparations to operate the program for the 1975–76 academic year. As you may recall from our testimony last year, we are making every effort to further improve the timing of the basic grant program for the next academic year. A critical part of this effort is, of course, the approval of the 1975–76 family contribution schedules. Our goal is to have next year's application forms printed and distributed to all high schools and institutions of postsecondary education by the end of January 1975.

Since the basic grant is intended to be the first step in building a student's aid package, it is most desirable to have applications available at that time in order to permit financial aid officers to coordinate effectively the basic grant with other sources of assistance for students. In order to meet these objectives, we will need to have resolution on the family contribution schedules by November 1, 1974. If that deadline is not met, the Government Printing Office has informed us that our printing schedule will have to be revised substantially and we will not have our materials printed and distributed until significantly later than January.

We are hopeful, therefore, that we can work with you and your staff in achieving an early agreement on modifications to the schedules.

Before we discuss the proposed changes we are recommending, I would like to make some general comments on the family contribution schedules.

We think that it is extremely important to bear in mind, during this review of the schedules, that the purpose of any need analysis system is to act as a method of distributing resources.

I am aware that the basic grant formula has received some severe criticism regarding its "strictness." It has been suggested that we are employing a "rationing" system rather than a method which accurately measures a family's ability to finance a student's education. Much criticism arises from differences in various families' perceptions of ability—or willingness—to pay, which involves value judgments regarding a family's standard of living.

Another point you may want to keep in mind during these discussions of the schedules is the relationship between the family contribution schedules and the appropriation and how that relationship affects the level of student awards.

In the current academic year, with total funding of $475 million plus the carryover, which incidentally, Mr. Chairman, was about $45 million, basic grant awards for first- and second-year students range from $50 to $1,050, with an average grant of $690. Given the level of funding (maximum $685 million) we are likely to receive in the fiscal year 1975 appropriation, to cover first-, second-, and third-year students in the 1975–76 school year, we will be forced to reduce awards below the levels for the current year without making any revisions from the 1974–75 family contribution schedules at all. Our estimate of the funding level necessary to maintain the current award levels for the three classes of students was $762,500,000. This estimate was based on the 1974 family contribution schedules. With a $650 to $685 million level of funding, awards will be lower in 1975–76 than they are now.

Substantial liberalizations in the family contribution schedules would result in an even greater reduction in the student awards because of increased eligibility. Thus, the changes we are proposing will result in reduced awards, some of which may be considerably reduced below the awards for the current year, and any additional revisions will increase this reduction.

We would at this time like to explain the changes we are proposing to be made in the family contribution schedules. These changes, we believe, reflect some of the major concerns which have been raised during this past year. These concerns have included the family size offsets, the treatment of social security and veterans' benefits, the treatment of assets, and the treatment of independent students who leave their jobs to pursue postsecondary education.

We have already outlined these changes for you in my letter of September 23. However, we would like to review these proposals for the record.

1. FAMILY SIZE OFFSETS

Mr. BELL. The first modification we would propose is an adjustment to the family size offsets. We would maintain the base which has been in use and make an adjustment for expected inflation as measured by the 1974 Consumer Price Index. An illustration of the impact of this proposal is attached to the prepared statement as exhibit A.

EXHIBIT A—ILLUSTRATION OF PROPOSED CHANGE IN THE FAMILY SIZE OFFSETS

Family of 4—1 parent working.
Family income—$6,000.
Income tax paid—0.
One child in college.

	1974-75 offsets	Proposed offsets
Family income	$6,000	$6,000
Less family size offset	4,640	5,115
Discretionary Income	1,350	885
Times expectation rate	(0.20)	(0.20)
Expectation from income	285	177

2. TREATMENT OF SOCIAL SECURITY AND VETERANS BENEFITS TO THE STUDENT

As you know, another one of the continuing problems we have had is the treatment of the "effective income of the student," which is defined by law to include any amount paid to or on behalf of a student under the Social Security Act, which would not be paid if he were not a student, and one-half of any amount of educational benefits paid through the Veterans' Administration. Since benefits paid under the Social Security Act or through the Veterans' Administration are paid to students because they are students, they appear to be for educational purposes and are a significant factor in the calculation of the student's eligibility index.

However, the assumption that social security benefits, continued for full-time students after they reach the age of 18, are available for postsecondary education, may be faulty for two major reasons.

Under the social security system, dependent children may receive social security benefits until the age of 18 unless a dependent child continues his or her education on a full-time basis, in which case the benefits are paid until the age of 22. It is the amount of these benefits received between the ages of 18 and 22 which are considered to be "effective income of the student." Since these benefits would not be paid to or on behalf of these children if they were not to continue their education, we have assumed that they could be expected as a direct contribution for educational purposes.

Information from the Social Security Administration proves that, for many student beneficiaries, this is not a fair expectation, as the following example illustrates.

Assuming that the family unit consists of a mother and two dependent children, and the father is deceased, the amount of social security benefits paid to the family is determined in the following manner:

A. A formula is applied to the base salary of the father to obtain the primary insurance amount (PIA).

B. The PIA is multiplied by a percentage (at this time 150 percent) to obtain a family maximum. For purposes of this example, assume a family maximum of $400 per month. The amount which can be paid to the mother and each dependent child is calculated on the basis of 75 percent of the PIA for each family member.

Mother's benefits	$205
1st child's benefits	205
2d child's benefits	205
Total benefits	615

C. Since the family maximum cannot exceed $400, each family member's benefits are reduced on a pro rata basis to come within the $400.

Mother's benefits	$134
1st child's benefits	133
2d child's benefits	133
Total benefits	400

D. If the first child reaches the age of 18 and does not continue his or her education, the distribution of benefits paid to or on behalf of the mother and remaining child is redetermined by taking a different pro rata reduction of the total which may be paid in order to come within the family maximum.

Mother's benefits	$200
Child's benefits	200
Total benefits	400

Therefore, the child's decision regarding the continuation of his or her education has no impact on the total amount of social security benefits paid to the family.

It is, therefore, very difficult to justify the present requirement that in all cases we consider all of the applicant's social security benefits as being available to meet the costs of his postsecondary education.

I have been advised that this issue was of primary concern in discussions with the committee on the current Family Contribution Schedules. As a result of these discussions, the treatment of "effective income of the student" was modified. In the 1973–1974 academic year, the amount of these benefits was included as a 100 percent contribution in the determination of student eligibility. For the 1974–1975 academic year the formula provides that in those cases where the allowable offsets against the total family income exceed the amount of that income, a deduction is made from the effective income of the student to offset this negative amount. While this modification did alleviate some of the problems we had encountered, it appears that this treatment still results in inequities for many recipients of social security benefits. We would propose, therefore, that the social security and veterans educational benefits be included in and treated as other family income. We feel that this proposed change will recognize the fact that these benefits are, in many cases, based upon family maintenance requirements and are not based upon the student status of one family member. An illustration of the effect of this proposed change is attached to the prepared statement as exhibit B.

EXHIBIT B—ILLUSTRATION OF PROPOSED CHANGE IN THE TREATMENT OF SOCIAL SECURITY BENEFITS

Family of 4—1 parent working.
Family Income—$6,000.
Income Tax paid—0.
Social Security Benefits to Student—$1,200.

	Present method	Proposed change
Family income	$6,000	$6,000
Other income	0	1,200
Total family income	6,000	7,200
Less family size offset	[1] 5,115	5,115
Discretionary income	885	2,085
Times expectation rate	(0.20)	(0.20)
Expectation from income	177	417
Effective income of the student	1,200	[2] 0
Expectation from effective income	1,200	0
Expectation from income and effective income of the student	1,377	417

[1] Note that the proposed family size offset has been used to illustrate change in the treatment of social security benefits only.

[2] Proposed change includes effective income of the student in other income.

We should point out, however, that for a number of social security recipients (those who are from two-member families) the current treatment of social security benefits appears to be satisfactory and equitable, since the amount of benefits received by the family is reduced if the applicant does not continue his or her education after the age of 18. It would, however, be extremely difficult for us to collect the necessary data and make determinations on the portion of the family's social security support which is based upon the applicant's student status.

A second and much more serious concern is the impact which this proposed revision would have on recipients of veterans benefits. As you know, there are two kinds of veterans benefits which are included in the definition of effective income of the student. The first is survivors benefits, which are very similar in nature to social security benefits. The second is G.I. bill payments which are clearly for educational purposes. Since only 50 percent of veterans benefits are considered in the basic grant system, a definite and strong advantage is given to G.I. bill recipients. However, we feel that this inequity is not as serious as that faced by social security recipients and is one that we are willing to live with during the existing 1975–1976 academic year in order to give priority to correcting the problems of social security recipients. This is not the best way to treat veterans benefits and, accordingly, we intend to seek remedial action as part of our legislative program for higher education next year.

3. TREATMENT OF ASSETS

As I am sure you know, the treatment of assets in the basic grant schedules has been the subject of considerable debate since the inception of the program. Recently, there has been some discussion regarding eliminating assets completely from the schedules or exempting certain kinds of assets (for example, home equity) from consideration.

We believe, however, that assets must be considered in the basic grant schedules because they contribute significantly to a family's financial strength.

The next issue which has been raised in the long debate over assets is the suggestion that only liquid assets be considered. However, as you can imagine, the distinction between liquid and nonliquid assets is a difficult one to make and one which involves a significant degree of individual discretion and judgment. This again is a matter which would require value judgments regarding a family's lifestyle and personal financial objectives.

We do feel, therefore, that our position regarding the consideration of assets in the schedules, and our definition of those assets which are considered, provide for a reasonable and justifiable approach in measuring a family's financial strength.

In the 1973–1974 schedules, the amount of assets which was considered in the formula was that amount which remained after deductions were made for any debts against the assets and an asset reserve of $7,500.

This treatment was revised in 1974–1975 to provide for an offset against the contribution from assets in those cases where allowable deductions from income exceed the family's income. This revised treatment has greatly reduced the numerous problems we experienced last year with families having farm and small business assets.

We are, however, still concerned about those families who have the bulk of their assets in home equity, especially those with low and lower-middle incomes. We are proposing, therefore, that the asset reserve of $7,500 which is now in use be increased to $8,500. According to our latest statistics on 1974–1975 basic grant applications, the overall net median home equity position of all dependent applicants having home equity, is $10,535. The median asset position of those families with home equity and who have incomes of below $9,000 per year is below the $8,500 offset that we are proposing.

We believe that by increasing the asset reserve to this level, we would alleviate the problems we have recently experienced. An illustration of the proposed change in the treatment of assets is attached to the prepared statement as exhibit C.

EXHIBIT C—ILLUSTRATION OF PROPOSED CHANGE IN THE TREATMENT OF ASSETS

Family of 4—1 parent working.
Family Income—$6,000.
Income Tax paid—0.
Net Assets of Family—$9,000.
One Child in College.

	Present method	Proposed change
Family income	$6,000	$6,000
Less family size offset	[1] 5,115	5,115
Discretionary income	885	885
Times expectation rate	(0.20)	(0.20)
Expectation from income	177	177
Net assets	9,000	9,000
Less asset reserve	7,500	8,500
Available assets	1,500	500
Times expectation rate	(0.05)	(0.05)
Expectation from assets	75	25
Expectation from income and assets	252	202

[1] Note that the proposed 1975–76 family size offset has been used to illustrate the asset change only.

4. TREATMENT OF INDEPENDENT STUDENTS

The last change we would propose deals with the independent student who was employed on a full-time basis in the base year but who has left his job in order to pursue postsecondary education. Currently, the independent student's elgibility is calculated on base year income data. The only provisions which would allow an independent student to file a basic grant application using estimated current year income data are: (1) the inability of the applicant to pursue normal income-producing activities due to disability or natural disaster; (2) the separation or divorce of the applicant since the time the basic grant application was filed; and (3) the death of a spouse whose income was included in the calculation of family contribution.

Therefore, the independent applicant who was employed on a full-time basis and earned income in the base year has often been determined to be ineligible for basic grant assistance even though the income earned during that time is no longer available.

Accordingly, we are proposing a revision which would permit all independent applicants, who were not students in the base year and who were employed on a full-time basis, to file a basic grant application using estimated current year income data.

We are proposing this change with some reservation, however. One of the critical concerns we have is allowing what may be a significant number of applicants to use estimated income for basic grants.

A number of recent studies show that estimated income is unreliable at times, and may not in some cases be a valid base to use in determining need for financial aid program. We are very much aware of this and will be developing methods to verify the estimated data provided by these applicants to be sure that abuses do not occur. Under the regulations that we would draft to implement this change, the student would be subject to a later adjustment in any initial payment. We will be examining possible mechanisms to accomplish this.

In summary, we believe that the proposed changes in the treatment of family size offsets, social security and veterans educational benefits, assets, and independent students will significantly improve the family contribution schedules for the basic grant program.

We have also provided you with some statistical tables on the impact of the current family contribution schedules on 1974–75 applicants. I shall be pleased to review these statistical materials with you and then answer any questions you may have. I certainly thank you, Mr. Chairman.

Mr. O'HARA. Thank you very much, Mr. Bell.

I think it would be worthwhile to go over these tables.

Mr. BELL. If it is all right with you, I will call on Dr. Phillips to sort of review these with us.

If you can do that hurriedly, John, so that we won't use too much time.

Mr. PHILLIPS. You might look at the summary statistics on the first page and then go in whatever direction you wish to in respect to other materials.

[The exhibits referred to follow:]

TABLE I.—SUMMARY STATISTICS—BASIC GRANT PROGRAM

	1973-74	1974-75[1]
Number of applications processed	512,866	864,922
Number of applications returned (insufficient data)	100,862	216,059
Number of applications not corrected to date	30,535	149,708
Number of valid applications (used in analysis)	482,331	715,214
Number of applicants qualified	268,444	407,782
Number of applicants not qualified	213,887	307,432
Percentage of valid applications qualifying	55.7	57.0
Data summary of the valid applications:		
Dependent students:		
Number of valid applications from dependent students	423,229	631,552
Percentage of valid applications from dependent students	87.7	88.3
Number of dependent applicants who qualify	232,641	353,768
Percentage of dependent applicants who qualify	55.0	56.0
Independent students:		
Number of valid applications from independent students	59,102	83,662
Percentage of valid applications from independent students	12.3	11.7
Number of independent applicants who qualify	35,803	54,014
Percentage of independent applicants who qualify	60.6	64.6
Applicants with farm assets:		
Number of dependent applicants with farm assets	25,360	40,424
Percentage of dependent applicants with farm assets	6.0	6.4
Number of dependent applicants with farm assets who qualify	10,468	17,188
Percentage of dependent applicants with farm assets who qualify	41.3	42.5
Applicants with business assets:		
Number of dependent applicants with business assets	24,412	41,517
Percentage of dependent applicants with business assets	5.8	6.5
Number of dependent applicants with business assets who qualify	10,763	19,632
Percentage of dependent applicants with business assets who qualify	44.1	47.3
Social security educational benefit recipients:		
Number of applicants receiving social security educational benefits	55,120	78,873
Percentage of applicants receiving social security educational benefits	11.4	11.0
Number of applicants receiving social security educational benefits who qualify	16,379	36,781
Percentage of applicants receiving social security educational benefits who qualify	29.7	46.6
Veterans educational benefit recipients:		
Number of applicants receiving veterans educational benefits	26,645	27,405
Percentage of applicants receiving veterans educational benefits	5.5	4.1
Number of applicants receiving veterans educational benefits who qualify	5,020	10,402
Percentage of applicants receiving veterans educational benefits who qualify	18.8	35.4

[1] Processed applications as of Sept. 15, 1974.

Mr. PHILLIPS. The number of applications actually processed as of September 15 out of about a million that had been received is 864,922. As you will note, there was a significant number, 216,000, that were returned for corrections and insufficient data. The number of applications not yet corrected and back in for processing is 149,000.

All of these figures, of course, compare quite favorably to the previous year's figures because they include timing of the program.

The number of valid applications, the key figure which is used for the remainder of the tables that analyze the valid applications, is 715,214.

Out of that 715,000 valid applications that have been processed, 407,782 have already qualified to receive a basic grant award in 1974–75; 307,000 were not qualified. So, the percentage of those who have actually completed the process and have been ruled qualified to receive assistance is roughly 57 percent. This is fairly comparable to last year's levels.

Mr. O'HARA. Let us go over those for a few minutes. The number of applications processed is up about 60 percent, it would appear, but the number returned for insufficient data has more than doubled between the 2 years, and the number not corrected to date is fantastically more. Why is there an increase in the number of incomplete applications, insufficient data applications?

Mr. VOIGT. There does seem to be somewhat of an increase I am not really quite sure yet what that is due to.

It is also somewhat misleading because the number of applications returned for insufficient data also includes students who checked the box indicating that they were previously enrolled in postsecondary education before April 1; and they represent about 42 percent of that total. So those statistics are not quite comparable.

But we are working to get those applications corrected.

Mr. BELL. I think it is important to point out, Mr. Chairman, that 1973–74 is a full year and 1974–75 is as of September 15. That does not take anything away from the point that is being made by the chairman, that these are large increases in returned applications.

Mr. O'HARA. I was wondering why, because the form was simplified somewhat.

Mr. VOIGT. Right. We will try to further simplify the form.

Mr. O'HARA. We went through that the last time of our hearings and Mr. Voigt told us of the ways they were simplifing the form.

Mr. BELL. The number of applications not corrected to date are almost fivefold what they were the previous year; notwithstanding the fact that one is a full year and the other is as of September 15, this is a source of concern to us.

Mr. O'HARA. In your statement, Commissioner, you attributed the increase in volume of applications, having received over a million applications to date as compared to half a million for the entire first year of operation, to several factors. First, the fact that the basic grant applications were out earlier; and secondly, the training program that went on, and so forth including the fact that the financial aid community is getting used to the program. But there is also a larger pool of eligibles; is there not?

Mr. BELL. That is right. We think another thing is the early action of this committee, which we appreciate very much.

Mr. O'HARA. Even if you had not had all the other things, granted that you had a much larger pool of eligibles at this time, wouldn't you have expected an increase?

Mr. VOIGT. Somewhat larger, but not quite the same increase we did get, the million applications that we have received to date——

Mr. O'HARA. Of course it may be that your applications are just getting in earlier and they will trail off more quickly than last year.

Mr. VOIGT. The statistics on the applications don't indicate that. They have been relatively steady for the last 2 months or so, 30-35,-000 per month. I expect actually this fall——

Mr. O'HARA. It will probably take a jump when they get to college and find out they might be eligible.

Mr. PHILLIPS. Going back to your earlier question, Mr. Chairman, I would expect a fairly large proportion of that 149,708 fall into this category that Mr. Voigt was talking about, those that were returned because they checked a box which automatically disqualifies them from seeking assistance under the present rules that we are operating under.

Mr. O'HARA. Looking down at the next items, let us see if there are any changes among dependent and independent students.

Mr. BELL. Could you talk to that, Peter?

Mr. VOIGT. Sure. I think essentially the statistics are remarkably similar in terms of the portion that applied in the distribution of dependent and independent. I actually expected a higher portion to be independent because we are now dealing with two classes rather than with freshman alone.

It is also somewhat misleading in that the 56 percent eligibility rate may grow to be somewhat higher. Last year the eligibility rate in the first few months of the program was lower, and as the year went on, kept increasing. We have experienced the same thing today.

Mr. O'HARA. Applicants with farm assets stay about the same, not much of a percentage qualifying, because the change in the assets test really did not affect the farm assets very much.

Mr. VOIGT. It affects those that were actually hurt the most, the lowest-income farmers. There we see a significant increase.

Mr. O'HARA. In terms of farmers in general, there was not much effect.

Applicants with business assets, a little more change there, but not much.

Those with social security benefits, there is a change.

Mr. VOIGT. And quite significant, because most of the social security applicants are really in the lower-income groups and obviously the changes made last year affected them. As a result of the changes we are proposing, next year we expect to see an even greater effect on those who are qualified.

Mr. O'HARA. Yes. That is very heartening to see that tremendous improvement in the number of social security beneficiaries who are qualifying, and veterans.

Mr. VOIGT. The number of applicants receiving veterans benefits has increased also. I think, that is primarily due to the fact that most of these applicants are those receiving survivors benefits rather than G.I.

Bill benefits. It turns out approximately 65 percent of these students are really dependent applicants receiving these survivors benefits.

TABLE II.—DEPENDENT APPLICANTS BY ELIGIBILITY STATUS AND INCOME RANGE (1974-75)

Dependent applicants	Income range—						
	$0 to $2,999	$3,000 to $4,499	$4,500 to $5,999	$6,000 to $8,999	$9,000 to $11,999	$12,000 plus	Total
Qualifying (percent)	97.1	90.9	85.8	80.5	66	17.8	56
Nonqualifying (percent)	2.9	9.1	14.2	19.5	34	82.2	44
Total percentage	100.0	100.0	100.0	100.0	100	100.0	100
Total number of dependent applicants	62,768	47,535	49,906	106,990	110,517	247,722	625,438
Number of qualified dependent applicants	60,946	43,227	42,803	86,115	72,937	44,032	350,060
Percentage of qualified applicants within each income range	17.4	12.3	12.2	24.7	20.8	12.6	100

Mr. VOIGT. The second table really illustrates the distribution by family income of different types of dependent applicants, qualified and nonqualified. What this table does show is that while the program is geared to lower income families, we are reaching applicants in the $9,000 to $12,000 family income range, and these students represent a fairly significant portion of those who are applying.

Mr. O'HARA. Yes. I am rather surprised that two-thirds of those who apply in the $9,000 to $12,000 range are qualifying.

Mr. PHILLIPS. Of course, the amounts of assistance these students may receive are somewhat less, but in terms of sheer qualification, they do represents—actually, if you take the two between $6,000 all the way to $12,000, those two constitute 44 or 45 percent of the total distribution of grants.

Mr. BELL. Do we feel that has any relationship to their skill in draftsmanship, that high qualification? I wondered about that.

Mr. VOIGT. I am not sure. I don't quite think so. It is really a function, in part at least, of the other financial factors that are reported. The income that is reported would put them into those income ranges.

Mr. PHILLIPS. Of course, Mr. Chairman, the second major line here, the total number of dependent applicants, you look across and it is apparent that we have a lot of work to do in making sure that the information does reach the lowest income eligible students, and that we have, you know, there is a sort of unmet group of eligible there that we still have to keep working at and working hard.

Mr. O'HARA. I think there are smaller numbers in that nothing to $3,000 group and $3,000 to $4,500 group, and smaller numbers graduating from high school.

Mr. VOIGT. The next table is essentially the same kind of table, but shows the families qualifying by the level of their eligibility index, by the level of family contributions. Again, it shows the same thing, that the lower income families end up, in large measure, having the lowest family contribution, and therefore, would receive the largest awards.

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TABLE III.—ELIGIBILITY INDEX LEVEL BY FAMILY INCOME FOR QUALIFIED DEPENDENT APPLICANTS, 1974–75

[Total number of persons and percent within each income range]

Eligibility index	Income range: 0 to $2,999	$3,000 to $4,499	$4,500 to $5,999	$6,000 to $8,999	$9,000 to $11,999	$12,000 plus	Total qualified applicants by eligibility index
0 to 199:							
Number	57,224	38,436	33,227	34,992	6,261	810	170,960
Percent	93.9	88.9	77.6	40.6	8.6	1.8	48.8
200 to 399:							
Number	1,520	1,592	3,953	17,337	9,272	1,754	35,428
Percent	2.5	3.7	9.2	20.1	12.7	4.0	10.1
400 to 599:							
Number	734	989	2,003	13,944	13,917	4,755	36,342
Percent	1.2	2.3	4.7	16.2	19.1	10.8	10.4
600 to 799:							
Number	579	814	1,407	9,430	16,703	8,582	37,515
Percent	1.0	1.9	3.3	11.0	22.9	19.5	10.7
800 to 999:							
Number	496	721	1,187	6,047	15,362	12,837	36,650
Percent	0.8	1.7	2.8	7.0	21.0	29.2	10.5
1,000 to 1,200:							
Number	393	675	1,026	4,365	11,422	15,294	33,175
Percent	0.6	1.5	2.4	5.1	15.7	34.7	9.5
Total:							
Number	60,946	43,227	42,803	86,115	72,937	44,032	350,060
Percent	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Percent of qualified applicants in each income range	17.4	12.3	12.2	24.7	20.8	12.6	100.0

Mr. O'HARA. I would understand that better if we made that left column "Family Contribution." Is that right?

Mr. BELL. Yes. That would improve that table considerably. It would make it more readable.

Mr. O'HARA. Let's take a look at tablet IV: "Net Assets."

TABLE IV.—NET ASSETS BY TOTAL INCOME, QUALIFIED DEPENDENT APPLICANTS FOR TOTAL POPULATION BUSINESS OWNERS, AND FARM OWNERS, 1974–75

	Family income: 0 to $2,999	$3,000 to $4,499	$4,500 to $5,999	$6,000 to $8,999	$9,000 to $11,000	$12,000 plus
Total dependent applicants:						
Average	9,620	9,051	8,711	8,246	7,982	8,399
Median	6,123	6,007	6,160	6,537	6,995	7,585
Applicants with business assets:						
Average	6,715	5,568	4,999	4,126	3,027	2,375
Median	3,766	3,317	3,182	2,810	2,146	1,774
Applicants with farm assets:						
Average	17,177	15,663	14,798	12,085	9,232	8,629
Median	9,922	10,840	11,155	9,450	6,968	6,458

Mr. VOIGT. This is a table distributing qualified dependent applicants by the average asset position that they do have, average and median asset position. It shows the difference between all dependent applicants and applicants having business assets and farm assets.

Mr. O'HARA. So we see that even among the family incomes of $3,000, and these are the ones that qualified——

Mr. VOIGT. Yes, these are the ones that qualified and the ones that have assets.

Mr. PHILLIPS. These are the numbers of people who qualify for basic grants, but within that sample you cut out those who have no assets?

Mr. VOIGT. Yes.

Mr. O'HARA. That is the reason that the assets decrease as you go across into higher income groups.

Mr. VOIGT. Right.

Mr. PHILLIPS. More of them have assets.

Mr. O'HARA. In order to qualify. You can qualify with an average of $6,000 of business assets if you had less than $3,000 income; but if you had $6,000 to $9,000, then it gets down to less. If the farm asset thing is not more than the business asset, you can see strong differences there. And these are among the qualifiers.

Mr. VOIGT. Table VI is the same table for all applicants.

TABLE VI.—NET ASSETS BY TOTAL INCOME, ALL DEPENDENT APPLICANTS FOR TOTAL POPULATION, APPLICANTS WITH BUSINESS ASSETS, AND APPLICANTS WITH FARM ASSETS, 1974 75

	Family income					
	0 to $2,999	$3,000 to $4,499	$4,500 to $5,999	$6,000 to $8,999	$9,000 to $11,000	$12,000 plus
Total dependent applicants:						
Average	11,344	11,871	12,677	13,565	14,864	20,498
Median	6,345	6,817	7,354	8,547	10,420	14,035
Applicants with business assets:						
Average	7,808	7,316	7,142	8,036	7,827	12,918
Median	3,979	3,662	3,954	4,184	4,189	5,278
Applicants with farm assets:						
Average	21,261	22,645	24,371	25,874	27,468	36,507
Median	10,830	13,719	16,305	17,882	17,945	21,661

Mr. PHILLIPS. Those who qualify and who don't qualify.

Mr. VOIGT. Yes.

Mr. O'HARA. What bothers me is that the average farm assets for families having less than $3,000 income is $21,000 on the average, although the median is $10,830, which means that some of them must have very sizable assets to bring that average up that high from the median.

Mr. VOIGT. Yes, a small block of families that have very large assets.

Mr. O'HARA. We are having in the fellow from New York State program, and we will talk to him about better asset treatment. We talked to him earlier, you will recall. We are going to see what new developments they are experiencing.

Mr. VOIGT. Tables V and VII are similar, showing the average family contributions for those families that have assets, both for qualifying (in table V) and for the total population having assets (in table VII).

TABLE V.—AVERAGE FAMILY CONTRIBUTION BY TOTAL INCOME, QUALIFIED DEPENDENT APPLICANTS FOR TOTAL POPULATION, BUSINESS OWNERS, AND FARM OWNERS (1974 75)

	Family income					
	0 to $2,999	$3,000 to $4,999	$4,500 to $5,999	$6,000 to $8,999	$9,000 to $11,999	$12,000 plus
Total dependent applicants	$45	$82	$146	$344	$664	$855
Applicants with business assets	77	144	248	483	730	875
Applicants with farm assets	72	166	278	492	726	872
Applicants without farm or business assets	41	73	131	192	658	853

TABLE VII.—AVERAGE FAMILY CONTRIBUTION BY TOTAL INCOME, ALL DEPENDENT APPLICANTS FOR TOTAL POPULATION, APPLICANTS WITH BUSINESS ASSETS, AND APPLICANTS WITH FARM ASSETS (1974 75)

	Family income					
	0 to $2,999	$3,000 to $4,999	$4,500 to $5,999	$6,000 to $8,999	$9,000 to $11,999	$12,000 plus
Total dependent applicants	$121	$297	$488	$779	$1, 218	$2, 640
Applicants with business assets	197	408	651	1, 132	1, 649	3, 720
Applicants with farm assets	261	690	1, 093	1, 568	2, 189	4, 335
Applicants with no farm or business assets	108	266	432	685	1, 116	2, 473

Mr. O'Hara. Now, the home equities are in table VIII.

TABLE VIII.—HOME EQUITY FOR ALL QUALIFIED DEPENDENT APPLICANTS BY TOTAL INCOME (1974 75)

Income range	Number and percent of applicants				Home equity for Homeowners	
	Homeowners		All applicants			
	Number	Percent	Number	Percent	Mean	Median
0 to $2,999	28, 677	13.9	60, 946	17.4	$7, 289	5, 540
$3,000 to $4,499	20, 741	10.1	43, 227	12.7	7, 632	6, 180
$4,500 to $5,999	22, 156	10.8	42, 803	12.2	7, 867	6, 537
$6,000 to $8,999	50, 452	24.6	86, 115	24.7	8, 017	7, 024
$9,000 to $11,999	49, 904	24.3	72, 937	20.8	7, 990	7, 280
$12,000 plus	33, 397	16.3	44, 032	12.6	8, 277	7, 563
Total	205, 327	100.0	350, 060	100.0	7, 892	6, 859

Mr. Voigt. Yes.

Mr. O'Hara. To be qualified.

Mr. Voigt. These are the qualified applicants. Table IX is the nonqualified, and table X is for the total population.

TABLE IX.—HOME EQUITY FOR ALL NONQUALIFIED DEPENDENT APPLICANTS BY TOTAL INCOME, 1974–75

Income range	Number and percent of applicants				Home equity for homeowners	
	Homeowners		All applicants			
	Number	Percent	Number	Percent	Mean	Median
$0 to $2,999	1, 354	0.6	1, 822	0.7	$28, 336	$18, 567
$3,000 to $4,999	3, 206	1.4	4, 308	1.6	17, 974	13, 929
$4,500 to $5,999	5, 299	2.2	7, 103	2.6	17, 363	14, 119
$6,000 to $8,999	16, 145	6.9	20, 875	7.6	17, 610	15, 645
$9,000 to $11,999	31, 363	13.4	37, 580	13.6	17, 183	15, 582
$12,000 plus	177, 073	75.5	203, 690	73.9	15, 993	13, 902
Total	234, 440	100.0	275, 378	100.0	16, 394	14, 484

TABLE X.—HOME EQUITY FOR ALL DEPENDENT APPLICANTS BY TOTAL INCOME (1974 75)

Income range	Number and percent of applicants				Home equity for homeowners	
	Homeowners		All applicants			
	Number	Percent	Number	Percent	Mean	Median
$0 to $2,999	30, 031	6.8	62, 768	10.0	$8, 239	$5, 762
$3,000 to $4,499	23, 947	5.4	47, 535	7.6	9, 017	6, 210
$4,500 to $5,999	27, 455	6.2	49, 906	8.0	9, 704	6, 797
$6,000 to $8,999	66, 597	15.2	106, 990	17.1	10, 337	8, 465
$9,000 to $11,999	81, 267	18.5	110, 517	17.7	11, 532	9, 824
$12,000 plus	210, 470	47.9	247, 722	39.6	14, 769	12, 283
Total	438, 676	100.0	625, 438	100.0	12, 424	10, 535

Mr. O'Hara. These percentages on table X don't tell us what percentage of all applicants show home equity, do they?

Mr. Voigt. Not within the categories, but essentially I think in the zero-to-three group, a little less than 50 percent show home equity.

Mr. O'Hara. Can we make an extrapolation from the numbers in the two columns?

Mr. Voigt. Yes, sir.

Mr. O'Hara. So that not quite 50 percent of the lowest income range show home equity; about 50 percent of the $3,000 to $4,500 will show; better than 50 percent of the $4,500 to $6,000.

Mr. Voigt. As income goes up, it is quite clear that the incidence of home equity increases.

Mr. O'Hara. Even in the lowest income group, the mean home equity is $8,200 and the median is $5,700; even in that lowest income. I suspect among that are a number of fatherless families and so forth.

Mr. Voigt. There may be. However, we have no data collected on that.

Mr. Phillips. Peter, isn't it also true, though, that the proposed change to $8,500 would put it above both the mean and median?

Mr. Voigt. In the lowest income category.

Mr. O'Hara. But in the $3,000 to $4,500 group, it would be above the median but below the mean.

Mr. Voigt. Slightly below the mean.

Mr. Phillips. The effect of that would be, if I understand it correctly, that the $517 would be subject to a 5-percent tax, so that what it does is to fall just slightly below the exclusion which would be necessary to take care of the average home equity in this $3,000 to $4,500 income range, but it would be a nominal tax; 5 percent of $517 would be the only thing included; say $25 or $26.

Mr. O'Hara. Let's look at table XI.

TABLE XI.—TOTAL DEPENDENT APPLICANTS WITH SOCIAL SECURITY EDUCATIONAL BENEFITS, 1974-75

Income range	Number of dependent applicants receiving social security benefits	Percent in income range	Average annual benefits	Number and percent of dependent applicants receiving social security benefits and qualifying for basic grants	
				Number	Percent
$0 to $2,999	18,026	24.9	$1,131	16,516	91.6
$3,000 to $4,499	10,789	14.9	1,180	7,158	66.3
$4,500 to $5,999	10,092	14.0	1,188	4,690	46.5
$6,000 to $8,999	15,423	21.3	1,194	4,300	27.9
$9,000 to $11,999	9,047	12.5	1,187	1,052	11.6
$12,000 plus	8,944	12.4	1,214	228	2.6
Total	72,321	100.0	1,177	33,944	46.9

Mr. Voigt. That shows the total dependent applicants with social security benefits. Quite clearly, with the change that we made in the system last year, the lowest income students qualify now at a 91.6 percent rate. This is due to the fact that those families with the lowest incomes will, of course, have negative income and would be able to qualify as a result of that.

When you go up higher in the income ranges, the negative income does not play a significant factor and the qualification rate drops fairly dramatically.

Mr. PHILLIPS. The proposed change that we made here today would increase the percentages as you move up the income ladder, would it not?

Mr. VOIGT. It would indeed.

Mr. PHILLIPS. It is hard to know exactly how it would shake out, but it might go to 80 percent in the $3,000 to $4,500 group and raise the other up as well.

Mr. VOIGT. It should also be noted that when you look at distribution of social security beneficiaries students by income level, the vast bulk of the students fall into the lower income range. So in all likelihood the vast majority of them would qualify under the proposed changes.

Mr. O'HARA. Right.

Table XII is the family size allowance.

TABLE XII.—FAMILY SIZE ALLOWANCE

Family size	Allowance 1973-74	Allowance 1974-75	Allowance 1975-76[1]
1	700	850	935
2	2,800	3,050	3,355
3	3,350	3,650	4,015
4	4,300	4,650	5,115
5	5,050	5,500	6,050
6	5,700	6,200	6,820
7	6,300	6,900	7,590
8	7,000	7,600	8,360
9	7,700	8,300	9,130
10	8,400	9,000	9,900
11	9,100	9,700	10,670
12	9,800	10,400	11,440

[1] Estimated, assumes CPI increase of 10 percent.

Mr. BELL. There, Mr. Chairman, we assumed a Consumer Price Index of 10 percent in calculating our recommendations for 1975–76.

Mr. VOIGT. This is just an illustration which indicates how these family size allowances would increase.

Mr. O'HARA. How do you get the 10 percent for your last figure, from when to when?

Mr. VOIGT. This would be from January to December.

Mr. BELL. Looking at the calendar year.

Mr. O'HARA. Rather than the school year or fiscal year?

Mr. BELL. We think that is going to be fairly close to the actual.

Mr. O'HARA. You are going to use the "10"?

Mr. BELL. We are going to use the "10."

Mr. COOKE. We use the CPI.

Mr. O'HARA. You are going to use the CPI?

Mr. BELL. Right.

Mr. O'HARA. Of course if you are going to publish by January 1——

Mr. COOKE. It should be December to December.

Mr. VOIGT. We will have published the regulations and have the system in place in time to process student applications. Student applications will go out in January.

Mr. O'HARA. I understand. You don't need that when you go to the printer.

Mr. VOIGT. That is right.

Mr. O'HARA. The basic scheme of the eligibility system is based on the Orshansky low income, formula isn't that correct?

Mr. BELL. That is right.

Mr. O'HARA. And the most recent one or what?

Mr. VOIGT. We would go back to the most recent one and apply the Consumer Price Index increased to that.

Mr. O'Hara. You will go back to the most recent and apply it to the Consumer Price Index?

Mr. Voigt. Yes.

Mr. O'Hara. That is for your basic effective family contribution schedule.

Mr. Voigt. That is right.

Mr. O'Hara. As you know, I have some serious doubts about the realism of doing it that way. Of course I recognize that you treat some other things a little differently than the other needs analysis services, so that it does wash out in a number of respects.

With respect to the prospects for next year, you are projecting a reduction in the size of the average award.

Mr. Voigt. Yes.

Mr. O'Hara. Based on the expected appropriation that is now under consideration.

Mr. Bell. We think that is inevitable with what has now transpired both in the Senate and the House on appropriations. The size of that and what we can project the appropriations to be of course affects us as we calculate these weighting factors in the formula, obviously. For example, we estimate that it will take $33 million to raise the asset reserve to $8,500 at full funding.

Mr. O'Hara. Are you making any change in what it takes to be considered an independent student? As of now if someone lives 2 weeks with his parents——

Mr. Voigt. Right. We are not proposing to change the definition of independent student.

Mr. Phillips. It is a three-part definition: the 2-week rule, the claiming on the income tax, and the parental support factor. If a student answers "yes" to any of those three questions, then he is not qualified as an independent student.

Mr. Voigt. We had a relatively small amount of reaction or comment on that independent student definition.

Mr. O'Hara. I am sort of hung up on it because of my own personal experience. I was an independent student throughout the time I was in college, but I used to spend more than 2 weeks a year living in my parents' home. I never got any money from them. I would have been in a tough way if the G. I. bill had had some kind of qualifier that said if you lived more than 2 weeks with your parents you were not qualified for the benefit.

I think the other two are pretty realistic tests, but that one concerns me. What is the rationale for that?

Does any one of you want to take that on?

Mr. Bell. I was going to observe, Mr. Chairman, that I attended college on the G. I. bill and I was raised in a home and reared by a widowed mother, and I spent more than 2 weeks in that home, but I was far from a dependent on that income because there wasn't any for me. I would be like you.

Mr. O'Hara. You and I have had similar experiences. I just don't understand that 2 weeks one, and we have had some complaint about it from the Student Lobby and I think from the National Student Association as well, that it was not a fair test.

Mr. Bell. I will be interested in my colleague's answer.

Mr. Voigt. I think the definition really, essentially, is one that tries to measure whether a student is financially dependent on his parents.

The assumption is that if a student does live at home he is in part receiving support from his family. The two-week rule is one that we picked essentially because it is often the length of a normal kind of vacation, Christmastime, certainly not in the summertime for a student if he is truly dependent not to be home.

By the way, not a total of 2 weeks during a given year; it is 2 consecutive weeks at a time.

Mr. O'HARA. Yes, but even so, I think one of our problems in the whole student aid picture, and this is not meant as criticism, because it is equally applicable to you and to us, is that we don't have behavior models. We look at theoretical models.

I suspect that in actual practice it is not unusual for an independent student to spend a summer vacation living in the home of his parents while he works.

Mr. BELL. And he may be contributing to the income of his parents, not being dependent at all but contributing to their income.

Mr. O'HARA. Right. I don't think there is any account taken of that.

Mr. VOIGT. In part if the student, whether he is dependent or independent, is declared dependent and he comes from a low-income family, he will of course become eligible.

Mr. O'HARA. Yes, but even if he comes from a middle-income family.

Before we get back together on this matter I would like to have you folks think about scratching that as one of your tests. I have no complaint about the other two tests. I really think that maybe the other two tests would catch all the people you would want to catch and sort out.

Mr. PHILLIPS. Mr. Chairman, there is a problem, however, that it is very hard to measure what the extent of a family's support for a student might be if they are living at home for any significant period of time during the year, you know, the base year to apply for funds.

We did not have a great deal of comment on this when the basic grant regulations were printed, but we had a very significant amount of comment in response to the proposed rule which also put the two week rule into the supplementary educational opportunity grant program.

Believe me, we have sort of torn our hair and racked our brains for a test which might be better to get at that problem and thus far have not really begun to come up with something that would prevent the kind of invisible but nonetheless very real status of dependence but in fact a technical claim of independence.

Mr. O'HARA. I think the reason you have it in there is because you want to stop the chiseler, and if the parents can contribute you think they ought to and so forth. It is the fraudulent claim that you are after, I think, with your two-week rule.

Mr. BELL. I think, Mr. Chairman, that we need to recognize that we need to examine that and do some homework on it.

Mr. O'HARA. I would appreciate it if you would do that. I will do some more thinking about it, myself. When we get together again, perhaps we can discuss it.

Mr. BELL. Right.

Mr. O'HARA. You mentioned in here that there continues to be a problem, although not a great one you believe, with the veterans benefits situation, if I can find the right passage here.

Mr. PHILLIPS. I think it comes toward the end.

Mr. O'Hara. Here we are:

> We feel that this inequity is not as serious as that faced by social security recipients and is one that we are willing to live with during the existing 1975–76 academic year in order to give priority to correcting the problems of social security recipients. This is not the best way to treat veterans benefits and, accordingly, we intend to seek remedial action as part of our legislative program for higher education next year.

Either now or when we come back together again, perhaps we can discuss some of the possible ways to handle that legislatively so that we can review together and that will give you a better notion of what the committe's thinking is and we will get a better notion of your thinking.

Mr. Bell. It may be that we can be in touch with your staff and do some more work on it.

Mr. O'Hara. I think that would be helpful.

Then the whole assets thing, maybe we will wait on that until we have the New York people in and get their testimony.

I am generally pleased, let me say, with the changes that you have proposed. I think your change with respect to permitting the independent student who worked the year before to make an estimate makes it easier for the nontraditional type of student whom I think we have to give a great deal of encouragement to. The old system gave him a great deal of discouragement.

Mr. Bell. I am told, Mr. Chairman, that past discussions have had a profound influence on these changes.

Mr. O'Hara. That is one of the reasons I am so pleased, I am sure.

Mr. Bell. That may be the understatement of my testimony. I have come in in the middle of the movie, so to speak, and I have been told that.

Mr. O'Hara. I am pleased with the increase in the assets reserve, although with reservations, and the business about the social security benefit is a great jump, I think. I liked the change last time, but this is better.

Gentleman, thank you very much.

Mr. Bell. Notwithstanding the skirmishes, Mr. Chairman, I understand from my colleagues there is a very warm feeling and relationship with this subcommittee. We hope that is going to continue.

Mr. O'Hara. I hope so, too. Thank you very much.

Mr. Bell. If I could, Mr. Chairman, I would like to put in a plug—maybe it is redundant to say—that we surely want to move on this, and we are concerned about the time constraints.

Mr. O'Hara. We are very anxious. I hope you are getting some movement out of the Senate.

We hope to be able to finish our consideration of this matter before we recess. Now, we are scheduled to recess on the 11th. If we don't, you see, we are not scheduled to come back until the 12th of November, so we would like very much to meet that timetable.

Mr. Bell. We are going to be before the Senate shortly.

Mr. O'Hara. Thank you very much.

Mr. Bell. Thank you.

Mr. O'Hara. The special subcommittee will now stand in adjournment until Wednesday morning at 9:30 in room 2257.

[Whereupon, at 10:45 a.m., the special subcommittee recessed, to reconvene at 9:30 a.m., Wednesday, October 2, 1974, in room 2257, Rayburn House Office Building.]

BASIC EDUCATIONAL OPPORTUNITY GRANTS—FAMILY CONTRIBUTION SCHEDULE, 1975-76

WEDNESDAY, OCTOBER 2, 1974

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

The special subcommittee met at 9:40 a.m., pursuant to recess, in room 2257, Rayburn House Office Building, Hon. James G. O'Hara (chairman) presiding.

Present: Representatives O'Hara, Biaggi, and Dellenback.

Present also: Jim Harrison, staff director; Webster Buell, counsel; Elnora Teets, clerk; Bonnie Stricklin, assistant clerk; and Robert C. Andringa, minority staff director.

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

This morning it is my hope we will conclude our hearings on House Resolution 1396, the pending resolution of disapproval of the 1975-76 BEOG family contribution schedule as transmittted to the Speaker of the House last week.

Last Monday we took testimony from the Commissioner of Education and his staff. I expressed my satisfaction at the direction the new proposed schedule had taken. There are areas in which I believe the Office of Education should go a little further in order to make this next year's schedule a realistic one and to move it in the same direction as, for example, the new College Scholarship Service family contribution curves have taken, recognizing the increasing difficulty most families have in making contributions of the magnitude earlier schedules under BEOG and other needs analysis systems have demanded of them.

Today we will begin by taking testimony from one of our distinguished colleagues on the full Education and Labor Committee, the gentleman from New York, Mr. Peyser.

STATEMENT OF HON. PETER A. PEYSER, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW YORK

Mr. Peyser. Thank you, Mr. Chairman. I will be very brief.

I have submitted a brief written statement I would appreciate having in the record, and then I will make a brief statement.

Mr. O'Hara. Without objection, your statement will be printed in the record at this point.

[The statement of Mr. Peyser follows:]

STATEMENT OF HON. PETER A. PEYSER, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW YORK

Mr. Chairman, I would like to bring to your attention today a particularly distressing situation which has recently come to my attention. It concerns the basic educational opportunity grant program.

As a member of the House Education Committee, I actively worked on the preparation of this legislation. It was my understanding that the intent of the authorizing legislation was to aid low- and middle-income families in postsecondary education. However, now that the program is in operation, I can see that it is not reaching those whom it was intended to help.

I would like to point out a case at hand. A constituent of mine is a widow with two children, one of whom is in college. She has a net income of approximately $6,587. She owns a house which has been given a net asset value of $35,000. According to the basic grant schedule, it has been determined that she has approximately $1,665 to spend on her son's education, which makes her ineligible for a grant.

I propose that this schedule is not at all equitable. How can a widow, with two children and an income of $6,587, possibly have $1,665 to spend on her son's education? Must she sell or mortgage her home to meet these expenses?

I fully agree that savings accounts, stocks and bonds, and other like liquid assets be considered as such. But I do not feel that equity in one's home should be considered as an asset in computing eligibility. If one owned a $100,000 home, one could not afford to pay the property taxes with such a low income. So it is ludicrous to hypothesize that owners of expensive homes would be eligible for grants if this type of asset is excluded from the formula.

I strongly urge the subcommittee to modify the schedule in order to correct this type of injustice. I think such a change should more accurately determine and reflect a student's "need." If we are to continue this program at all, we must make it work for those for whom it was intended, such as my constituent.

Mr. PEYSER. Mr. Chairman, again I want to thank you for the opportunity of testifying and also for the leadership that you have demonstrated in this whole program in the fields of higher education.

I am very disturbed, Mr. Chairman, over what I find has developed in the basic opportunity grant program, particularly as to the method of arriving at calculations as to whether an individual can qualify or they cannot qualify.

I have spoken to the Office of Education on this situation.

Let me give you an example of what we are faced with.

A specific case of a widow with two children whose adjusted gross income is $6,500. She has a home that has an equity of $35,000. Based on the formula that is applied, it turns out that she should be able to contribute $1,665 toward toward her sons' education.

Now, there is no way that this women can contribute $1,665 or anything resembling it. In fact, this woman and her two children are having a difficult time just existing.

Now, the problem they say is, "Well, she has a $35,000 equity in a home." Then the alternative is that she could sell her home, I suppose, and live somewhere else, try to find another place, and then with that excess money help her sons' education. You and I know this would be very counter-productive and not realistic.

In speaking to the Department, I said, "What do you consider to be the average value of the home of recipients of the grants?"

They told me that $10,000 was considered to be the average value of a home from anybody receiving the grant.

Well, if this is the measurement that is being used, I would like to suggest that this program is turning into a highly discriminatory one against any individual who lives in any metropolitan area in this country because the only ones, frankly, who could qualify on this in metropolitan New York would be people on welfare.

I am in no way opposed to those people having the benefits of this program. But my understanding when this program was originated was that this would be reaching out far beyond people who were on welfare and people with lower middle incomes would be eligible.

In my metropolitan New York area under this basis anyone who had a home would automatically be disqualified because there are no homes of $10,000 in the metropolitan New York area.

I would just like to suggest in your studies that are going to take place and are already taking place in oversight on this is that consideration be given to this formula and that a person's home should not be a factor in determining whether they have enough current income to contribute to their child's education.

When I mentioned this, someone in the Office of Education said, "Well, we might find someone with a tremendously expensive home, say a home of $100,000 or more, and having this kind of income."

I said, "If somebody had a $100,000 home in the metropolitan area and had an income of $6,500, they could not even pay the taxes on the home."

So, I said, this makes no sense whatsoever.

It seems to me that in fairness to the middle income, lower middle income people, something has to happen on this formula to give them an opportunity to participate in this program because I thought that is what we had developed the program for, but it certainly is not working that way.

Mr. Chairman, again I thank you.

If there are any questions, I will be delighted to answer.

Mr. O'Hara. Mr. Peyser, I thank you.

Let me say I could not agree with you more on what you have said in your statement. You are absolutely right.

The utilization of assets with the small asset exemption we now have results in a decided injustice to a number of applicants. I don't think, as a matter of fact, that a widow with children should be required to sell a home in order to finance her child's education.

You will be interested in knowing that we have coming in today and testifying before us the representatives of the New York State program where they don't count assets of the sort we have described and where they have found apparently that it works out a lot better that way. There are no abuses.

My major reservation about the proposed new schedule has to do with the treatment of home equity.

I would like to keep in touch with you and maybe we can work on this.

Mr. Peyser. I will be very happy to.

Mr. O'Hara. Mr. Dellenback.

Mr. Dellenback. Thank you very much.

We do appreciate your input; you are a valuable member of the committee. I appreciate your concern about things other than just the subcommittees you are on.

Given the present program, do you think there ought to be any attention paid to assets at all in computing who is eligible? Should it be just an income measure, or should it be a measure that combines assets and income?

Mr. **Peyser**. I would suggest that assets should be considered in the form of liquid assets. I think if somebody has $25,000 in a savings bank or owns $30,000 or $50,000 of securities that are marketable securities that this is an asset that I think should be invested in a child's education.

I guess the specific thing I am against is the question of using a person's home as the asset. They tell me that that is the primary asset in most of the cases from whom they have applications.

Mr. **Dellenback**. So, you would be in favor of using assets qualifications, but all you would do would be to exclude homes.

Mr. **Peyser**. I would exclude the home. I would use liquid assets. I would not use an automobile or anything of that nature. If I were talking assets, I would say liquid assets.

Mr. **Dellenback**. Do you consider stock held today a liquid asset?

Mr. **Peyser**. Well, it would be very watery.

Mr. **Dellenback**. What would you do in this type of situation? How do you make for equity in the following case?

Two brothers or sisters have nothing. Their parents die and each one gets $50,000. Therefore, the $50,000 would be taken into account if they had children. One family decides they will live in a rental home and put the $50,000 in a bank. The other family decides they will use their $50,000 in purchasing a house.

Now, a month later they apply. One owns $50,000 equity; the other has $50,000 in the bank and is paying monthly rental. One of those families will qualify and one will not, under your system.

Mr. **Peyser**. I would just have to say on that, you know, people do make decisions throughout their life on what they are going to do.

Mr. **Dellenback**. You would say that if a person elected to invest in real property, then they should get special treatment over the one who elected not to invest in real property?

Mr. **Peyser**. If you want to prevent the exact circumstances of what you are suggesting, I would have no objection to saying that if a home was purchased within a year of an application—in other words, to prevent the circumventing—the matter by buying a home in order to qualify.

Mr. **Dellenback**. I am not suggesting they did it for that purpose. I am just saying that under those circumstances two different families otherwise identical end up with one type of asset being treated one way and another being treated another way.

Mr. **Peyser**. I would probably end up supporting that because that was a decision that the family made on their own.

Mr. **Dellenback**. I am not suggesting they did it for that purpose. who, under those circumstances, instead of investing in a home invested in a small business. It was just a little shop of some sort but all their $50,000 went into that small business. Now, if their child applies, are they going to have to sell the small business?

This is not a home—not a residence. It is the thing from which they are making a living.

Mr. **Peyser**. You pose an interesting question.

In other words, you say that someone who has money invested in their business but whose earnings are so low——

Mr. DELLENBACK. They are living off the business with very little income. All three families are making the same number of dollars. $6,567.

Three brothers: One has $50,000 in cash in the bank or in stock at the moment, a very bad valuation situation, difficult to see; one has $50,000 in the home; one has $50,000 in the small business, and they are living off the income from the small business.

How are you going to treat the small business?

Mr. PEYSER. It is an interesting question.

What you come around to on that is the qualification of saying that the only asset that you would treat would be an asset, savings account or bonds or something of that nature, and say that that is it and that anything else cannot be counted as an asset. Therefore, your people who have the store or the little business would qualify.

Mr. DELLENBACK. The fourth brother took his $50,000—these are very wealthy parents—and elected to invest in a type of asset, but it is a nonliquid, long-run investment in real property, ranch land or coal land in the west. Are they going to have to liquidate that one?

Mr. PEYSER. My feeling there is that that kind of investment is an asset, a liquid asset. To my way of thinking it is. This is very similar to what we have heard in testimony on the cattle credit bill that came up where ranchers appeared before us saying that they wanted financial help and when we got into cases, we found out that they owned thousands of acres of other land, unmortgaged or unencumbered, that was not related to the cattle. They did not feel that was an asset for them.

Mr. DELLENBACK. The brother did not do that. He moved onto the ranch land and grazed 17 head of cattle.

Mr. PEYSER. If that were my home, under my qualifications that would not count unless the cattle, themselves, were an asset, which they would be.

Mr. DELLENBACK. Actually, they did not live on that acreage; they lived down the street.

Mr. PEYSER. I am afraid we are getting too far down into this labyrinth here that we've lost sight of our original point. I think that the basic point I am trying to make, John, is that a person's home, where they are actually living——

Mr. DELLENBACK. You are going to throw the house out——

Mr. PEYSER [continuing]. Should not be counted as an asset.

Mr. DELLENBACK. Small business should be.

Mr. PEYSER. Unless you could qualify it in such a way to make good common sense; and I have known you long enough to know that you deal in common, practical things, that we should find that definition very easily.

But the home, to me, in most cases, and the Office of Education told me that in most of their cases the home is the asset.

Mr. DELLENBACK. Would you set any valuation on the asset?

Mr. PEYSER. They told me the national average was $10,000.

Mr. DELLENBACK. The figures given to us for all qualified dependents' home equity as opposed to gross value ranged from $7,300 to about $8,700. That is the equity. That is to qualify. But for those who don't qualify, asset values ranged from about $16,000 equity, to about $28,000.

Mr. PEYSER. That is exactly the point I am making. They happened to give me a figure of $10,000 yesterday but I defer to your figures. That is exactly the point.

In metropolitan areas, I don't know anybody who had a home who could qualify under those circumstances.

Mr. DELLENBACK. Did you take gross valuation of the home, or equity?

Mr. PEYSER. Equity in the home. Somebody would have to have a mortgage so big to get the equity down in New York, with this $6,500 income they could not pay this kind of mortgage.

Mr. DELLENBACK. The example you gave me an equity situation?

Mr. PEYSER. That is right.

Mr. DELLENBACK. Anyway, we agree that the problem is complex. You could specify some dollar value—whatever it is, $7,500, $10,000, $25,000—and say, look, whatever the individual puts his or her money in, that is their business. Whether they want it in a house, in business or in stocks, they all should be treated alike and there should be a net equity value, whatever that is.

Mr. PEYSER. Would you feel the same about a savings account?

Mr. DELLENBACK. You range that across the line to the situation where you don't pay any attention to assets at all. It does not matter what you have; it is strictly an income situation and that would indirectly take into account investment, because if you put it in stock, you would have an income. If, on the other hand, you put it in a savings account you would have an income, and if you put in a house you would have an aesthetic income but not a monetary income. The difficulty is, where are you going to draw the line, Peter?

I confess I would have great difficulty in saying no home at all. If you set it at zero, that would be unfair.

But I also find it very difficult to take the hypothetical examples that I gave you on the first three cases and make a distinction.

We each have $50,000; you and I are brothers. You elect one thing with your $50,000, and I elect the other thing. One of us gets zapped. I have trouble with the inequity in this. You can stretch the fine line to the business from which you make a living to the home in which you live, and I understand the point you make. However, I would be strongly against having no asset value.

The question is: Where would you draw the line?

The impact of it is that we don't have limitless dollars in this program. If we had limitless dollars in the program, then we would go a different way. As it is, every dollar you take and give to one person you take away from somebody else for practical purposes. Now, you are in a situation where you must choose one person over another—not just in a vacuum of whether or not this person should qualify. You are saying, is it better that this person qualify rather than this person? That is really what we come down to. Those who are dealing in finance have to make very difficult choices continually.

Mr. PEYSER. If I could make one comment on that.

Again zeroing in on what I am sure is every metropolitan area in the United States, if we used anything resembling the present system we are really saying that welfare recipients would be the only ones to qualify basically and that no one having a home would qualify in a metropolitan area under these sets of rules.

I asked specifically yesterday if the Office of Education could give me any figures on New York City and they said they could not give me figures as to who qualified in New York City.

I said, "Don't you have any breakdown on this at all?"

They said, "Well, we have New York State."

But they have no breakdown in the metropolitan areas.

If you use your figure of $7,000 equity in the home, you just fiscally could not own a home in New York and have that little equity. So, you would not be qualified.

Mr. DELLENBACK. One final question.

On your suggestion, would you set any limit on the amount of equity in a home that you would say one should be?

Mr. PEYSER. I would be willing to do that.

What that limit could be, and it might very well be that you want to set a regional—I realize this complicates things to a certain degree but there are vast differences, regionally, in this situation.

In certain areas of the country, if you had a $35,000 home equity it could be a very substantial home.

If I were dealing in the Metropolitan New York area, as a figure, and we were excluding the home, I would set a value probably of $50,000 because you would have many, many people with very low incomes who could have a home, particularly widows—you know their husbands died and this is their home and today to sell it to buy anything else, they couldn't do it.

Basically, given my choice, I would say no home, the home does not count as asset.

Mr. DELLENBACK. The home becomes both a range shelter and a BOG shelter.

Mr. PEYSER. I hope that was fog and not BOG.

Mr. DELLENBACK. Thank you.

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

I hope that you will take a look at Mr. Hollander's testimony.

I started off where you did, when the first schedule came up saying we ought to treat home equity differently. Then I said, maybe we ought to treat farm equity differently. Then I said, maybe we ought to treat small business equity differently. Finally, I got around to the point that New York State got to which is to ignore assets altogether.

Mr. PEYSER. I would take that road ultimately. I am perhaps in the middle.

One thing, Jim, it seems to me is an inequity is this question of savings bank accumulations.

I don't know honestly how you can ignore that one. If people do have substantial cash on hand in the savings bank it would seem to me that that would have to be a liquid asset.

Mr. O'HARA. I don't think there are many of them and that is what the New York experience, I think, demonstrates. There are very few people who could be considered abusers when you ignore assets.

Mr. PEYSER. I agree. I would accept the no asset test very happily.

Mr. O'HARA. Thank you.

Mr. PEYSER. Thank you very much.

Mr. O'HARA. Our other witnesses this morning represent organizations who have a major stake in the operation of the BEOG system either as student aid practitioners in the case of our first three witnesses, or as beneficiaries, if that is the word, in the case of the last witness.

We are going to begin with Eunice Edwards, who is speaking for the National Association of Student Financial Aid Administrators, and who is accompanied by Mr. Richard Tombaugh.

Both Dr. Edwards and Mr. Tombaugh are old hands at advising this subcommittee.

Mr. DELLENBACK. We are delighted to see you, Mrs. Edwards and Mr. Tombaugh.

I have read part of your testimony and I am already smiling with you at part of it.

STATEMENT OF MRS. EUNICE EDWARDS, ASSOCIATE DIRECTOR, COMMISSION ON STATE AND FEDERAL RELATIONS, NATIONAL ASSOCIATION OF STUDENT FINANCIAL AID ADMINISTRATORS; ACCOMPANIED BY RICHARD TOMBAUGH, EXECUTIVE SECRETARY, NATIONAL ASSOCIATION OF STUDENT FINANCIAL AID ADMINISTRATORS

Mrs. EDWARDS. Thank you very much, Mr. Dellenback.

We are pleased to have the opportunity to appear before the subcommittee today to present the views of NASFAA regarding the proposed family contribution schedule for the 1975–1976 basic educational opportunity grant program.

I have been asked to advise you that our testimony also reflects the view of the American Council on Education, which has chosen to endorse this statement rather than present additional verbal testimony.

Each of these appearances relative to the basic grants program becomes more pleasant than the last because each time the Office of Education has proposed changes similar to those we have recommended in the past.

While we regret the passage of time before our positions gained acceptance by USOE, we appreciate deeply the fact that we have fewer and fewer problems with their proposed schedule each time it comes to you for approval.

More specifically, we applaud the USOE proposals to treat all of the social security income and one-half of the Veterans' Administration benefits as a part of other family income, and to use the estimated income of the independent student who had been employed full time during the base year.

Both of these changes are consistent with recommendations we have advanced since the inaugural year of the basic grants program.

Attached to our statement is a comprehensive analysis of the current difficulty with the social security treatment as provided to Mr. O'Hara by one of our colleagues last May.

[The analysis referred to follows:]

THE COMMONWEALTH OF MASSACHUSETTS,
UNIVERSITY OF MASSACHUSETTS,
Amherst, Mass., May 29, 1974.

Hon. JAMES G. O'HARA,
House of Representatives, 2241 Rayburn House Office Building,
Washington, D.C.

DEAR CONGRESSMAN O'HARA: As you continue your review of student aid programs, I would like to bring one particular point to your attention. The relationship between social security benefits and federal aid programs, specifically the Basic Grant Program.

I am enclosing a copy of a draft chapter I have written for inclusion in the College Scholarship Service's *Manual for Financial Aid Officers* but as it is somewhat lengthy I'll try and restate the problem more succinctly.

Social security benefits are extended beyond age 18 (up to age 22) to full-time, unmarried students of parents covered under the Social Security Act.

The Basic Grant Program considers the social security benefits received by an individual student as the student's resource and reduces BEOG eligibility as a result; aid administrators are likewise supposed to consider social security benefits although the Office of Education has never issued a definitive statement on how the benefits are to be counted.

The problem is a simple one, the solution is more complex. As you will note on Table 1, social security benefits are not sensitive to family size. At the minimum benefits, there is no difference between the one child and two child family. At the average and maximum benefits, there is an increment between one and two children; but, thereafter, the total amount received by the family unit is a constant regardless of how many children are involved.

TABLE 1.—SOCIAL SECURITY BENEFITS, MARCH 1974

	Mother and children to age 22				
1. Father deceased	1 child and mother	2 children and mother	3 children and mother	4 children and mother	5 children and mother
Minimum benefits to family ($135.80 maximum):					
Each	67.90	45.30	34.00	27.20	22.70
Total	135.80	135.90	136.00	136.00	136.20
Average benefits to family ($418.20 maximum):					
Each	177.00	139.40	104.60	83.70	69.70
Total	354.00	418.20	418.40	418.50	418.20
PIA $304.90: Maximum benefits to family ($553.20 maximum):					
Each	228.70	184.40	138.30	110.70	92.20
Total	457.40	553.20	553.20	553.50	53.20

The stated purpose of the extension of social security benefits was to assist students in continuing their education—a financial incentive and support measure. If we look to average benefits, and consider one example, the problem is obvious.

Assume a mother and 3 children with social security as the only income. They have been receiving $418.40 per month. The eldest child turns eighteen and becomes a full-time student. That individual is now mailed a separate check for $104.60 while the mother and other two siblings receive a check for $313.80. The student reports his social security benefits on his BEOG application. The approximate $950 reported reduces his eligibility by a like amount. For the 1973 processing year, the great majority of our social security recipients did not receive basic grants.

Thus, the social security recipient student is not eligible for much financial aid, and the living standard of his mother and siblings is reduced.

If the individual chooses not to go to college on a full-time basis, then the mother still continues to receive the $418.20 for herself and her two other children and the eighteen year old can work and/or attend school part-time (with potentially increased aid eligibility as social security benefits are not counted).

The effect of current regulations on all social security families that have more dependents than are needed to reach the maximum benefits (more than one child is disabled and retired cases, more than two in deceased cases) is to reduce the student's eligibility for aid while also reducing the social security received by other members of the family unit below the level they would have received if the other dependent was not a student. The regulations make it economically disadvantageous for a social security recipient to go on to college.

I can see two possible solutions to the problem.

(1) Treat the student's social security apart from the family's. The family unit including children under 18 would continue to get their maximum entitlement. The student's social security would be additional moneys and a positive incentive to enroll in post-secondary education.

(2) Apply a student increment regulation to federal student aid program, i.e., information is collected on number of dependents and the total social security income of the family. If there are more than the needed number of dependents not counting the applicant, then no social security benefits are charged to the applicant.

Thus, one child families and some two child families would have social security counted as a student resource as it is now but larger families would not have to suffer an income reduction because one of the family decided to go to college. It is probably impossible to do anything about Basic Grant regulations at this time but with the inclusion of 4-5 questions on social security, it should be possible to implement a student increment approach for 1975-76.

As a temporary measure, we are advising our students from over the maximum size families not to apply for continuation of social security benefits and to indicate on their BEOG application that they will not be receiving said benefits.

I hope that in the course of your hearings, you will find time to consider the role of social security in student aid. The present situation obviously forces us to deal in injustices and terms economic disincentive to families as student assistance—yet another area where rhetoric and reality are in conflict.

Thank you for your interest in student assistance programs.

Sincerely,

RICHARD A. DENT,
Director, Financial Aid Services.

Mrs. EDWARDS. While Mr. Dent's proposed solution is certainly an alternative with ultimate fairness, we endorse the USOE proposal as being adequately equitable and significantly more practical to implement, in that it avoids further complicating the student application.

The current inequity in assessing the eligibility of independent students upon their earnings during the prior year when they were not full-time students is obvious. Any residual earnings from previous employment will be considered as applicant savings, but students should not be disqualified by an earning level they no longer realize due to their full-time student status.

The remaining two changes proposed by USOE are also commendable, and are, in fact, necessary to make the basic grant estimates of family ability to support educational costs in any way reasonable. However, they fail to go far enough in this regard. If the basic grants family contribution schedule is to be anything more than a rationing device, which in our opinion it has been thus far, additional changes beyond those proposed by USOE are necessary.

The primary problem with the assessment of family ability to pay educational expenses continues to be, despite the proposed updating for cost-of-living increases, the family size offsets allowed against income for purposes of providing for subsistence of the family.

The use of the low-income thresholds of the Social Security Administration does not recognize the real cost of maintaining a family in today's economy, and in practice requires a family to live at or below the poverty level before it is excused from making a contribution under the proposed schedule.

While we understand that the purpose of the program is to aid the truly needy student, we believe that this is a little too much to ask.

We urge that, at the very least, the program utilize the most recent low-income levels defined by the Bureau of Labor Statistics, which are more reflective of the true costs of maintaining a family in the present economy. We would suggest that the BLS moderate-income levels would be even more appropriate.

To ask a family to make a contribution toward educational costs when it cannot even afford to purchase a reasonable standard of living, seems to us to be unduly harsh, as well as unrealistic.

The BEOG treatment of assets deviates even more than the treatment of income from generally accepted practices of assessing ability to pay.

In our opinion, the proposed schedule does not adequately provide for the emergency and retirement needs of families, nor does it properly recognize the inability to convert nonliquid home equity or business/farm assets to cash for educational purposes.

However, the proposed change in the asset allowance from $7,500 to $8,500 does very little to reduce the number of families who are being disqualified because they have accrued a modest equity, much of it in paper appreciation, in a home, farm, or business. In fact, it is hardly worth the cost of reprograming the computer, inasmuch as it reduces the expected contribution from assets by only $50.

At the level of affluence which we believe should be qualifying students for basic grants, assets are negligible unless those assets are essential for the provision of the family's living, as in the case of small businesses and farms. Therefore, we repeat our prior recommendation that:

(1) The asset reserve allowance for all families should be increased from $7,500 to at least $15,000;

(2) Fifty percent of family farm and business equity should be excluded from the calculation of contribution from assets, in recognition of the necessity of those assets for future income production.

This treatment will have the effect of protecting the low- and moderate-income families with most of their assets in home, farm, or small business to a much greater degree than would be the case in the proposed USOE treatment, but will continue to assess the families with sizable asset holdings in excess of income production or retirement needs. We believe that the purposes of the program will be more effectively served by these changes in the contribution schedule.

While not directly related to the family contribution schedule, the subject of this hearing, we think the subcommittee should know that the basic grants program is operating much more smoothly as we begin the second year of operation.

While the timetable is still considerably behind what it should be if BEOG is to form the foundation of student assistance, and while there are still procedural problems to be worked out, the attitude of the financial aid community toward the program is very much improved.

We would like to believe that the training project funded by USOE and conducted by NASFAA, the American Personnel and Guidance

Association, and the National Association of College and University Business Officers throughout the country last spring, has contributed significantly to that positive circumstance.

Certainly the improved processing time and the simplification of the application and student eligibility report have made a contribution to the overall effectiveness of the program.

We would urge the subcommittee to review our recommendations for legislative changes in the program as it begins to draft authorizing legislation over the next few months.

We appreciate the opportunity to appear before you.

If we can answer your very astute and pointed questions, Mr. Tombaugh and I will be happy to try.

Mr. DELLENBACK. Take the sting off that one.

Mrs. EDWARDS. That was meant as a compliment.

Mr. DELLENBACK. If you don't mind, I think what I will do is go over and answer that quorum call and come back.

We will be in recess for about 10 minutes.

[A brief recess was taken.]

Mr. DELLENBACK [presiding]. The subcommittee will come to order and we will resume the hearing.

I would say in a serious vein, Mrs. Edwards, that the thrust of your testimony regarding reasons why your appearances are becoming more and more pleasant, and you have fewer and fewer problems, pleases me as well as it does you as we note the changes that are coming along.

The specific ones to which you alluded in the case of social security income and veterans' benefits are changes I applaud.

I think it is essential that we move into the estimated income of the independent student. I don't think that we are dealing with great numbers in this area, but for those who are hit by that particular issue, it is an exceedingly important move.

To take someone who has worked 1 year and done quite well, who then decides, "OK, I have saved enough to go to school and I will quit my job this year"—to take this person and calibrate a grant award on the basis of what they made the prior year, although in the current year they are making nothing, is in my mind a real inequity.

In this treatment of income, I go along with you.

I would be interested in any further comments you might make about this matter of asset reserve allowance in light of the testimony of the prior witness. Not only did I see you there at the time he was testifying, but I noted your head moving in one direction or another, applauding or rejecting some of the things he was saying.

So that we may have your opinion on the record, may we have whatever comments you wish to make?

I note, for example, on page 3 of your testimony, you made one change in your oral presentation over against your written testimony. You said that you feel the asset reserve allowance should be changed from $7,500 to "at least" $15,000. That, of course, is a mild change in your testimony.

You then go on and say you feel that 50 percent of the family farm and business equity should be excluded.

Would there be anything further you would give us in the way of information, either background or rationale, why there should be modification of this?

Mrs. **Edwards.** I will start off.

Mr. Tombaugh may probably want to add something to it.

We agree with the previous person that in most cases of the type of family we are talking about, the reserve applies to the home equity and we do find that in most cases that equity is not convertible to cash and you should not really expect the families to do it. The $7,500 does not give them enough protection because those same families usually do not have adequate retirement; they have not been able to save adequately for the future.

When we give them a better reserve we are protecting the home.

In the case of the small business and small farm, those are sources of income and we feel that we should protect enough of those sources so that the parent can get a livable income before we begin taxing them for discretionary uses.

These are our reasons for arriving at these.

We changed the $15,000 to "at least", because as we listened to the man testify we were aware of the fact that there were differences, as he pointed out, regionally. Mr. Tombaugh thinks rural and urban differences in the cost of homes are as great or greater than regional differences; there are differences.

We want to leave a loophole for negotiation, if you will; $15,000 is not adequate in some instances but we think $15,000 should be the minimum for the country.

Mr. **Dellenback.** Are you talking, Mrs. Edwards, about the asset reserve allowance being separate from or in addition to the 50 percent?

Mr. **Tombaugh.** The way that would work, Mr. Dellenback, is that if the farm value was $80,000, let us say, the contribution from assets would be figured based on $40,000 of assets from which you would make the subtraction and then tax the remaining balance. The 50 percent treatment is consistent with what both act and CSS do for small business and farm to protect the asset involvement in income production.

It has a theoretical base as well as a practical base, and that is that it typically represents the borrowing capacity on the commercial market that a farmer or small businessman has in terms of providing liquidity to use for purchases without jeopardizing the asset or the income production capacity of the farm.

We are not saying that they ought to sell the farm or anything of that nature, but it does have some consistency with the way assets are evaluated with the national service approach.

Mr. **Dellenback.** You would not treat homes in this same fashion? You would merely look for the equity in the home to be covered by whatever the asset reserve allowance was?

Mr. **Tombaugh.** That is right, because as you were recognizing, while the family could make some choices about how they invest their resources, the family who chooses to rent as opposed to placing it in a residential asset should not be penalized. In terms of overall financial strength the two families are equal, at least insofar as the market holds up, and in most cases it tends to continue to go up rather than to lose out.

So, it would be grossly unfair to treat, as in the example you used with Mr. Peyser, the brothers with $50,000 to their credit differently. That is why we would not proposed that home equity be excluded but that the reserves that are provided be more reasonable to provide for retirement and emergency needs.

Mr. **Dellenback.** The only assets that you would treat in this different fashion would be business equities?

Mr. **Tombaugh.** And farms.

Mr. **Dellenback.** Anything else besides those?

Mr. **Tombaugh.** Those are the only two that have historically been treated differently.

One of the reasons that I suggested the "at least" to Mrs. Edwards before we testified is that it is conceivable that it might be desirable to make that reserve variable, depending upon some other kinds of situations.

For example, for the two-parent family where you have a primary and perhaps even a secondary wage earner, perhaps $15,000 is an adequate protection. But in the case of the widow that Mr. Peyser used, where the income production potential is very slim, then perhaps more of a protection might be allowed and, in fact, that is the way the national systems do operate.

There is a higher retirement allowance for a single head of household because of their more limited capacity to amplify their earnings over the remaining years prior to retirement than there is with a potential two-parent income family.

So, there is real potential for making more distinctions but in our attempts to keep this programs analysis fairly simple we have lost some of the bells and whistles that the national services can apply to create more equity. You sacrifice some of those things when you become simplistic.

Mr. **Dellenback.** As far as business equity is concerned, I assume that you are referring to the business in which the family works rather than just a business in which they have an investment.

Mr. **Tombaugh.** It is the family business. It would not be applied to stockholders of a corporation who have interest in it for an investment purpose.

Mr. **Dellenback.** The type of exercise that I was doing with Mr. Peyser can also be replicated in finer detail when you talk about what is a family business, how many members have to be getting an income from it, ad infinitum.

Have you been able to make any estimate of what it would do to the full funding of BEOG if we were to adopt this recommendation. What would be the costs in making this kind of change in the asset treatment?

Mr. **Tombaugh.** The change from the present $7,500 reserve to the $15,000 that we recommend. I just figured quickly when Mr. Peyser gave his example of $35,000 in equity, would make a difference of $375 in the contribution, so, conceivably, it would then reduce the taxation, if you will, and increase the size of the grant by $375 in the event of full funding.

Now, the impact would be somewhat less when we get into reduction schedules because it is not a dollar-per-dollar reduction for $1,400 when you apply that. But I have not had access to the statistics that OE has generated about the number of families who have assets in these ranges. That certainly could be calculated rather easily, given the information as to how many families are involved and so on.

I would be glad to explore that for you if you would like.

Mr. DELLENBACK. We can ask OE for some information on this, but you have not run any calculations?

Mr. TOMBAUGH. We have not.

Our primary purpose is to make the family contribution schedule as realistic as we can. If the Congress saw fit to provide reduction schedules and to accommodate less than full funding, we may never see full funding realized but we think it is a lot more explainable to deal with lack of adequate resources than it is to tell the family that their expectations are twice as much as they can ever hope to provide.

We would a lot rather be explaining to families why we can't meet their need because of inadequate resources than to try to convince them that they ought to be able to come up with twice as much as they have capacity to do.

Mrs. EDWARDS. When it is obvious that they cannot.

Mr. DELLENBACK. So that—as a practical matter—you would not have the family asset treatment be as important a qualification as it is at the present time?

Mrs. EDWARDS. Yes, because we believe under the present schedule it seems to prevent us from helping the person we are attempting to help.

Mr. DELLENBACK. By and large, are you using all the funds that are available under BEOG?

Mrs. EDWARDS. I have no information on that.

Mr. TOMBAUGH. As you know, last year they were unable to do so because of late startup and so on. My impression is that with the volume of the applications coming in they will come much closer proportionally to using the appropriation. I have a hunch that they will still come out with a little unused funds partially because they ended up with some carryover authority that they did not anticipate having when they revised their schedule. They might well have gone to a higher grant than $1,050 had they known they were going to have the carryover for sure. I suspect they might use part of the carryover amount in order to meet that schedule which was done with a fairly optimistic outlook as far as the funding was concerned.

Mrs. EDWARDS. I can't speak to that from a national standpoint but I do know in my own campus, for example, even though this year the program is open to entering students and sophomores who qualify we have increased by four times the amount of money these students are getting from BEOG. I know I, and I think most aid officers throughout the country this year, have tried to reach every student who comes to the campus who ought to be applying for these funds. We are getting more than $200,000 this year, which is very pleasant news to us.

We are still working on those few delinquents who have not applied for the money. I don't think this is unusual. In talking to aid officers, I have found that we are getting the students into this program now.

Mr. DELLENBACK. I am tempted to digress and get more of your advice on the general impact of BEOG and how it functions in total, but because of time and because we have other witnesses, I will stay with matters of the family contribution schedule.

Assuming that we will substantially use this year all of the BEOG funds that are available, if we were to have made this kind of change last year, that would mean that some students who this year are going to be getting BEOG funds would not be getting BEOG funds, and some who didn't get them would be getting them. Would this kind of change be an equitable change?

Would you like to see—we are dealing with generalizations, of course—would you like to see the grants that are actually being handed out this year reduced enough to have made it possible for some BEOG funds to have gone to those who did not qualify because of the treatment of asset reserve?

Mrs. EDWARDS. If I had my "druthers," I would rather do the practical, realistic thing, and then ask the proper persons to go to Congress and point out what we need.

Mr. DELLENBACK. Let us not put that into the theoretical situation because I would agree with you; I would say in the ideal world that would be the solution.

Mrs. EDWARDS. Keeping in mind that we would be using the reduction schedule, because here again I think this is the basic thing, we can explain and reasonable people will understand when we say that there just is not enough money to go around, and I am coming to your question, so we are going to help a little bit and look to the institutions to get the rest of the money to aid the students who ought to be in the program but cannot because of the misfunction of the program.

Mr. TOMBAUGH. It is our hope. I think it is everybody's hope, and certainly the Congress's hope, when they originated the BEOG program that it would prove to be an incentive, a motivating force to cause students who would not have previously otherwise considered going on to postsecondary education to do so.

If doing what you propose would lessen each student's grant by, say, $50 or $75, he or she would probably still make plans to go ahead and attend and make up the $75 in some other fashion.

But, having been denied the BEOG support entirely because of these qualifying factors may have never pursued any other alternatives and just shrugged their shoulders and said, "there is no other way to go." We maintain if we give them a Basic Grant of sufficient size to motivate them to explore the possibility of going on, that they will then expend the effort to look for other resources to fill it in even though it is less than what they really need to meet their full cost, BEOG has never attempted to be full cost. In fact, it is limited to one-half cost, but serves as the carrot, if you will, to seek other sources of funding to get them going, whereas turning them down completely may deter their even considering it.

Mr. DELLENBACK. Thank you very much.

Thank you both very much.

Mrs. EDWARDS. Thank you, Mr. Chairman.

[The following letter was received from the American Council on Education:]

AMERICAN COUNCIL ON EDUCATION,
Washington, D.C., September 30, 1974.

Hon. JAMES G. O'HARA,
Chairman, Special Subcommittee on Education, Committee on Education and Labor, U.S. House of Representatives, Washington, D.C.

DEAR MR. CHAIRMAN: Thank you for your invitation to testify on October 2 in regard to the proposed family contribution schedule for Basic Opportunity Grants.

As I explained to Jim Harrison on the telephone, we have worked very closely with the National Association of Student Financial Aid Administrators in analyzing the proposed schedule including the changes recommended by Commissioner Bell in his letter of September 23. I understand that Mrs. Eunice Edwards, who is a member of my Commission on Governmental Relations will be testifying in behalf of NASFAA. I wish to tell you that the American Council on Education is in complete accord with the testimony that Mrs. Edwards will present. We are gratified by the changes Commissioner Bell has recommended in the treatment of Social Security payments and in the treatment of independent students. We also commend his suggestions on the treatment of assets and updating the family allowance to reflect changes in the consumer price index. These are obviously moves in the right direction, but, unfortunately, they do not go far enough to make the schedule realistic. Thus, it seems to us that the totality of the proposal still reflects a rationing concept rather than an effort to determine what families can reasonably be expected to contribute.

Since Mrs. Edwards will be presenting our views as well as those of NASFAA, there seems little point in our wasting the time of your subcommittee in presenting identical testimony.

Sincerely yours,

JOHN F. MORSE, *Director.*

Mr. BIAGGI [presiding]. Earlier this year we took testimony from Dr. Edward Hollander as to the New York State financial assistance system, which is an impressive one, to say the least.

I was particularly impressed by New York State's decision in regard to parental assets in figuring reasonable contribution rates on the ground that assets and actual ability to pay did not have all that much of a close relationship anyway.

Together with my colleagues on the subcommittee, I have urged that idea on the Office of Education with only moderate success. Since the Office of Education has liberalized the treatment of assets to some degree and since most of the suggestions we have from our colleagues on the subcommittee point toward further liberalization in this area, it is going to be useful to us to hear once again from Dr. Ted Hollander of the University of the State of New York to advise us what they have found in their experience with the TAP program as to the effect of withdrawing assets altogether.

We welcome you, Doctor, once again.

Mr. DELLENBACK. So that the record may be clear on this matter, under the strange and wondrous rules of the House of Representatives—which is not strange because of this situation but because of the way we operate—the majority party makes certain that the minority party never presides over a subcommittee meeting as long as any member of the majority party is present.

STATEMENT OF DR. T. EDWARD HOLLANDER, DEPUTY COMMISSIONER FOR HIGHER AND PROFESSIONAL EDUCATION, NEW YORK STATE DEPARTMENT OF EDUCATION, ACCOMPANIED BY PETER KEITEL

Mr. HOLLANDER. I would like to introduce Mr. Keitel who is with me. Mr. Keitel conducted a study of scholarship incentive programs and how they financed the cost of their higher education. He helped prepare the testimony and will be prepared to help answer questions.

I am pleased to have the opportunity to state the case for the elimination of the use of asset values in determining the size of a student's grant under the BEOG program.

New York State has just adopted an expanded student aid program which will distribute over $150 million dollars annually when fully phased in.

After surveying college-going costs and how students meet them, we have decided that the most sensible and equitable way of relating the size of grants to financial need is through the use of net taxable income.

We have found the asset test is undesirable for a number of reasons.

First, the test is complex; it is based upon data that is not easily verifiable; and it requires subjective valuation of real property which is susceptible c misreporting. As such, the asset test is difficult to administer, encourages dishonesty, and makes it difficult for students to estimate the amount of their grant.

In our view, an entitlement grant program is most effective when the applicant can submit a relatively simple application that permits him to ascertain readily the size of the grant he can count on. The asset test is complex and confusing to students and their families, making it unnesessarily difficult for the applicant to complete the application.

More important, the test may be inequitable because of the unreliable reporting of the value of homeownership, the major asset value reported for BEOG applicants. The test assumes that homeowners know or can determine the market value of their home as distinguished from its purchase price or assessed value.

The test also assumes that homeowners will report accurately what they believe to be the market value of their home. Communities employing professional appraisers have difficulties establishing assessed values. How does a homeowner value his property purchased 5 to 15 years earlier—we suspect at a very low value.

How does a farmer appraise the value of farmland?

We question whether the introduction of this test increases equity, when it is so subject to misreporting.

We have examined asset holdings of the 120 BEOG recipients included in our random sample of 1,600 New York State student aid recipients. We found that 10 percent should have been ineligible for BEOG grants based upon the value of their assets reported to us. Their estimate of asset value was reported to us in an anonymous survey.

We question the use of an asset test that is not readily verifiable, on at least a test basis, to assure full or honest reporting. If a system of student aid cannot be verified on a test basis, the system encourages misreporting by applicants.

Even with these inherent disadvantages, one might argue that use of an asset test is appropriate if it could be demonstrated that the test contributes to the fairness in distribution of student aid. We believe it does not.

Basic Education Opportunity Grants are available only to students from low-income families and the pattern of their ownership of assets is different from the well-to-do. Asset values held by the poor are not or should not be available to finance collegiate study.

For example, only 15 percent of the BEOG recipients in New York State held assets other than home ownership in excess of the allowable $7,500 reserve. We believe that a sizable proportion of these holdings represented the accumulated savings of persons preparing for retirement and the proceeds of life insurance policies where the head of household had died. Even if the holdings did not fall in these two categories, we question the legitimacy of a policy that would tax such holdings for persons with incomes at or barely above the poverty level.

But the bulk of assets held by the poor eligible for BEOG grants is in the form of home ownership; about 40 percent of the BEOG recipients reported valuations in excess of the $7,500 reserve. Over two-thirds of the reduction in grants from application of the asset test, at least in our State, results from home ownership.

Homeownership among low-income families depends upon whether one lives in a rural or an urban area and the availability of rental housing. It is not income-producing wealth. Nor is owning one's own home necessarily less costly than rental, especially in communities with rent control laws and subsidized housing.

How, then, does one convert the market value of housing into funds to finance collegiate study? Is it realistic to expect the homeowner to take out second mortgages or refinance existing mortgages to free up funds to finance collegiate study? Indeed, are such mortgages even available? Are the income levels of BEOG recipients adequate to justify the heavily increased financing costs?

We think it is wholly unrealistic to heavily tax the value of homeownership for purposes of financing collegiate study, for that is the impact of the present policy.

Finally, let me turn to the question of whether the use of an asset test really makes a difference in either the cost of a student-aid program or the equity of a distribution system.

When we began our study of possible revision to the New York State aid program, we considered adopting the Federal criteria in order to move to a single coordinated State-Federal student aid program. We sampled 5,000 students in such a way that we could draw general conclusions concerning the characteristics of all New York State residents who receive student aid.

Since students in New York State can receive State entitlement grants if their family income ranges as high as $26,000, gross income, New York grant recipients come from families with greater potential for asset accumulation than BEOG recipients.

We found very low correlation between value of homeownership and income. Interestingly, the value of homeownership among community college students—who are drawn from lower income families—in our State was slightly higher than for students attending 4-year public and private institutions. The reason, we believe, is that community college students tend to live in rural communities where there are few residential alternatives to homeownership. Yet, the BEOG recipient in our sample would have suffered an average grant reduction of $100 for homeownership if the BEOG program was fully funded.

We also found no statistically significant correlation between the value of assets other than homeownership and income levels. Whatever the basis for asset accumulation among some and not others, it was not related to current income levels. As I stated earlier, the incidence of asset ownership was low among this population.

Finally, we considered what the impact of an asset test would be on the distribution of student aid if such a test were adopted for New York State's BEOG recipients. We found that about 7 percent of the grant funds would be redistributed if we used a test similar to Federal criteria but applied only to assets other than residence equity. We used a $10,000 reserve.

The benefits, even if the test were a valid measure of financial ability, would be far outweighed, in our judgment, by the cost of administration, the increased complexity of the system, the possible reporting biases, and the possible inequities in taxing funds accumulated for retirement or to keep a family this side of poverty and welfare.

In New York, we have retained a relatively simple system which bases student aid on the net taxable income a family or student reports for income tax purposes, increased for such nontaxable income as interest on tax-free securities and the excess of percentage over cost depletion.

We are able to compare student aid applications to income tax return files to assure reliable reporting. The system is fair, easy to administer, and relatively simple for the student applicants.

It is true that there may be an occasional student receiving aid who comes from a family with wealth invested in non-income-producing assets. We believe such cases are rare.

A fuller description is attached as appendix A.

Thank you for the opportunity to discuss this matter.

I would be happy to answer any questions you may want to raise.

APPENDIX A

In New York State, tuition assistance grants are related to income by using the adjusted net taxable balance of the family. This is defined as the amount of income reported on the New York State income tax return of the student, his spouse, and his parents, after all exemptions and deductions are subtracted. As net taxable balance taken alone is not felt to be a complete indicator of family ability to finance college, certain adjustments are made. The amount of depletion allowances taken, and additional income from tax-exempt securities, is added to the taxable balance. Support received by a student from a divorced or separated parent is also added to the net taxable balance. A further adjustment is made if more than one member of the family is attending college. A deduction of $3,000 is made for the second person atending college, and $2,000 is deducted for each additional family member attending college. By using the net taxable balance, the grant computation automatically incorporates a family size factor, makes allowances for medical expenses, as well as unusual or catastrophic expenses that are allowable tax exemptions. The system also includes a factor for income-producing assets.

Mr. BIAGGI. Thank you very much.

On page 1, you suggest using the net taxable income as the basis. Is that what you are using?

Mr. HOLLANDER. We use what is called net taxable balance. We start with net taxable income reported on State income tax returns, which is almost identical with taxable income reported on the Federal income tax return. We then add back to that amount any interest on municipal securities or other tax-free interest. From this amount we deduct the excess of percentage depletion over cost depletion and then deduct from that amount an allowance for each child in college beyond the first. For example, if there are two children in the family in college, the family would deduct $3,000 from the net taxable income to take into account that they need to finance a second child in college.

Essentially, it is a taxable income measure.

Mr. BIAGGI. That process, it seems to me, would broaden the picture insofar as the number of people eligible to participate in the program. Is that your conclusion?

Mr. HOLLANDER. I think that is a fair statement.

We found very few New York State students receiving significant amounts of BEOG aid. One reason, of course, is that we looked at the data during the first year of the program when only freshman were eligible. As a matter of fact, the numbers are really startling. There were 5,000 students in our sample, of whom 1,600 were freshmen. The 1,600 freshmen were eligible to apply for BEOG aid. Of the 1,600, only 120 actually were found to be entitled to aid at the time we did our study.

Now, there was a backlog in aplications and it may be that some aplications had not been processed.

Of the 120, we would guess 15 really weren't entitled to the BEOG aid under the asset and income tests; thus only 105 out of 1,500 persons eligible for state student aid were eligible for BEOG.

So, the number of state-aided students in New York who qualify for the BEOG is relatively small.

In determining eligibility, the Federal Government gets a student three ways: One, you get him on the asset test; two, you get him on the income test; and, three, under the Federal criteria, certain income is counted which we don't believe ought to be considered in determining whether a student requires aid, for example, aid to dependent children and veterans benefits. In New York State asset values are ignored and Social Security and G.I. benefits are excluded.

So, we really stick with a much purer definition of need and if our definition is used it is true that you would expand the number of recipients. Of course, the critical question is: Is it equitable to expand the number of recipients and reduce the average grant per recipient?

Our argument would be that for this target population there is very little loss in equity if you drop the asset test. We, by the way, don't think it is appropriate to tax aid to dependent children and veterans benefits as a matter of public policy in determining student aid grants.

So, the answer, is a long-winded way, is yes, it would expand the pool of recipients: and yes, it would increase the amount of aid to students in New York to a considerable extent; yes, it would cost the Federal Government a lot more money or spread the grant out over a larger population.

Mr. BIAGGI. What has been your experience with the applicants? You obviously have asked them for their income tax returns.

Mr. HOLLANDER. No; we don't.

Mr. BIAGGI. How do you arrive at net taxable income?

Mr. HOLLANDER. They fill out a relatively simple application in terms of what they report. They look at their preceding year's tax return and, pick up the taxable income. Very, very few people have to adjust that number. They report the net taxable balance in their application.

On a test basis we compare the net taxable income reported on the student aid form to the net taxable income reported to the State Department of Finance. The information is kept confidential but we do make a test run every year. We pick up very, very few cases of misreporting because net taxable income is an amount everybody knows and understands; it is easily ascertainable and people recognize that it is a verifiable number and we do verify it on a test basis. There is very little cheating on the measure of ability to pay.

Mr. **Biaggi.** Do you have a copy of that form available?

Mr. **Hollander.** We will be glad to submit one to the committee.

[The form to be furnished appears at p. 68.]

Mr. **Biaggi.** In your testing of the reliability of the reporting, have you found most people report the truth?

Mr. **Hollander.** In terms of the net taxable balance, yes; in terms of asset values reported on BEOG application, no. I would urge the U.S. Office of Education test to determine the reliability of reporting of asset values.

If people really misreport, as I believe they do, and the evidence we have looked at suggests they do, then the test is no longer equitable. Those who report as honestly as they can get penalized compared to those who don't.

In any system of submission for purposes of taxation or aid determination, the data must be capable of verification. It is almost impossible to verify the value of homes, almost impossible.

An asset test introduces a great deal of inequitability into the program, rather than the other way around.

Mr. **Biaggi.** How extensive a testing pattern do you employ?

Mr. **Hollander.** A relatively small percentage of the returns are looked at. The fact that we do it and that people know that we do it is important. Since we don't find very many misstatements there is no reason to expand the test. The error rate is less than 1 percent.

Mr. **Biaggi.** In your statement you make an observation which is interesting, the correlation between individuals in community college programs and home ownership was higher than in the case of students in private and public schools.

Mr. **Hollander.** The homeownership and community colleges. I don't know if it is the same in other States. If you live in New York City, the chances are that you rent, regardless of your income. In rural communities, you buy your own home because there aren't rentals available. I guess in the suburban communities there is a choice of renting or owning.

In New York there are large rural communities of relatively poor families who send their children to community colleges and they own their own homes. Many homes have been in the families for many years and they have relatively high values. So, you find a high valuation of home ownership among poor community college rural families with low incomes to a greater extent than you do among families from higher incomes who send their children to 4-year colleges. Four-year college students tend to be drawn from urban areas where home ownership tends to be less prevalent.

The point is that homeownership is not a reflection of one's wealth but in part represents the available housing in a particular market area.

Mr. **Keitel.** One of the things we did: We looked at a relatively low-income group of students and what we did find was people with taxable incomes under $8,000, which is roughly people with gross incomes of less than $12,000 or $13,000.

For instance, of those students showing home values of less than $10,000: 48 percent did so in the private colleges; 52 percent in the State universities, and only 40 percent did so in the community colleges. Whereas the people with home values—now, this is the net value—market less mortage, between $20,000 and $30,000, those percentages were 17 percent in the private colleges; 17 percent in State universities; jumping up to over 24 percent in the community colleges.

Mr. HOLLANDER. The average income of the student in community colleges is lower than the student attending State universities or 4-year colleges.

Mr. BIAGGI. You spoke in terms of enlarging the number of recipients, also the consequence of reducing the size of the grant.

Do you favor that?

Mr. HOLLANDER. I would favor the elimination of the asset test because it only redistributes 7 percent and, in my judgment, the savings there are not sufficient to justify the test.

Yes; I would favor a reduction in the average grant level of 7 to 10 percent and elimination of the asset test.

Mr. BIAGGI. Thank you very much.

Mr. Andringa.

Mr. ANDRINGA. Dr. Hollander, Mr. Dellenback wanted a couple questions asked, if possible.

You state that in New York you used the net previous taxable income figures, the next previous year.

How do you treat independent students?

I am thinking specifically now of the proposal to allow independent students in the family contribution schedule to estimate their current year income, if they were employed full time the previous year.

Mr. HOLLANDER. Pete, do you want to answer that?

Mr. KEITEL. We do the same thing.

If the student is declared independent, he also used the previous year's taxable income. A lot of people argue some people lose jobs in order to go to school. But if they had a job in the previous year, it reflects a carryover of savings.

Mr. HOLLANDER. It is inequitable. It is one of the weaknesses.

Mr. ANDRINGA. Would you think then that the proposal that the USOE is making is a reasonable proposal for treatment of independent students?

Mr. HOLLANDER. I am not sure——

Mr. ANDRINGA. Allowing an estimate of income for the year in which they would be enrolled in school?

Mr. HOLLANDER. For a student who is newly declared independent for the first time?

Mr. ANDRINGA. If he were fully empoyed the year before so that his application would not reflect a $6,000 income, say, if indeed he left the job in order to enroll full time in school.

Mr. HOLLANDER. Would they do the same where the head of the household died?

Mr. ANDRINGA. There is to be an appeals process for major adjustments in income but normally the family of the student——

Mr. HOLLANDER. I guess I would look for a system—I am not here to give advice to some other jurisdiction—for a system which would provide appeals for an inequity. You ought to stick to as administratively straight a system as you could. If there were a change in circumstance, it might first be considered as part of the appeals process, so that one gets a feel of the extent of the problem before the regulations are changed.

That is how we would meet it.

Mr. ANDRINGA. I am looking at the BEOG application and would like you to react to the idea of eliminating any requests for estimated market values of homes, farms, and businesses in the application but including the reporting of the market value of parents' investments, including stocks, bonds and other securities, which would be easily ascertained and could be verified.

Mr. HOLLANDER. That would be certainly a major step in the right direction. That would leave you with about 15 percent of the BEOG recipients, at least in our sample, and that brings you down to what we call the 7 or 8 percent redistribution group.

I think then the question you ought to raise is, whether it is worth keeping the asset test at all in order to redistribute that 7 percent. I don't have the answer to this question but it ought to be raised.

What is the source of accumulation of assets among families with as low a socioeconomic categorization as to put them in the BEOG pool? If those accumulated assets by and large result from frugality, savings for retirement or proceeds from life insurance policies, if that is in any significant way a factor, I would then argue that equity demands the elimination of the asset test entirely. I question the value of the asset test when you are only dealing with a 7 percent redistribution. I wonder how much that 7 percent really goes after the kind of assets that we would not really want to tax. It is really a terribly important question.

In fact, we may go back now and look at our group and try to find out, with an intensive interview process, what the source of that asset accumulation is. If it is what I suspect it might be, it really is not worth attempting to bring it into the computation at all. After all, income-producing assets do enter into the net income test. You may be just taxing away savings of people who are accumulating for retirement on their own. That does not make any sense to us.

Mr. ANDRINGA. Finally, the only estimate that I have heard on the cost of dropping all assets is approximately $300 million under the present contribution schedule at full funding of BEOG.

Mr. HOLLANDER. That is full funding of how much?

Mr. ANDRINGA. Full funding of approximately $1.3 billion.

So, we would be adding $300 million to the cost.

We have been told by the Office of Education that next year even with the same contribution schedule, because of the proposed appropriation now in the conference committee, that the average and maximum BOEG's would be reduced; if we were to drop assets, of course, it would be a major reduction of cost.

I realize that it is very controversial from your point of view that this year's appropriations bill also has in it a recommended $240 million for SEOG.

Do you see any possibility, especially from your postion, in trying to make more rational State-Federal partnership? Would that be worth the tradeoff?

Mr. Hollander. I don't know that that is the only option that is available to you.

The first question is: Is it worth $300 million to drop the asset test? And I would have to say that it would be to New York's disadvantage, on the basis of those data, to drop the asset test, but I would say, drop it. The reason it would be to New York's disadvantage is, because our estimates are that the impact of dropping it would not be that great, which means that the asset test hurts students in other States taken as a group, more than it does students in New York State.

I would still argue for elimination of the asset test.

With respect to SEOG, that is another issue. I must say, in all honesty, I am not sure how to come down on that one at the moment.

I would think the most sensible use of that money, if one wanted an alternative use, is in the SSIG program, in order to get matching State money. If you could take that $200 million, you won't get an additional $400 million, because some of us are already committed to expansion anyway, but you could pick up some additional student aid programs by putting more funds into SSIG. I think that is an interesting alternative.

I do have some concern about whether or not that money is not being very usefully employed as discretionary moneys by the colleges in dealing with very difficult cases on the campuses. I guess the one concern I have is that it may be that the colleges in our State are using that money to help advance integration programs and to help bring on to the campus very bright and very poor students where the BEOG money plus our own student aid program just is not enough to permit him to come.

If that money is really being used in that manner, then I would think one ought to consider keeping it in SOG. I would look to trying to maximize its usefulness by putting it in the SSIG program.

Mr. Andringa. Back to the assets for a minute. It occurs to me that a possible general approach would be—to say that any entitlement grant program such as New York State or BEOG set aside assets because of the equity problems and the estimating and so forth, but that the adjustments might be made in the discretionary programs now mainly in the institution programs and campus-based programs of the Federal Government.

Is that possible?

Mr. Hollander. You mean keep the asset test?

Mr. Andringa. So that CSS and SAT do consider assets, to a certain extent, but in the New York State programs and BEOG.

Mr. Hollander. Use BEOG to compensate?

Mr. Andringa. No; set aside assets for so-called grant programs and hopefully reflect in the discretionary programs at the campus a consideration of assets.

Should there be families with sizable assets that somehow got the grant, they might end up with less in the way of work-study or NDSA.

Mr. Hollander. I would think that is inherently sensible.

I don't know that the institutions would be able to deal with that issue.

Mr. Keitel. One of the other things we uncovered in the study, SEOG amounts are just barely related to income. There is very weak relationship between the amount that a student gets on the SEOG grant and his income.

Mr. ANDRINGA. Thank you, Mr. Chairman.

Mr. BIAGGI. I don't think you have to concern yourself with a possibility of tradeoff because the law is very specific for the BEOG payments to become operative.

At this point, I think we will have a recess for the purpose of voting, which will take 10 or 15 minutes.

We have several more witnesses.

I would like to thank Dr. Hollander and Mr. Keitel for their appearance.

[The New York State application form and supplemental information follow:]

The University of the State of New York

THE STATE EDUCATION DEPARTMENT

Regents Examination and Scholarship Center,
99 Washington Avenue,
Albany, New York 12210

To the Applicant:

This booklet contains your Student Payment Application for receiving benefits during the 1974-75 academic year under the Regents scholarship, child-of-veteran, and scholar incentive programs. In addition, it provides important general information for all applicants and specific instructions for completing the application form. Be sure to read carefully those sections of the booklet that apply to you.

All applicants for 1974-75 payment should complete and submit the Student Payment Application as promptly as possible. Please pay particular attention to the indicated filing date and to the supplementary forms that may be required. If supplementary forms are needed, you should use page 17, Request for Supplementary Forms, for that purpose. If you have any questions concerning your status, write to the address indicated above.

SECTION 1—GENERAL INFORMATION FOR ALL STUDENTS

This section describes requirements and benefits under the major programs of student financial assistance awards provided by the State of New York:

(a) Scholar incentive awards
(b) Regents awards for children of deceased or disabled veterans
(c) Regents scholarships

In addition, it explains the award certificate issued to students and the procedure for making payment. (See paragraphs d and e.)

Read carefully the information concerning each type of award. If you meet the eligibility requirements, complete the enclosed Student Payment Application according to the directions in section 2. Keep this booklet for future reference. It will help you to verify the accuracy of the award certificate that will be issued upon approval of your application.

In addition to a New York State award, you may be eligible to receive assistance under a federal program of aid to college students. For your convenience, a brief explanation of the Federal programs is presented in paragraph f, below.

a. Scholar Incentive Awards

Eligibility. You are eligible to receive a scholar incentive award if you:

(1) Are now a legal resident of New York State and have been a legal resident for at least 1 year. (If you have been residing in New York State for less than a full year, you may also qualify if you were previously a resident during your final year of high school or college study.)

(2) Are a citizen of the United States, or have made application for such citizenship, or file a statement of intent to make such application.

(3) Are matriculated in an approved program in New York State. Approved programs include college programs leading to an approved degree or certificate, hospital school programs of professional nursing, 2-year programs in registered

private business schools, and degree programs in trade or technical schools. (Students enrolled in the following types of programs are not eligible: nondegree programs in trade or technical schools, 1-year programs in registered private business schools, programs in hospital schools that do not lead to the professional nurse license, postdoctoral programs, or programs of theological or spiritual training.)

(4) Are a full-time student, enrolled for a minimum of 12 credits a semester, or 8 credits a quarter, or the equivalent (Regular full-time students who have been restricted to limited physical regimen by serious medical disabilities may request special consideration, but prior approval for a limited program of study must be obtained.)

(5) Have a tuition charge (exclusive of fees) in excess of $200 a year.

(6) Had a combined family net taxable income for 1973 not exceeding $20,000. (For an explanation of how net taxable income is determined, see section 3, par. b.)

(7) File the Student Payment Application by the required deadline date, May 15, 1975.

You may receive scholar incentive assistance for a maximum of 4 years of undergraduate study (or 5 years in an approved 5-year baccalaureate program) and for a maximum of 4 years of graduate or professional study, but not for a total of more than 8 years of combined professional, graduate, and undergraduate study. Each year that you receive Regents scholarship or child-of-veteran assistence, even if additional scholar incentive assistance is not received, is counted as also reducing the remaining years of scholar incentive eligibility.

Award Schedule: The schedule of maximum scholar incentive awards established by law for the 1974–75 academic year is as follows:

New York State net taxable balance:	*Maximum Award for Year*
$2000 or less	$600
$2001–$6000	300
$6001–$8000	200
$8001–$20,000	100
$20,001 or more	0

Adjustments in Awards. It is important to keep in mind that this schedule indicates only the upper limit of your award, as determined by income. Many students will receive less than the maximum entitlement indicated in this schedule, because of two types of adjustments required by law:

(1) Adjustment for tuition charge. Scholar incentive awards are for tuition only and they do not cover the first $200 of tuition per year. For example, if your tuition charge is $650 for the next year, your scholar incentive payment cannot be more than $450. If the tuition charge does not exceed $200 a year, no scholar incentive payment will be made. The costs of fees, books, dormitory, meals, and other expenses are not considered as tuition and cannot be covered by scholar incentive assistance.

(2) Adjustment for State, Federal, and other awards. Scholar incentive awards are limited by other educational benefits that would duplicate the purposes for which scholar incentive assistance is intended (except GI benefits, U.S. War Orphan benefits, or educational opportunity grants). If you are already receiving duplicative State, Federal or other benefits equal to the tuition charge, no scholar incentive assistance can be paid. If such other benefits are less than your tuition charge, the balance of your tuition may be covered by a scholar incentive award up to the maximum entitlement established above. (For an explanation of what other educational benefits would duplicate the purposes of scholar incentive assistance, see instructions for Item 13, section 2.)

Applications. If you meet all the eligibility requirements above, complete the Student Payment Application according to the instructions in section 2. It will be to your advantage to file your 1974–75 application as early as possible. Delay in filing will mean a delay in your payment. You are strongly urged to file your application by July 1, 1974. Late applications will be accepted if postmarked not later than May 15, 1975. You are cautioned that it will not be possible to accept any application for payment for study during the 1974–75 academic year if the application is postmarked after May 15, 1975. No exception can be made.

If for any reason you are unable to file a completed application before May 15, 1975, you should submit your application completed to the extent possible, together with a letter explaining the circumstances. You may submit additional information later, but the application itself must be submitted by the required filing date.

Requests for applications by letter or telephone should be made sufficiently early to permit you to receive and to mail the application before the deadline date. If you have requested an application and have not received it at least 3 days before the deadline date, it is your responsibility to telephone the Regents Examination and Scholarship Center (518: 474-5907) before the deadline date so that an appropriate record can be made of the circumstances.

Because of the financial loss you may incur if your application is not received by the Department by the required deadline date, you are cautioned to remain alert to the possibility that an application believed to have been filed in due time may not in fact have been received at the Department. After you mail an application, you may expect to receive acknowledgment in about 8 weeks. Such acknowledgment will be in the form of an award certificate or a letter requesting additional information before the application can be approved. If you have neglected to file your application early enough to expect acknowledgment prior to the deadline date, you are strongly advised to submit your application by certified mail, so that you will have proof of filing before the deadline date. If you have filed your application earlier than 8 weeks prior to the deadline date and do not receive acknowledgment, you should assume that your application was not received and you should file a duplicate application by certified mail before the deadline date.

It is your responsibility to assure that your application has been received by the Regents Examination and Scholarship Center by the deadline date. Claims of loss or delay in the mails, or delay by a school officer, accountant or other person to whom the application may have been entrusted, cannot be considered. Also, the granting of tuition credit by a school, in anticipation of the State award, does not relieve the student of responsibility for filing a proper application with the Regents Examination and Scholarship Center by the required deadline date.

b. Regents Awards for Children of Deceased or Disabled Veterans

Eligibility. You are eligible to receive this award if you:

(1) Are the child of a person: (a) who died in military service during World War I, World War II, the Korean Conflict, or the Vietnam Conflict, as a result of regular active duty during such a period, and who was a resident of New York State at time of induction or time of death, or (b) who is an honorably discharged veteran with a current disability of at least 50 percent resulting from service during such period, or who had such disability at time of death, and was a resident of New York State at time of induction.

(2) Are a legal resident of New York State.

(3) Are matriculated in an approved undergraduate program leading to a degree, diploma, or certificate in a college, or in a professional nursing program in a hospital school, or in a degree program in a business, trade, or technical school in New York State. (Students enrolled in nondegree programs in business, trade, or technical schools, or in nonnursing programs in hospital schools, or in programs of theological or spiritual training, are not eligible.)

(4) Are a full-time student, enrolled for a minimum of 12 credits a semester, or 8 credits a quarter, or the equivalent.

(5) File a special application for the award by the required date, as established below.

Benefits. All eligible students receive a uniform award of $450 a year for a maximum of 4 years of undergraduate study, or 5 years if the normal program of study is 5 years. The award is independent of family income or college tuition charge.

Applications. Regents child-of-veteran awards are paid only to those students who have filed with the Regents Examination and Scholarship Center a special application, together with supporting documents, to establish their eligibility.

If you have not previously applied for a child-of-veteran award, write immediately to the Regents Examination and Scholarship Center to obtain the appropriate application form. Use page 17 for that purpose. Applications for child-of-veteran benefits must be received not later than May 15, 1975 for the academic year 1974–75. In addition, if you are eligible for scholar incentive assistance, you should file the enclosed Student Payment Application promptly, as directed, so as not to delay processing of your scholar incentive award.

If you have previously received child-of-veteran benefits, the 1974–75 Student Payment Application will constitute your application for continued child-of-veteran benefits during the 1974–75 college year.

If you now hold a Regents child-of-veteran award which was based on a veteran's disability of 50 percent or more, and if such disability has been reduced below 50 percent by the Veteran's Administration (or other authorized agency) since you first made application for the child-of-veteran award, you must notify the Scholarship Center promptly. Under the law, payment of this award each year is authorized only if the veteran has a current disability of 50 percent or more.

c. Regents Scholarships

The following scholarships are awarded by the Regents:

(1) Regents college scholarships,
(2) Regents scholarships for basic professional education in nursing,
(3) Regents war service scholarships for veterans,
(4) Regents scholarships for professional education in medicine, dentistry, and osteopathy.

These scholarships are awarded on a competitive basis to students who have made special application for such awards and who have taken the required competitive examinations. The Students Payment Application in itself does not constitute a formal application for a Regents scholarship.

For further information concerning eligibility requirements, benefits, or application procedure for any of the above scholarships or benefits, write to the Regents Examination and Scholarship Center. Use page 17 to request SFA 100 (New York State Scholarship and Grant Programs).

If you do not hold any Regents scholarship, and you are eligible for scholar incentive assistance, you should file the enclosed Student Payment Application promptly, as directed, so as not to delay processing of your scholar incentive award.

If you now hold a Regents scholarship, the Student Payment Application will constitute your application for both scholarship and scholar incentive payment during the 1974–75 college year. For information concerning benefits, terms, and conditions of the award, refer to the informational circular sent to you when you received notification of your award.

Special notice to 1974 series scholarship holders: This Student Payment Application constitutes the final acceptance of your scholarship and must be filed immediately.

d. Award Certificates

As soon as your application has been reviewed and approved, an award certificate will be mailed to you as confirmation of your award. The award certificate will be in two parts. The "college copy" may be presented to the college if you wish to arrange tuition credit (see payment procedure, par. e below). Each copy of the award certificate will include the information below. Be sure to check all items on the award certificate to verify that they are correct. If any item is not correct, return the award certificate promptly to the Regents Examination and Scholarship Center with a letter of explanation. Failure to do so may result in delay in your payment. However, no correction need be made in the assumed tuition charge, since the college will certify the exact tuition charge at a later date, as explained below in the section headed "Tuition Charge."

Terms of attendance. At the top, the award certificate will list all the terms of the 1974–75 school year for which you will be eligible to receive payment. Check the award certificate carefully to verify that the terms of your attendance are correctly listed, since these are the only terms for which payment will be processed. If you will begin study with the fall term, the award certificate will indicate "fall" and "spring" (or, if you will be attending a college organized on a quarter basis, the award certification will indicate "fall," "winter," and "spring"). If you will begin study with the winter or spring term, the award certificate will begin with the first term of study. (If you indicate winter as your first term of attendance, but your school has no separate winter term, your award certificate will be issued for the spring term only, so be sure to follow directions for Item 15 carefully.) The summer term will also be listed if you indicated on your Student Payment Application that you planned to attend during the summer.

Special note on final payment during year. Keep in mind the maximum period of benefits allowed under the law. If you will exhaust this maximum period before the end of the 1974-75 school year, the award certificate will not list any terms following your final payment. For example, if you will receive payment for your 8th and final semester as a undergraduate student with the fall semester, the award certificate will show the fall term, but not the spring term.

Of course, if you have exhausted undergraduate benefits with the fall semester, you may continue to receive scholar incentive assistance during the spring term if you begin graduate study in the spring. In that case, a separate award certificate will be issued for the spring term for study at the graduate level.

School attendance. The award certificate will show the code number and the name of the school that you will attend. This school should be the same as the school that you indicated on the Student Payment Application. Be sure that the code number and name are correct. Check the listing on pages 13-16 of this booklet. If the school has separate divisions with different code numbers, the award certificate should indicate the code number of the particular division you will attend. If you are attending the graduate division, the award certificate should include "grad" as part of the name of the school.

Special note on transfers. Each award certificate can show the name of only one school. If you indicated on your Student Payment Application that you plan to transfer from one school to another during the year, the computer will issue one certificate for the entire year at the school you will attend first, and then a second award certificate for the new school, beginning with the term you will transfer. If your award certificates do not show your transfer correctly, or if you have neglected to indicate transfer on the Student Payment Application, notify the Regents Examination and Scholarship Center promptly.

Maximum Entitlement. The award certificate will show the maximum entitlement for full-time study for each semester or quarter under each program for which payment is approved. (If the maximum entitlement is not the same for all semesters, then a separate award certificate will be issued to indicate each different award.)

Keep in mind that this is not the annual entitlement. If you will be attending a college organized on a semester basis, the amount indicated per semester is one-half the annual amount. If you will be attending a college organized on the basis of three "quarters" for the regular academic year (excluding summers), the amount indicated per quarter is one-third the amount for the full academic year.

Further, it is important to note that the maximum entitlement is based on the income reported on your Student Payment Application. The actual payment that you will receive, after adjustment for tuition charges and other benefits, may be less than your maximum entitlement, as explained below under "Adjusted Award."

If the maximum entitlement differs from the amount you expected, check your own computations first. Refer to your work copy of the Student Payment Application. Review carefully your computation of each separate net taxable balance. You may have made an arithmetic error in subtracting deductions or exemptions, or you may not have made the proper adjustment for other children attending college. When you have verified the grand total, check the appropriate entitlement according to the formula established by law.

Special Note for War Service Scholarship Holders: The code "WS" in the maximum entitlement field indicates a war service scholarship. Your maximum entitlement is $350 for the entire year. Adjusted award will not be indicated on the award certificate, since the adjusted scholarship will vary from term to term according to the balance of tuition payable by you.

Tuition Charge: The law requires that scholar incentive and scholarship awards be limited or adjusted in some cases on the basis of the tuition charge. In order to expedite issuance of your award certificate, a preliminary adjustment has been made on the basis of the typical tuition charge reported by your school for most full-time students. That typical tuition charge is indicated on the award certificate, in the field marked "tuition."

Keep in mind that this is the tuition charge for each semester or quarter, not the annual tuition charge. Remember that this is only a preliminary estimate of your tuition charge. If your tuition charge in fact differs from the typical tuition charge for most students at your school, your school will certify your exact tuition charge directly to the Regents Center at a later date and a final adjustment or correction will be made in your award if necessary. It is not necessary for you to report a discrepancy in tuition when you receive your award certificate. An estimated tuition is provided at this time solely to help you understand how your adjusted award has been calculated.

For certain Regents scholarship holders, the adjusted award may depend on educational fees, in addition to tuition. If educational fees are relevant in your case, the amount of applicable fees is also listed.

Note: If the code "x" appears in the field for tuition, this means that there is no uniform tuition at your school, and so it is not possible to advise you of your adjusted award at this time. Determination of your adjusted award must therefore await certification of your precise tuition charge by your school, at a later date. Issuance of your check must also be deferred until that time, as explained in paragraph e, following.

Adjusted Award: An explanation of adjustments to scholar incentive awards appears in section 1, par. a of this booklet. An explanation of adjustments to Regents scholarship awards appears in the information sent to you when the scholarship was awarded. The award certificate shows the preliminary adjustment made in your award, based on the typical tuition charge. For example, if your maximum scholar incentive entitlement is $300 a semester, but the typical tuition charge is $325, the adjusted award will be $225, since the first $100 of tuition each semester is not covered by the scholar incentive award. (If you are a scholarship holder and your maximum scholarship entitlement is $500, and the typical tuition charge is $325, the adjusted scholarship award will be $325, but the adjusted scholar incentive award will be zero. Of course, if an adjustment in award is required for tuition, then your adjusted award will be the same as your maximum entitlement.

Keep in mind that if your actual tuition differs from the typical tuition indicated on the award certificate, the appropriate correction will be made in your payment, so that you will receive the correct payment based on the tuition charge that you actually pay, as reported and certified by your school.

Level of Study. Your level of study will be indicated on the award certificate as follows:

Code "0"—Undergraduate study;

Code "1"—Graduate or professional school;

Code "5"—Requesting fifth year of payment for study in an organized, approved undergraduate program normally requiring 5 years for completion.

Your college will be requested to certify your level of study, and payment will be approved only if the college makes such certification.

Other benefits. If you reported on your Student Payment Application that you will be receiving other benefits that would duplicate the purposes of your scholar incentive award or Regents scholarship, then the amount of such other benefits to be received each term will be indicated on the award certificate. Such other benefits may serve to limit and reduce the amount of your award. For example, scholar incentive awards will be limited as explained in section 1, par. a. It is your responsibility to assure that the award certificate shows the correct and full amount of other benefits that you will receive each term.

e. Payment Procedures. Issuance of the award certificate is notification that your application has been approved and that processing of payment is underway.

To expedite your payment, the State Department of Audit and Control will process your payment initially based on the typical tuition charge paid by most students attending your school. This payment will be sent to your school about 4–6 weeks after you receive your award certificate, but not earlier than about October 1 for the fall term, January 1 for the winter term, and March 1 for the spring term. (For payment for summer study, see section 3, par. e.) Your school will be directed to issue the payment to you if you are enrolled in an approved program and if you are eligible for payment in this amount. You should keep in mind that if you are eligible for payment in a different amount, because your tuition charge differs from the typical tuition charge for most students at your school, then it may be necessary for an adjusted payment to be issued at a later date, after the college has certified your actual tuition charge to the Regents Examination and Scholarship Center.

Some schools do not have uniform tuition charges, so that it is not possible to issue student payments until after the school has certified the actual tuition charge for each individual sudent. (If that is the case at your school, the code "x" will appear in the tuition field on your award certificate. In such schools, students should not expect to receive payment until late in the semester. If you have any questions concerning the possible date of payment at your school, consult with the appropriate school official.

Since full payment of the tuition charge for each term is normally required by schools at time of registration, and since your State payment will normally not be available to you until after registration has been completed, you may wish to arrange with your school for tuition credit in the amount of your anticipated State award, pending issuance of your payment. For purposes of tuition credit, your school may request that you submit the "college copy" of your award certificate as evidence of eligibility, and also that you give the school power-of-attorney so that your payment may be deposited directly in your tuition account. Students who wish to take advantage of this opportunity should be sure to file the Student Payment Application early, preferably at least 8 weeks before registration, so that they may receive the award certificate in time to be submitted to the college for tuition credit.

While only one Student Payment Application is required for the year, and only one award certificate is issued, payment will be made for each term separately. The amount paid for a semester will be one-half the annual award, and the amount paid for a quarter term will be one-third the annual award. No payment will be made for any term unless the payment due is at least $10.

If you discontinue full-time attendance before the end of the school term, you may either: (1) claim a prorated payment for the period of actual attendance and for the actual tuition charge for that period, or (2) waive payment for that term. A term for which prorated payment is made counts as a full term toward the maximum number of terms for which assistance may be received. A term for which payment is waived does not count toward your maximum period of benefits.

f. Other Aid Programs. There are a variety of sources of financial assistance, in addition to New York State scholar incentive and scholarship grants, available to college students. The best single source of information for you would be your college financial aid officer, who would be in a position to advise you concerning your eligibility and the procedure for making application. For example, the Federal Government has established a program of basic educational opportunity grants (BEOG) for students who first begin full-time undergraduate study in 1974–75, or who began such full-time study during the 1973–74 college year. Generally, students with a gross family income of $12,000 a year or less will be eligible for BEOG, but students with higher income may also be eligible, depending on individual circumstances. You would, therefore, be well advised to obtain an application from your college (or write to U.S. Office of Education, BEOG, Box 84, Washington, D.C. 20044) and determine your eligibility for yourself. Two other Federal programs for students are the supplementary educational opportunity and the work-study programs. For these two programs, the Federal Government provides funds directly to the college, which then selects the student recipients. Students at SUNY colleges may also be eligible for the State University Scholarship or for a tuition-waiver, for which application should be made directly to the college. Finally, these are two major programs that provide loans to college students—the National Direct Student Loan Program (NDSL) and the New York State Higher Education Assistance Corporation Program (NYHEAC). For further information concerning these programs, or other aid programs, consult your college financial aid officer.

SECTION 2.—INSTRUCTIONS FOR COMPLETING 1974–75 STUDENT PAYMENT APPLICATION

Application Procedure: A new Student Payment Application must be filed with the Regents Examination and Scholarship Center annually, at the beginning of each new academic year of study. An application for the 1974–75 college year appears on pages 21 and 22 of this booklet.

Eligibility for payment is not continued automatically from one academic year to the next. Each spring, a new application form will be mailed to the legal address of every student whose application was accepted during the previous college year, and also to every student who wrote the Regents Scholarship and College Qualification Test the previous fall. Other students may request applications after June 1. To assure receiving your application promptly, always report immediately any change in your legal address.

Only one application need be submitted by a student for all semesters, quarters, or other terms in the 1974–75 academic year, beginning with the summer of 1974.

To assure prompt processing of payment for the fall term, applications should be filed before July 1.

Remove both the "Applicant Work Copy" and the Application Form to be sent to the Regents Examination and Scholarship Center. Enter all information on your work copy first. Transfer the information to the copy to be filed. Retain your copy for reference.

Be sure all entries are legible. Follow instructions carefully. If you must provide additional explanation for any item, attach additional sheets. If your application is incomplete or illegible. it will have to be returned to you and your payment will be delayed.

You are responsible not only to see that all items of information on your application are correct at the time the application is submitted but also that all information is kept current and up to date. Notify the Regents Examination and Scholarship Center immediately when:

1. You change your legal address or your parents move out of New York State.
2. You change your name.
3. You become married, separated, or divorced.
4. You transfer to another school.
5. You discontinue full-time attendance.
6. You accept other awards or educational assistance that will limit or affect your award.
7. There is a change in the number of other full-time students in your family during 1974–75.
8. There is a change in the persons responsible for your support due to death, marriage, divorce, etc.
9. A change is made in any New York State income tax return affecting a net taxable balance which you reported previous to the Regents Examination and Scholarship Center for the purpose of calculating any of your awards for any year.

Item 1. Name and Address: Check "Mr." or "Ms." as appropriate.

If your name and address have already been entered, check carefully for accuracy and correct if necessary. Add your ZIP code if it has not already been printed. If name and address have not been entered, print this information in the spaces provided. In the boxes indicated for your last name, print as much of your last name as possible, one block capital letter to a box. Do not go beyond the spaces for last name, even if you cannot get all of your last name in. Then, starting with the first box in the first name space, print as much of your first name as possible, one letter to a box. Again, do not go beyond the first name space, even if you cannot get all of your first name in. Print your middle initial in the space marked "MI."

Note that your present legal address or residence is required here. If you have not entered a New York State address but feel you qualify as a legal resident, see section 3, par. d for special instructions.

Item 2. Identification Number: An identification number is assigned each student by the Regents Examination and Scholarship Center and all records are maintained under this number. If no number has already been entered for you on the Student Payment Application, and you know your number from a previous year, enter that number. If you do not know your number, or have not yet been assigned a number, leave this space blank. Your assigned number will appear on your award certificate. For future reference, you should enter your identification number on the applicant copy of the Student Payment Application.

Item 3. School Code: If a four-digit school code has already been entered on the Student Payment Application, check that code against the school code list beginning on page 13 to verify that the code is correctly listed for the school you will attend during the 1974–75 college year. If no code has been entered, enter the correct school code. Be sure that the code has four digits and that it is correct for the level of study and for the particular branch of the school that you will attend. Note that the graduate and undergraduate levels of a college always have separate code numbers. Be sure to use the correct code number for the level in which you will be enrolled. If you are not sure of the correct branch or division in which you will be enrolled, consult the appropriate school officer. An incorrect code listing will result in delay of your payment. SUNY and CUNY students should refer to the appropriate note below.

Note for SUNY Students: The upper and lower divisions at 4-year undergraduate colleges have been assigned different code numbers. If you will be enrolled in the upper division, be sure to use a code number beginning with the number "4." If you are not sure of your status, consult the appropriate college officer. If your status will change during the year, attach an explanatory note.

Note for CUNY Students: CUNY students at the undergraduate level should note that separate code numbers are listed at each college for students who pay tuition and students who do not pay tuition. Be sure to choose the correct code number, depending on your tuition status. For example, if you are a resident of New York City and fully matriculated, so that you are not required to pay tuition, choose the code number for "tuition free." (Incidental fees, such as library fees, registration fees, and laboratory fees, are not considered tuition.) On the other hand, if you are not a City resident, or you did not meet the requirements for full matriculation, so that you are required to pay a tuition charge in addition to fees, choose the code number for "students paying tuition." It is important that you choose the correct code number since your award certificate and preliminary payment will depend on the amount of your tuition charge, if any.

Item 4. Child-of-Veteran Number: If you currently hold a Regents child-of-veteran award, in addition to a Regents scholarship, the number of your child-of veteran award should appear here on the application or address label. If you hold such an award in combination with a scholarship and no number appears, attach a statement calling attention to this omission.

Item 5. Date of Birth: Enter the month, day, year of your birth. If this information is already entered on address label, check carefully and correct if necessary.

Item 6. Marital Status: Check applicable box; enter date as required.

Item 7. Social Security Number: If your social security number is already entered correctly on the address label, below your date of birth, you may leave this space blank. If your social security number is not given, or if it is incorrect, enter your social security number in this space.

Item 8. Citizenship: If entry is "No," you must obtain and submit a "Certificate of Intent to Apply for Citizenship" (SFA-414). To request this form use page 17. Also, see section 3, par. d for an explanation of the residence status of noncitizens.

Item 9. School: Enter the name of the college or school you will attend during the 1974-75 academic year, beginning with the 1974 summer term. Also enter the division or branch in which you will be enrolled, together with the street and city of that particular division. Indicate the course or major subject you will study and the degree or certificate for which you are or will be matriculated.

If you are enrolled in a hospital school nursing diploma program, enter the name of that school under "Name of School," not the name of the college in which you may be taking part of your program; also, enter "diploma" in space for degree. If, however, you are in a degree program, enter college and degree.

If you plan to change schools during this academic year, enter in Item 9 the first school of attendance and attach an explanatory note indicating any other schools that you will attend during subsequent terms. If you fail to indicate transfer to another school during the year, payment for study at the new school will be delayed.

If you will be enrolled at more than one school during the same semester or term, list the school at which you will be regularly matriculated, but attach an explanatory note.

If you are normally matriculated in one school and will be attending another school in New York State under permit or under an institutional agreement, you should indicate in Item 9 the school in which you will actually be in attendance.

List in Item 9 only a school located in New York State (except for holders of osteopathy scholarships). Under the law, you may receive payment while attending an institution outside New York State only if your total tuition charges for that period are payable to a college in New York State, which then provides off-campus instruction as a part of its own regularly organized program. If you pay tuition, in whole or in part, to a school located outside New York State, you are not eligible for payment of a State award.

Important Note Concerning Tuition: As explained in section 1, par. a, you are eligible for scholar incentive assistance only if you will attend a college with a tuition charge exceeding $200 a year, not including fees. If you do not hold a Regents scholarship or child-of-veteran award, and you will be attending a State hospital school of nursing, or an undergraduate division of CUNY, or any other school with a general tuition charge of less than $200 a year, please attach to your application a statement explaining why you believe you are eligible to receive scholar incentive assistance. If you do not, your application will be returned.

Item 10. Parents' Names and Addresses: Enter here your father's (or stepfather's) name and address and your mother's (or stepmother's) name and address, or the names and addresses of legally appointed guardians. This information must be provided even if you choose not to provide financial information, or if you claim emancipation from parents. Do not leave blank.

If you list persons other than your natural parents, indicate the relationship of each such person and attach a statement explaining the situation. In particular, if you list guardians, be sure to explain whether you have been legally adopted by your guardians.

If a parent is deceased, enter the name and then indicate the date of death in the space where address would otherwise be given. However, if there is a stepparent, the name of that stepparent should be listed.

If parents are divorced or separated, the names of both parents should still be listed, and the date of divorce or separation indicated in Item 10c. However, if the parent having custody has remarried, enter the name of that parent and the stepparent. Do not enter the date of any divorce prior to this remarriage.

If you are a member of a religious order which will assume responsibility for you during 1974–75, you should so indicate by writing "religious" in the box for parent's name, and also in the box where your income is required—line "i" of Item 23. In that case, you will be entitled to receive no more than the minimum award for any Regents scholarship or fellowship, and no more than a scholar incentive award of $100 for the year.

If you are unmarried and any of the addresses listed are not in New York State see section 3, par. d for special instructions.

Item 11. Residence: An explanation of the legal residence requirement is given in section 3, par. d.

If you are not now a legal resident, or, if you have not been a legal resident of New York State for the 12 months immediately preceding the beginning of the first term for which you are requesting assistance, check "No."

If you have checked "No," see section 3, par. d for special instructions.

Item 12. Previous Student Payment Application for 1974–75: If you have checked "Yes" to this item, attach a statement giving date of previous application and your reason for filing again.

Item 13. Other Educational Assistance: The law provides that Regents scholarship or scholar incentive assistance may not duplicate the purposes of other financial assistance received by the student. Answer "Yes" to Item 13 if you receive any of the following educational benefits:

(a) An educational grant or scholarship awarded by the Armed Forces or by an Federal agency (except GI benefits, U.S. War Orphan benefits, educational opportunity grants, health professions educational assistance, social security benefits, or loans. Please note that educational benefits paid to disabled veterans are considered duplicative and must be reported in Item 13.)

(b) A tuition grant awarded by a New York State department or agency (except the Division of Vocational Rehabilitation and the Department of Social Services, Commission for the Blind and Visually Handicapped).

(c) Tuition remission or a tuition grant or waiver awarded by the college on the basis of your status as a faculty or staff member or dependent; or on the basis of services as a graduate assistant or other services to the college; or on the basis of your enrollment in a foreign study, teacher education, or other special program.

If you check "Yes," attach a statement indicating the following for each award:

(a) Name of the agency, organization, or college providing financial assistance

(b) Name of the award, or title of position you will hold

(c) Purpose of the award, or basis on which you qualify to receive the award

(d) Services to the provided by you, if any, in return for the award (indicate nature of services and number of hours a week)

(e) College terms during which you will receive such assistance

(f) Total value of tuition remission, tuition waiver, or tuition credit that you will receive during each college term. If the amount of the tuition remission by the college will be equal to the tuition charge, specify "full tuition remission." If the tuition remission will be some lesser but fixed amount, indicate the exact amount (e.g., "tuition remission of $600 a semester"). However, if the amount of the tuition remission by the college will depend on your scholar incentive or scholarship award from the State, be sure to explain such limitation clearly (e.g., "tuition remission will equal tuition less the scholar incentive award").

(g) Total other benefits in cash or allowances that you will receive during each college term.

Do not list a Regents scholarship, fellowship, or child-of-veteran award. Do not report loans of any type.

Failure to attach this explanation will delay process of your application. If you are unable to provide all the information requested, or you are uncertain concerning the specific details of your award, consult the financial officer at your school.

Should other benefits received by you duplicate the purposes of a State award, adjustments may be made in the State award, where appropriate.

Item 14. 5-Year Program: Check here if you are enrolled in an organized approved program in which 5 years of undergraduate study are required for the baccalaureate degree and if you are now requesting a 5th year payment at the undergraduate level. (Examples of such programs—pharmacy; or engineering or architecture at some schools.)

Make no entry here if you are enrolled in a program in which 4 years of study are normally required for the baccalaureate degree, even if this will now be your 5th year of enrollment in such a program.

Item 15. Terms of Application: This form may be used to apply for assistance for only the 1974–75 academic year. The 1974–75 academic year begins with the 1974 summer term and ends with the 1975 spring term.

(a) Summer 1974 Term. Answer "Yes" only if you will be or have been enrolled in a separate approved summer term. Schools which have a separate, approved summer term are indicated by a black dot in the "Summer" column on pages 13–16. Do not answer "yes" unless the summer term at your school is approved. If you have any questions, consult the appropriate school official. (In some schools, the summer term is an integral part of the regular academic year, and not a separate term.) If you answer "Yes," see the special instructions concerning eligibility for summer study in section 3, par. e. In particular, if you do not request payment for the 1974 fall semester, you must attach a statement explaining why you believe you are eligible for summer payment.

(b) Fall 1974 Term. Answer "Yes" if you will be enrolled for the fall 1974 semester, trimester, or quarter at your school. If you answer "Yes," your award certificate will list the fall term and also all following terms that are approved at your school, as explained in section 1, par. d.

If you answer "No" to question b, because you will not be in attendance during the fall term, you should indicate the particular term, after the fall term, during which you will begin study and for which you request payment to begin. Do not indicate "Winter" unless your school has a separate, approved winter term. Schools which have separate winter terms are indicated by a black dot in the "Winter" column on pages 13–16.

Do not request payment for a work period in a cooperative work-study program.

If you are a scholarship holder and you answer "No" to question b, you must attach an explanatory note either requesting a leave of absence or explaining why you do not believe a leave is necessary (as for work or vacation terms).

Item 16. Level of Study: For the earliest term checked in Item 15, indicate the level of study at which you will enroll.

Check "Undergraduate Study" if you will enroll for study leading to a baccalaureate degree, associate degree, or nursing diploma, or if you will be enrolling in a private business, trade, or technical school.

Check "Graduate Study" if you have already earned a bachelor's degree and will enroll for study leading to a graduate degree, or if you will be enrolled for professional study or medicine, dentistry, law, podiatry, optometry, or veterinary medicine.

If your level of study will change after the earliest term checked in Item 15, attach an explanatory note.

Note that if you check undergraduate study in Item 16, then you must have indicated an undergraduate school code in Item 3. Similarly, if you check graduate study then you should have indicated a graduate school code.

Item 17. Application for Prior Years: If you have ever applied for scholar incentive assistance (or actually received a Regents scholarship, fellowship, or child-of-veteran award) for any term prior to the 1974–75 academic year, check "Yes" and enter the award identification number assigned, and the most recent college year (e.g., 1971–72) for which you applied for assistance or received an award. If you applied for scholar incentive assistance for a prior year but did not actually receive payment because you were ineligible or because of the tuition limitation, attach an explanation.

Item 18. Income Report Option: This option is available only to persons who hold a Regents scholarship or child of veteran award. Applicants for scholar incentive assistance must report income in Item 23. Since the law limits eligibility for scholar incentive to persons with a family income not exceeding $20,000, a report of income is required in order to establish eligibility for scholar incentive assistance. If income is not reported, the income must be presumed to exceed $20,000 and no scholar incentive award can be paid. Therefore, do not check Item 18 if you are applying for a scholar incentive award.

Holders of Regents scholarships and child-of-veteran awards, however, may receive a minimum or fixed award regardless of income. If you hold a Regents scholarship or child-of-veteran award, you may elect to receive such minimum or fixed award without reporting income. (The minimum awards are listed in section 3, par. a.) However, please keep in mind that if you check Item 18 then you will receive only the Regents scholarship or child-of-veteran award, and not the scholar incentive award. If you are eligible for scholar incentive assistance and wish to apply for scholar incentive assistance in addition to a scholarship or child-of-veteran award, you must report income in Item 23.

Item 19. Affirmation: The application must in every case be signed and dated by the student applying for an award. In addition, each person whose income is reported must also sign and date Item 19.

If you are not reporting income, your application is now complete. Check to see that you have answered Items 1 through 19 completely. Mail the original in the envelope provided. Retain the booklet and the "Applicant Copy," for your information.

If you are reporting income, you must now complete Items 20 through 23. A general explanation of the procedure followed in reporting income is provided in section 3, par. b.

Item 20. Request to Exclude Parental Income: The legal requirements for exclusion of parental income are explained in section 3, par. b. Please note that the law establishes separate requirements for graduate students and for undergraduate students. Complete Item 20 only if you believe that you meet the legal requirements.

If your address in Item 1 is the same as the address of either of your parents in Item 10, you must attach a supplementary statement explaining this apparent inconsistency in emancipated status. Otherwise, parental income cannot be excluded.

If the date of emancipation is at least 1 year prior to the beginning of the first term for which you are applying, no report of parental income need be made in Item 23. Otherwise, your parents' income must be reported in Item 23, but such income will be excluded for each term for which you qualify.

If you have answered "Yes" to question b or c, or if you are an undergraduate student and have answered "No" to question d, you must report parental income in Item 23. However, if you believe that you meet the legal requirements, you may in addition attach to your application a completed copy of "Request for Exclusion of Parental Income" (SFA 14C), on which you may explain any unusual circumstances. If it is determined that you do in fact meet the legal requirements, parental income will be excluded in determining the amount of your award.

Item 21. Other Students in Family: If there are other members of your immediate family who will be in full-time attendance either in or out of New York State, in a college, hospital school, approved 2-year program in a registered private business school, or degree program in a trade or technical school, during 1974–75, see special instructions in section 3, par. c. (Theological study may be included for purposes of this adjustment only.)

Do not list your own name. Do not list students who fail to meet all of the requirements. For example, do not list a student who is attending high school, or a student who is claiming exclusion of parental income in applying for an award under this program.

Each entry in Item 21 must include the name of the student who meets these requirements, and must indicate clearly his relationship to you. For each person listed, be sure to give the name of the college or school he will attend, and also the degree and course. Check either "Yes" or "No" for each semester of study. If only one semester is checked, adjustment will be made for that semester only.

Item 22. Information on Persons Whose Income Is Required: List here yourself, your spouse, and your parents, stepparents, or adoptive guardians unless their incomes may be properly excluded in accordance with the special instructions in section 3, par. b. For purposes of income verification, enter the social security number of each person and the name and address of the employer, and indicate if a New York State tax return for 1973 was filed by each.

Item 23. 1973 Income for Computation of Award: All income received by yourself, your spouse, and the persons named in Item 22 must be reported.

If you are reporting the income of your parents, stepparents, or adoptive guardians, and they filed a joint New York State income tax return for 1973, check the box for "joint return" and report the joint income. If they filed separately, check the box for "separate return of father" and report in incomes separately. Follow the same procedure for yourself and your spouse. If the applicant, spouse, or parents had no net taxable income, indicate this by entering "0" in the appropriate column. Do not leave columns blank.

If you are a member of a religious order, which will assume responsibility for you during 1974–75, write "religious" where income is requested on line "i" of the applicant column.

Even if a person listed in Item 22 earned income outside NewYork State, or did not file a New York State tax return for any reason, that person's total income for 1973 from all sources must be reported in Item 23 on the same basis as if the total income had been subject to taxation in New York State and a tax return had been filed. Item 23 should be completed in the same way as if a New York State income tax return had been made on either the long form or the short form, as appropriate. If you wish, however, you may report the total gross income from all sources on line "a" and exemptions on line "d," and then compute the net taxable balance on the basis of standard deductions. (Among reasons why a return may not have been filed are: income earned outside New York State not subject to New York State tax; income entirely from tax-exempt securities; family moved to New York State during 1973 and income subject to New York State tax not sufficient to require filing of a tax return.) If income records have been lost or are otherwise not available, the appropriate income tax information may be reconstructed to your best knowledge. In the absence of other information, a report may be made of gross income (line "a") and the number of exemption (line "d"), and taxable income computed on the basis of standard deductions.

If, after you file your application, you wish to claim a supplemental award (e.g., you find that you have made an error in reporting income, or another child in your family enters college), you must file an amendment to your application no later than May 15, 1975. Similarly if, after your file your application, you are notified that you are required to provide additional evidence in order to establish your eligibility (e.g., evidence of residence, or income of parents or spouse), you must supply the necessary information no later than May 15, 1975, or 90 days after date of such notice, whichever is later. No amendment, correction, or addition of any kind to a Student Payment Application can be considered after the above dates for purposes of retroactive or supplemental payments. No exceptions can be made for any reason. You are therefore urged to exercise appropriate prudence and caution to preserve your eligibility to receive payment.

The procedure to be used in reporting each person's income depends upon the type of 1973 New York State income tax return filed. (Do not use the Federal income tax return for this purpose.)

If Income Was Reported on NYS Income Tax Return IT-200 (Short Form)

Begin at line "a" on the application and enter all information requested on lines "a" through "k." The entry on line "a" on this application should be the amount reported on line 6 of the New York State income tax return.

Line b. Standard Deduction. Under New York State income tax law, the standard deduction is 15% of line "a," but not more than a deduction of $2,000. For married persons, whether they file jointly or separately, $2,000 is the most that may be deducted as a combined amount by both husband and wife.

However, a persons with low incomes may claim standard deductions in at least the following amounts, even if the 15% rate would otherwise result in a smaller deduction:

(1) Single person who is not head of household or surviving spouse—$1,000.

(2) Married persons filing joint return, or single person who is head of household or surviving spouse—$1,500.

(3) Married persons filing separate returns—A combined deduction of $1,500 may be claimed for both husband and wife. This amount may be divided between husband and wife in any manner they choose.

If you, as the student applicant for an award, are single but claim the $1,500 minimum deduction as a head of family or as a surviving spouse, be sure to place a checkmark in the space provided on line "b" on your application.

IF INCOME WAS REPORTED ON NYS INCOME TAX RETURN IT–201 OR IT–208 (LONG FORM)

Begin at line "f" on the application and enter all information requested on lines "f" through "k." The entry on line "f" on this application should be the amount reported on line 9 of the New York State income tax return.

IF NO NYS TAX RETURN WAS FILED

You may follow the same procedure that would have applied if you had filed either the IT–200 (Short Form) or IT–201 or IT–208 (Long Form). If it is not possible for you to reconstruct the New York State long form for this purpose, you may follow the short form procedure instead. In that case, begin on line "a." but note that you are limited to the standard deduction of 15%, not to exceed a maximum of $2,000.

Line "g" requests amount of depletion allowances and income from tax-exempt securities. Tax-exempt securities generally include bonds or other obligations of the Federal Government or of New York State or its political subdivisions and bonds or obligations of authorities or commissions. Do not include any other type of tax-exempt income such as gifts, compensation for injuries, proceeds of insurance policies, or pensions. You may, if you wish, choose to add income from tax-exempt securities to the gross income, and to compute the taxable income (for purposes of this application) on this combined amount as if you had submitted your tax return on the short form.

Line "h" requests support that you receive from separated or divorced parents. Do not include alimony. Include only that portion of support payments applicable to you. Provide this information in accordance with special instructions in section 3, par. b.

Line "i" requests the total of lines "f", "g", and "h". Do not leave any column blank. If you have no income to report enter "0."

Line "j" requests the number of other persons in the family in approved full-time study. If you have made no entries in Item 21, enter "1" on line "j" and proceed to the summary. However, if you have made entries in Item 21 you should adjust the total from line "i" to line "k" according to the special instructions in section 3, par. b.

Summary:

Carry all of the totals from line "k" to the summary and add to obtain a grand total. For award purposes, penny amounts will be dropped in the "grand total," and your award will be based on the next lower whole dollar amount. (For example, if the "grand total" is $2,000.85, you will receive an award based on a "grand total" of $2,000.)

Check to see that you have answered all items completely. Transfer information to the "original." Be sure you have obtained all the necessary signatures on the "original." Remove the "original" (pages 21 and 22) and mail it in the envelope provided. Retain the booklet and the applicant's copy for your information.

SECTION 3.—SPECIAL INSTRUCTIONS

(This section contains instructions and information of special interest to certain groups of students. The preceding sections will refer you to specific parts of section 3 that may apply to you.)

a. Awards for Regents Scholarships. For the convenience of Regents scholarship holders in answering Item 18, the ranges of the various types of awards, based on New York State net taxable balance, are presented below.

(The Regents child-of-veteran award is a fixed award of $450 a year, and the Regents war service scholarship is a fixed award of $350 a year.)

Regents college scholarshi

Net taxable balance:	Annual award
$1,800 or less	$1,000
Between 1,800 and 9,300	999–251
9,300 or more	250

Regents basic nursing scholarships

Net taxable balance:	
$1,800 or less	$500
Between 1,800 and 4,800	499–201
4,800 or more	200

Regents scholarships for medicine, dentistry, osteopathy

Net taxable balance:	
$1,800 or less	$1,000
Between 1,800 and 7,000	999–351
7,000 or more	350

b. Income Report. Except for those programs having a fixed award (e.g., child-of-veteran and war service), the law requires that the amount of award shall be based on the combined income of the student, spouse (if any), and parents, step-parents, or adoptive guardians. The income of other persons is not considered. If a student's parent has remarried, the step-parent is considered by law to be financially responsible in the same manner as a natural parent. However, the income of a guardian is considered only if the guardian has legally adopted the student. The measure of financial ability established by law for each college year is the combined net taxable balance of family income for the preceding calendar year. Thus, your award for the 1974–75 academic year will be based on the combined net taxable balances for calendar year 1973, as reported on New York State income tax returns for 1973. (If a person whose net taxable balance is required did not file a 1973 New York State income tax report, or was not subject to New York State taxation during 1973 income must still be reported on the 1974–1975 Student Payment Application as though taxable and reported in New York State.) The net taxable balance is the gross income less all allowable exemptions and deductions. However, depletion allowance and income from tax-exempt securities must also be included, even if not reported on the income tax report. All financial data will be held in strict confidence. Routine checks will be made against the records of the New York State Income Tax Department to verify information submitted.

It should be noted that the full net taxable balance of the applicant's spouse must be considered in determining the applicant's award for 1974–75, even if the applicant was not married during all of 1973. The intent of the law is that the 1974–1975 award shall be based on the financial ability of all those persons who may be expected to assist the student financially during 1974–1975, and the best available measure of the financial ability of each person is considered to be the amount of income earned during 1973.

It is not possible, in computing year 1974–75 award, to give consideration to changes in income that occur after December 31, 1973, due to change in job, unemployment, illness, retirement, etc. The law requires that the award be based on income during calendar year 1973, which is the most recent complete year of employment. However, please keep in mind that all financial awards are recomputed each year, so that loss of income after December 31, 1973 may be expected to be reflected subsequently in a higher award for 1975–76. In the meantime, if you are faced with special financial problems, you should consult with the financial aid officer at your school concerning the possibility of supplementary grants, loans, or work-study opportunities.

The following are the only circumstances to which special considerations can be given under the law:

Death of parent or spouse. Where death has occurred prior to the beginning of any term, the previous income of such person will be excluded in determining the student's award for that term.

Separation or divorce of student. Where separation or divorce has occurred prior to the beginning of any term, the previous income of the student's spouse will be excluded in determining the student's award for that term.

Separation or divorce of parents. Where parents are separated or divorced and the parent having custody has not remarried, the award will be based on the income of the parent having custody, combined with the amount of support received from the other parent specifically for the support of the student. Thus, if parents were separated or divorced prior to July 1, 1974, the 1973 income of only the parent awarded custody need be reported. (If a separate return was not filed for 1973, the income of the parent having custody should be reported as if that parent had filed a separate return on income earned by that parent alone during 1973, with appropriate exemptions and deductions.) Such income should include the total amount of alimony received during 1973, or the amount that would have been received during 1973, in accordance with the schedule of alimony payments actually in effect as of July 1, 1974.

In addition to the income of the parent having custody, a separate report must be made on line "h" of Item 23 of the total amount received during 1973 by the applicant from the other parent, or the amount of such support that would have been received during 1973, in accordance with the schedule of support payments actually in effect as of July 1, 1974.

Special consideration may be given if:

(1) Divorce or separation occurs after July 1, 1974. Complete the application giving income of both parents for 1973, but attach an explanation of the circumstances.

(2) Alimony or support payments change after July 1, 1974. Complete the application on the basis of the situation existing on July 1, 1974, but attach an explanation of the change.

However, where parents are divorced and the parent having custody has remarried, the award will be based on the combined income of that parent and his or her spouse.

Emancipation. (1) Graduate Students. The law makes special provisions for excluding the parental income of graduate and professional students who for a period of at least 1 year have neither (a) received financial assistance from their parents, nor (b) resided with their parents.

(2) Undergraduate Students. The law considers that parental income shall generally be considered in determining the award of an undergraduate student, even if the student is now 21 years of age, or married, or self-supporting. In other words, the normal establishment of emancipated status by an undergraduate student during the course of college study does not constitute a sufficient basis for exclusion of parental income, under the law. Consideration can be given to an undergraduate student only in the exceptional case of a person of mature years who has resumed college study after an extended period of more than 1 year of full-time employment, or military service, or as a housewife, and who was fully emancipated and self-supporting during such period. If you believe that you qualify for exclusion of parental income on this basis, and if you do not now reside with your parents or receive financial assistance from them, you should obtain from the Regents Examination and Scholarship Center a supplementary affidavit, entitled Request for Exclusion of Parental Income (SFA 14C). To request the affidavit, use page 17. This affidavit should be attached to and submitted with your application.

(3) Special Note on Residence With Parents. An undergraduate or graduate student who has lived with parents during the past year for a period in excess of 2 weeks, whether during the academic year or during the summer only, is not eligible for exclusion of parental income, even if the student claims payment for room and board during that period. Exception can be made only if: (a) the student resides in a completely separate apartment or premises, and (b) the rental paid is a fair market value, and (c) the rents received have been reported by the parents as business income for income tax purposes. However, the residence of a veteran with parents during the readjustment period from discharge to the beginning of the next academic year will not be considered inconsistent with emancipation.

c. Income Adjustment for Other Persons in Full-Time Study. If more than one child in the family is engaged in approved full-time study, the net taxable balance of the parents may be divided by the number of such children, as explained below. In addition, an appropriate adjustment in income may be made if a parent, spouse, or child of the applicant will be in approved full-time attendance.

Accordingly, you should enter in Item 21 the names of those persons in your family who meet all of the following requirements during the 1974–75 academic year.

1. Will be financially dependent on the applicant, on the applicant's parents, or on other persons named in Item 22. (Members of a religious order are normally not financially dependent on the parents.)

2. Will be attending an accredited college, hospital program of professional nursing, 2-year program in a registered private business school, or associate degree program in a trade or technical school, either in or out of New York State.

3. Will be enrolled in a full-time program.

The procedure for making the appropriate adjustment in Item 23 is given below. Note especially that separate adjustments must be made to the income of the parents and to the income of the applicant.

1. Adjustment to income of parents. Count the total number of full-time students in the immediate family of your parents. Include yourself, your parents, and other dependent children of your parents (but not your spouse). Enter the total number of such full-time students on line "j," in the columns for income of parents. Divide the amount for parents in line "i" by the number in line "j."

2. Adjustment to income of applicant and spouse. If you are the head of a household, count the number of full-time students in your own household. Include yourself, your spouse, and your children (but not your parents or your brothers or sisters). Enter the total number of such full-time students on line "j," in the columns for applicant and spouse. Divide the amounts on line "i" for applicant and spouse by the number in line "j."

d. Residence. You must attach a completed "Certificate of Residence in New York State" (SFA 14D) is you:

(1) Have listed an address for yourself in Item 1 that is outside New York State.

(2) Have answered "No" to Item 11.

(3) Are unmarried and have listed an address for your parents that is outside New York State. (However, if you previously submitted a residence affidavit in this connection with an application for an earlier year, it will not be necessary to submit a new affidavit. Attach an explanatory statement and state in what year the previous application was made.)

To qualify for a scholar incentive award, you must have been a legal resident of New York State for at least 12 months immediately preceding the beginning of the term for which you are applying for assistance and you must continue to maintain such residence during the period of the award. An applicant for an undergraduate award who is now a resident, but has not been a resident for the past year, may qualify if he was a resident during his last two terms of high school. Similarly, an applicant for a graduate level award who is now a resident, but has not been a resident for the past year, may qualify if he was a resident during his last two terms of undergraduate level study and continued such residence until matriculation in a graduate program.

It should be noted that permanent, bona fide residence in New York State is required. Residence at a school or college for purpose of study does not in itself change the student's legal residence. The legal residence of an unmarried college student is presumed to be the residence of the parents. If the parents are not legal residents of New York State, the student will be considered a resident of New York State only if such claim is supported by specific confirmatory action, such as registering to vote in New York State. However, married students who have established a separate residence can generally claim such residence as their legal residence, unless there has been specific action indicating intent to establish or maintain residence elsewhere.

You are not a legal resident of New York State unless you are either a citizen of the United States or an immigrant to the United States. Foreign visitors holding student or other nonpermanent visas are not legal residents.

Regents scholarship recipients who establish their legal residence at the time of their award must continue to maintain such residence during the period of their award.

The residence of a person is often a difficult question of law, depending on individual circumstances. If you have any question about your eligibility with regards to the residence requirement, complete the residence certificate and your case will be referred to our legal advisors for an opinion.

e. Summer Study. You may apply for payment for summer study if you attend a regularly organized summer term for which a separate tuition charge is made. Schools which have a separate, approved summer term are indicated by a black dot in the "Summer" column on pages 13-16. If the tuition charge for summer study is included in the yearly tuition charge, as is the case for example in many nursing schools, no payment can be made for summer study.

Also, to be eligible to receive assistance for summer study you must, during the regular academic year, be a full-time student matriculated in an approved program leading to a degree, diploma, or certificate in a school in New York State. If you are regularly in part-time attendance during the academic year, or if you attend school in New York State during summer only, you are not eligible for payment for summer study.

Therefore, if you request payment for the summer term but do not request payment for the following fall term, you must attach a supplementary statement to your application explaining why you believe you qualify as a regular full-time student. For example, you may have been in full-time attendance during the preceding academic year, or you may plan to be in full-time attendance the following semester at a New York State college but may not request payment for that semester for some reason.

In particular, if you request payment for summer study at the graduate level, you must demonstrate regular full-time study at the graduate level during either the preceding or the following academic year.

Application can be made at this time for payment for the 1974 summer term only. No retroactive payment can be made for summer study before 1974.

The law permits payment for 1974 summer study that is equivalent to either full-time or half-time study during the regular academic year. If you complete 12 credits or more, you may apply for payment for the equivalent of a regular semester. If you complete at least 6 credits, but less than 12, you may apply for payment at a rate of one-half the payment for a regular semester. (Appropriate consideration will be given to equivalent programs at schools organized on the quarter plan.)

All credits completed during any one summer period must be treated as a single summer of study, even if intersessions or separate summer sessions are involved. Also, all summer study must be creditable towards the same degree or diploma; it is not possible to combine undergraduate with graduate level study.

If you check summer study in Item 15, your award certificate will indicate the summer term in addition to other terms. The maximum entitlement on the award certificate will apply to the summer term also. However, you should keep in mind that the maximum entitlement will apply for the summer term only if you are enrolled for at least 12 credits or the equivalent. If you are enrolled for 6–11 credits, your maximum entitlement will be one-half of that for full-time study. In addition, your award is subject to adjustment for tuition, as explained in section 1, par. a.

Because summer study often involves irregular programs and nonuniform tuition fees, payment for summer study will not be processed in the same manner as payment for other semesters. Your name will be forwarded to your school at the end of the summer term for certification of credits taken and tuition charged. On the basis of such certification, a check will be issued in your name and forwared to the college for delivery to you. Since a reasonable period of time must be allowed for administrative and auditing procedures in the college and in the various State agencies involved in disbursement of public funds, issuance of checks for summer study will begin about the middle of the following fall semester.

The maximum award for summer study during 1974 will be based on your combined family net taxable balance of income during the 1973 calendar year. All students applying for summer study payment must therefore file a 1974–75 Student Payment Application, even if they will not be in attendance for fall or spring of the 1974–75 academic year.

Payment for any period of summer study will count toward your total allowable period of study, in the same manner as payment for an equivalent period during the regular year. You are not obligated to apply for payment for summer study if you would prefer to preserve eligibility for a later term of regular study, but once payment has been made for summer study such payment shall be final.

If you are undecided about summer study, you are advised to file your Student Payment Application promptly for the regular academic year, without indicating summer study, so as not to delay your award certificate for the fall term. You can, if you wish, amend your application at a later date to include summer study. However, please keep in mind that no application can be accepted or amended after May 15, 1975 for any term of the 1974–75 academic year.

APPENDIX

LIST OF SCHOOL CODES

Instructions. The school codes listed in this section are to be used in completing Item 3 in your Student Payment Application. Be sure to use all four digits of the correct code number. Note that separate code numbers are always designated for the undergraduate and graduate levels of a college. In addition, in some colleges separate code numbers are listed for certain units or branches, such as business administration or engineering. At 4-year undergraduate SUNY colleges, separate code numbers are listed for the lower and upper divisions. At CUNY, separate code numbers are listed for tuition-free students and for tuition-paying students.

All units of The City University of New York (CUNY), including community colleges, are listed under "City University," page 14. All units of the State University of New York (SUNY), including community colleges, are listed under "State University," page 16.

If the name of the school you plan to attend is not listed, or you are not sure of the code number, contact the appropriate college officer.

The terms of attendance approved for payment for each school are indicated by a dot in the appropriate column. Payment can be requested only for approved terms of attendance.

2235	●	●		●	Academy of Aeronautics
7010		●		●	Adelphi Business School, Brooklyn
7020		●		●	Adelphi Business School, Mineola
0010	●	●		●	Adelphi University — Undergrad
5000	●	●		●	**Adelphi University — Grad**
7025		●		●	Albany Business College
6995		●		●	Albany College of Pharmacy
5470		●		●	**Albany Law School**
0015		●		●	Albany Medical Center Hospital
5475		●		●	**Albany Medical College**
0020	●	●		●	Alfred University — All Undergrad, except
0960		●		●	Ceramics College
5200	●	●		●	**Alfred University — All Grad, except**
5560	●	●		●	**Ceramics College**
1075		●		●	American Academy of Dramatic Arts
0025		●		●	Arnot Ogden Memorial Hospital
0030		●		●	Auburn Memorial Hospital
5550	●	●		●	**Bank Street College of Education**
0035	●	●		●	Bard College
2015	●	●		●	Bennett College
7040	●	●	●	●	Berkeley-Claremont School, Hicksville
7030	●	●	●	●	Berkeley-Claremont School, New York City
7035	●	●	●	●	Berkeley School of Westchester
0045		●	●	●	Beth Israel Hospital
0050		●		●	Binghamton General Hospital
2020		●		●	Briarcliff College
5400		●		●	**Brooklyn Law School**
7115	●	●	●	●	Bryant-Stratton Business Institute, Buffalo
7116	●	●	●	●	Bryant-Stratton Business Institute, Rochester
0085		●		●	Buffalo General Hospital
0090	●	●		●	Canisius College — Undergrad
5210	●	●		●	**Canisius College — Grad**
0095		●		●	Cathedral College of The Immaculate Conception
0437		●		●	Catholic Medical Center
2035		●		●	Cazenovia College
7245		●		●	Central City Business Institute
0100		●		●	Central Islip State Hospital
0105		●		●	Champlain Valley Hospital
0110		●		●	Charles S. Wilson Memorial Hospital
0120	●	●		●	Clarkson College of Technology — Undergrad
5220	●	●		●	**Clarkson College of Technology — Grad**
0125	●	●		●	Colgate University — Undergrad
5225	●	●		●	**Colgate University — Grad**
2130	●	●		●	College of Insurance
0145		●		●	Columbia Memorial Hospital
0150	●	●		●	Columbia University — All Undergrad, except
0155		●		●	Barnard College
0165	●	●		●	Dental Hygiene
[illegible]	●	●		●	Engineering
0171	●	●		●	General Studies
0160	●	●		●	Pharmacy
0165	●	●		●	Physicians and Surgeons
[illegible]	●	●		●	Teachers College
					Columbia University — Grad
5660		●		●	**Architecture**
5025	●	●		●	**Arts School**
5465	●	●		●	**Business**
5485		●		●	**Dentistry**
5655	●	●		●	**Engineering**
5020	●	●		●	**Graduate Facilities**
5240	●	●		●	**International Affairs**
5490	●	●		●	**Journalism**
5495	●	●		●	**Law**
5500	●	●		●	**Library Services**
5650	●	●		●	**Pharmacy**
5483		●		●	**Physicians and Surgeons**
5505	●	●		●	**Social Work**
5021	●	●		●	**Teachers College**
2050		●		●	Concordia College
0170		●		●	Cooper Union
0175	●	●		●	Cornell University — All Undergrad, except
0174	●	●		●	Statutory Colleges (Agriculture and Life Science, Human Ecology, Industrial and Labor Relations)
0178		●		●	New York Hospital
5030	●	●		●	**Cornell University — All Grad, except**
5035	●	●		●	**Business and Public Administration**
5033	●	●		●	**Law**
5510		●		●	**Medicine**
5665	●	●		●	**Veterinary Medicine**
0180		●		●	Craig State School
0190		●		●	Crouse Irving Hospital
2045	●	●		●	Culinary Institute of America

BEST COPY AVAILABLE

CITY UNIV OF NEW YORK

					Community Colleges
					Bronx
2021	●	●		●	Tuition free students
1400	●	●		●	Tuition paying students
					Hostos
0121	●	●		●	Tuition free students
1401	●	●		●	Tuition paying students
					Kingsborough
2245	●	●		●	Tuition free students
1402	●	●		●	Tuition paying students
					LaGuardia
2087	●	●	●	●	Tuition free students
1403	●	●	●	●	Tuition paying students
					Manhattan
2250	●	●		●	Tuition free students
1404	●	●		●	Tuition paying students
					New York City, Main Campus
2115	●	●		●	Tuition free students
1405	●	●		●	Tuition paying students
					New York City, Voorhees Campus
3040	●	●		●	Tuition free students
1406	●	●		●	Tuition paying students
					Queensborough
2149	●	●		●	Tuition free students
1407	●	●		●	Tuition paying students
					Staten Island
2155	●	●		●	Tuition free students
1408	●	●		●	Tuition paying students
					Other Institutions
					Bernard M. Baruch College — Undergrad
0126	●	●		●	Tuition free students
1409	●	●		●	Tuition paying students
5645	●	●		●	**Bernard M. Baruch College — Grad**
					Brooklyn College — Undergrad
0065	●	●		●	Tuition free students
1410	●	●		●	Tuition paying students
5205	●	●		●	**Brooklyn College — Grad**
					City College — Undergrad
0115	●	●		●	Tuition free students
1411	●	●		●	Tuition paying students
5215	●	●		●	**City College — Grad**
5620	●	●		●	**Graduate School and University Center**
					Herbert H. Lehman College — Undergrad
0321	●	●		●	Tuition free students
1412	●	●		●	Tuition paying students
5278	●	●		●	**Herbert H. Lehman College — Grad**
					Hunter College — Undergrad
0120	●	●		●	Tuition free students
1413	●	●		●	Tuition paying students
5270	●	●		●	**Hunter College — Grad**
					John Jay College — Undergrad
0117	●	●		●	Tuition free students
1414	●	●		●	Tuition paying students
5216	●	●		●	**John Jay College — Grad**
					Medgar Evers College
0460	●	●		●	Tuition free students
1415	●	●		●	Tuition paying students
5674		●		●	**Mt. Sinai School of Medicine**
					Queens College — Undergrad
0625	●	●		●	Tuition free students
1416	●	●		●	Tuition paying students
5395	●	●		●	**Queens College — Grad**
					Richmond College — Undergrad
1092	●	●		●	Tuition free students
1417	●	●		●	Tuition paying students
5672	●	●		●	**Richmond College — Grad**
					York College
1091	●	●		●	Tuition free students
1418	●	●		●	Tuition paying students

2050	●	●		●	**Dominican College — All Undergrad, except**
2052		●		●	**School of Nursing**
0011	●	●		●	**Dowling College**
7253		●		●	**Drake Business School**
0195	●	●		●	**D'Youville College**
0205		●		●	**Edward J. Meyer Memorial Hospital**
0220		●		●	Eisenhower College
2054		●		●	Elizabeth Seton College
0210		●		●	Ellis Hospital
7260		●		●	Elmira Business Institute
0217		●		●	Elmira College — Undergrad
5630	●	●	●	●	**Elmira College — Grad**
0225	●	●		●	Finch College
2075	●	●		●	Five Towns College
0235		●		●	Flushing Hospital
0245	●	●		●	Fordham University — All Undergrad, except
0242	●	●		●	Business
0240	●	●		●	Liberal Arts College, Day
0241	●	●		●	Liberal Arts College, Evening
0243	●	●		●	School of General Studies
0247	●	●		●	Thomas More College
5040	●	●		●	**Fordham University — All Grad, except**
5042	●	●	●	●	**Business Administration**
5041	●	●		●	**Education**
5580	●	●		●	**Law**
5043	●	●		●	Social Service
0250		●		●	Friends World College
0255		●		●	Genesee Hospital
0265		●		●	Gowanda State Hospital
0270		●		●	Hamilton College
0275		●		●	Harlem Hospital
0245		●		●	Harlem Valley State Hospital
2142	●	●		●	Harriman College
0257	●	●	●	●	Hartwick College
0254		●		●	Hebrew Union College — Undergrad
5595		●		●	Hebrew Union College — Grad
7455		●		●	Heffley Browne Secretarial School
0244		●		●	Helene Fuld School of Registered Nursing
0248		●		●	Highland Hospital
2045	●	●		●	Hilbert College
0265		●	●	●	Hobart College
0136	●	●		●	Hofstra University — All Undergrad, except
0141	●	●		●	New College
5265	●	●		●	Hofstra University — All Grad, except
5268	●	●		●	Law
0305	●	●		●	Houghton College — All Undergrad, except
0092	●	●		●	Buffalo Campus
0315		●		●	Hudson River State Hospital
2165		●		●	Immaculate Conception Seminary
7475		●		●	Interboro Institute
0325	●	●		●	Iona College — Undergrad
5640	●	●	●	●	Iona College — All Grad, except
5642	●	●		●	Secondary Education
7445		●		●	Institute of Design and Construction
0310	●	●		●	Ithaca College — All Undergrad, except
0311	●	●	●	●	Physical Therapy (seniors only)
5275	●	●		●	Ithaca College — Grad
7490		●		●	Jamestown Business College
0335		●	●	●	Jewish Hospital
0317	●	●		●	Jewish Theological Seminary — Undergrad
5280		●		●	Jewish Theological Sem — All Grad, except
5676		●		●	Institute for Advanced Study in Humanities
0348		●		●	Juilliard School — Undergrad
5295		●		●	Juilliard School — Grad
7443		●		●	Katharine Gibbs School, New York City
0345		●		●	Keuka College
0349	●	●		●	Kings College
0355		●		●	Kings County Hospital
0360		●		●	Kings Park State Hospital
0985		●		●	Kirkland College
2178		●	●	●	Laboratory Institute of Fashion Merchandising
0370	●	●		●	Ladycliff College
2090	●	●		●	LaSalette Seminary
0375	●	●		●	LeMoyne College
0390	●	●		●	Long Island College Hospital
					Long Island University — Undergrad
0395	●	●		●	Brooklyn Center
0451	●	●		●	C. W. Post
0490	●	●		●	Pharmacy
0132	●	●		●	Southampton
5290	●	●		●	Long Island University — All Grad, except
5570	●	●		●	C. W. Post
5679	●	●		●	Pharmacy

[illegible]	●	●		●	Manhattan College — All Undergrad, except
[illegible]	●	●		●	Business School, Day
[illegible]	●	●		●	Business School, Evening
[illegible]	●	●		●	Engineering
[illegible]	●	●		●	Manhattan College — Grad
0410	●	●		●	Manhattan School of Music — Undergrad
[illegible]	●	●		●	Manhattan School of Music — Grad
[illegible]	●	●		●	Manhattanville College — Undergrad
[illegible]	●	●		●	Manhattanville College — Grad
0425		●		●	Mannes College of Music
0430		●		●	Marcy State Hospital
2093	●	●		●	Maria College of Albany
2094	●	●		●	Maria Regina College
[illegible]	●	●		●	Marist College — Undergrad
[illegible]		●		●	Marist College — Grad
0450	●	●		●	Marymount College, Tarrytown
0447	●	●		●	Marymount Manhattan College
2097	●	●		●	Mater Dei College
0505	●	●		●	Medaille College
0455		●		●	Memorial Hospital, Albany
7300		●		●	Merchants and Bankers Business School
2100	●	●		●	Mercy College
[illegible]		●		●	Middletown State Hospital
7630		●		●	Midtown School of Business
7310		●		●	Mildred Elley Secretarial School
0483		●		●	Millard Fillmore Hospital
0485	●	●		●	Misericordia Hospital
[illegible]	●	●		●	Molloy College
7315		●		●	Monroe Business Institute
2110	●	●		●	Mt. St. Mary College
0130	●	●		●	Mt. St. Vincent, College of
0515		●		●	Mt. Vernon Hospital
0525	●	●		●	Nazareth College — Undergrad
[illegible]		●		●	Nazareth College — Grad
0135	●	●		●	New Rochelle, College of — Undergrad
[illegible]	●	●		●	New Rochelle, College of — Grad
0530		●		●	New Rochelle Hospital
0535	●	●		●	New School for Social Research — Undergrad
[illegible]	●	●		●	New School for Social Research — Grad
[illegible]	●	●		●	New York Academy of Theatrical Arts
[illegible]		●		●	New York College of Podiatric Medicine
2120	●	●		●	New York Inst of Technology — Undergrad
[illegible]	●	●		●	New York Institute of Technology — Grad
[illegible]		●		●	New York Law School
[illegible]		●		●	New York Medical College
0555	●	●		●	New York University
[illegible]	●	●		●	New York University — All Grad, except
[illegible]		●		●	Dentistry
[illegible]		●		●	Medicine
[illegible]	●	●		●	Niagara University — Undergrad
[illegible]	●	●		●	Niagara University — Grad
0575	●	●		●	Nyack College
7690		●		●	Olean Business Institute
[illegible]		●		●	Our Lady of Victory Secretarial School
[illegible]	●	●		●	Pace University — All Undergrad, except
[illegible]	●	●		●	Westchester Center
5310	●	●		●	Pace University — Grad
1096	●	●		●	Parsons School of Design
[illegible]	●	●		●	Paul Smith's College
[illegible]		●		●	Pilgrim State Hospital
0610	●	●		●	Polytechnic Inst of New York — Undergrad
[illegible]	●	●		●	Polytechnic Institute of New York — Grad
7710		●		●	Powelson Business Institute
0615	●	●		●	Pratt Institute — Undergrad
5315	●	●		●	Pratt Institute — Grad
0630	●	●		●	Queens Hospital Center
0635	●	●		●	Rensselaer Polytechnic Institute — Undergrad
[illegible]	●	●		●	Rensselaer Polytechnic Institute — Grad
7720	●	●	●	●	Riley Lowell School of Business
[illegible]	●	●	●	●	Roberts Wesleyan College
7845		●		●	Rochester Business Institute
[illegible]	●	●	●	●	Rochester Institute of Technology — All Undergrad, except
0651	●	●	●	●	Evening School
5330	●	●	●	●	Rochester Institute of Technology — Grad
1015	●	●		●	Rochester, Univ of — All Undergrad, except
1016	●	●		●	Eastman School of Music
5340	●	●		●	Rochester, University of — All Grad, except
5341	●	●		●	Eastman School of Music
[illegible]		●		●	Medicine
[illegible]		●		●	Rockefeller University
7830		●		●	Rothel's Ogdensburg Business Institute
0645		●		●	Roosevelt Hospital
0670	●	●		●	Rosary Hill College
0675	●	●		●	Russell Sage College — All Undergrad, except
[illegible]	●	●		●	Evening Division
2143	●	●		●	Junior College of Albany
5325	●	●		●	Russell Sage College — Grad
7855		●		●	Sadie Brown Collegiate Institute
[illegible]		●		●	Samaritan Hospital
[illegible]	●	●		●	Sarah Lawrence College — Undergrad
[illegible]	●	●		●	Sarah Lawrence College — Grad
[illegible]	●	●		●	School of Visual Arts
[illegible]	●	●		●	Siena College
[illegible]		●		●	Sisters of Charity Hospital
0855	●	●		●	Skidmore College
[illegible]		●		●	Spencer Business Institute
[illegible]	●	●		●	St. Bonaventure University — Undergrad
[illegible]	●	●		●	St. Bonaventure University — Grad
[illegible]	●	●		●	St. Clare's Hospital
0710		●		●	St. Elizabeth's Hospital
0715	●	●		●	St. Francis College
0725	●	●	●	●	St. James Mercy Hospital
0735	●	●		●	St. John Fisher College
0733	●	●		●	St. John Vianney Seminary — Undergrad
[illegible]	●	●		●	St. John Vianney Seminary — Grad
0745		●		●	St. John's Riverside Hospital
					St. John's University — Undergrad
[illegible]	●	●		●	Arts and Sciences, Jamaica
[illegible]	●	●		●	Business Administration, Jamaica
[illegible]	●	●		●	Education, Jamaica
[illegible]	●	●		●	Pharmacy and Medical Tech, Jamaica
[illegible]	●	●		●	Staten Island Campus
2175	●	●		●	St. Vincent's College, Jamaica
					St. John's University — Grad
5110	●	●		●	Arts and Sciences, Jamaica
5375	●	●		●	Business Administration, Jamaica
[illegible]	●	●		●	Business Administration, Staten Island
[illegible]	●	●		●	Education, Jamaica
[illegible]	●	●		●	Law, Jamaica
5383	●	●		●	Pharmacy and Medical Tech, Jamaica
0755	●	●		●	St. Joseph's College — All, except
[illegible]	●	●		●	Brentwood Campus
0760		●		●	St. Joseph's Hospital, Elmira
[illegible]		●		●	St. Joseph's Hospital, Syracuse
6780		●		●	St. Lawrence State Hospital
0775	●	●		●	St. Lawrence University — Undergrad
[illegible]	●	●		●	St. Lawrence University — Grad
[illegible]		●		●	St. Mary's Hospital, Amsterdam
0140	●	●		●	St. Rose, College of — Undergrad
[illegible]	●	●		●	St. Rose, College of — Grad
[illegible]	●	●		●	St. Thomas Aquinas College
[illegible]		●		●	St. Vincent's Hospital, New York City
[illegible]	●	●		●	St. Vincent's Medical Center, Staten Island
[illegible]	●	●		●	Syracuse University — All Undergrad, except
[illegible]	●	●		●	Envir Sci and Forestry, Lower Div
[illegible]	●	●		●	Envir Sci and Forestry, Upper Div
5120	●	●		●	Syracuse University — All Grad, except
[illegible]		●		●	Environmental Science and Forestry
[illegible]	●	●		●	Law
7865		●		●	Taylor Business Institute, New York City
[illegible]		●		●	Therese Aub Secretarial/Ames Business Sch
[illegible]		●	●	●	Tobe-Coburn School of Fashion Careers
[illegible]		●		●	Touro College
[illegible]	●	●		●	Trocaire College
[illegible]	●	●	●	●	Union College — Undergrad
[illegible]	●	●	●	●	Union College — Grad
1022	●	●		●	Utica College — Undergrad
[illegible]	●	●		●	Utica College — Grad
[illegible]	●	●	●	●	Utica School of Commerce
1025		●		●	Utica State Hospital
1030	●	●		●	Vassar College — Undergrad
[illegible]	●	●		●	Vassar College — Grad
[illegible]		●		●	Verrazzano College
[illegible]	●	●		●	Villa Maria College of Buffalo
[illegible]		●		●	Wadhams Hall
1040	●	●		●	Wagner College — Undergrad
5410	●	●		●	Wagner College — Grad
[illegible]		●		●	Watertown School of Commerce

7855		●		●		Wayne School of Business
1045		●		●		Webb Institute of Naval Architecture
1050		●		●		Wells College
7420	●	●	●	●	●	Westchester Business Institute
1055		●		●		Westchester School of Nursing
8200	●	●		●		White Plains, College of
1065		●		●		Willard State Hospital
						STATE UNIVERSITY OF NEW YORK
						Agricultural and Technical Colleges at
3005	●	●	●	●		Alfred
3008	●	●		●		Alfred — Franklinville Extension
3006		●	●	●		Alfred — Wellsville Extension
3010	●	●		●		Canton
3015	●	●		●		Cobleskill
3020	●	●		●		Delhi
3025	●	●		●		Farmingdale
3030		●		●		Morrisville
						University Centers at
0895	●	●		●		Albany — Undergrad, Lower Div
4895	●	●		●		Albany — Undergrad, Upper Div
5390	●	●		●		**Albany — Grad**
0850	●	●		●		Binghamton — Undergrad, Lower Div
4850	●	●		●		Binghamton — Undergrad, Upper Div
5420	●	●		●		**Binghamton — Grad**
[illegible]	●	●		●		Buffalo (Main St)¹ — Undergrad, Lower Div
[illegible]	●	●		●		Buffalo (Main St)¹ — Undergrad, Upper Div
5130	●	●		●		**Buffalo (Main St) — All Grad, except**
5131		●		●		**Dentistry**
5132	●	●		●		**Law**
5133	●	●		●		**Medicine**
0875	●	●		●		Stony Brook — Undergrad, Lower Div
4875	●	●		●		Stony Brook — Undergrad, Upper Div
5430	●	●		●		**Stony Brook — All Grad, except**
5431	●	●		●		**Medicine and Dentistry**
						Colleges of Arts and Sciences at
0900	●	●		●		Brockport — Undergrad, Lower Div
4900	●	●		●		Brockport — Undergrad, Upper Div
5400	●	●		●		**Brockport — Grad**
0905	●	●		●		Buffalo (Elmwood Ave)¹ — Undergrad, Lower Div
4905	●	●		●		Buffalo (Elmwood Ave)¹ — Undergrad, Upper Div
5425	●			●		**Buffalo (Elmwood Ave)¹ — Grad**
0910	●	●		●		Cortland — Undergrad, Lower Div
4910	●	●		●		Cortland — Undergrad, Upper Div
5405	●	●		●		**Cortland — Grad**
0913	●	●	●	●		Empire State — Lower Div
1070		●	●	●		William Smith College
7650		●		●		Wood School
7655		●	●	●	●	World Institute of Business
						Yeshiva University — Undergrad
1085	●	●		●		Colleges for Men
1086	●	●		●		Stern College for Women
1087		●		●		Teachers Institute for Women
4913	●	●	●	●		Empire State — Upper Div
0915	●	●		●		Fredonia — Undergrad, Lower Div
4915	●	●		●		Fredonia — Undergrad, Upper Div
5505	●	●		●		**Fredonia — Grad**
0920	●	●		●		Geneseo — Undergrad, Lower Div
4920	●	●		●		Geneseo — Undergrad, Upper Div
5405	●	●		●		**Geneseo — Grad**
0925	●	●		●		New Paltz — Undergrad, Lower Div
4925	●	●		●		New Paltz — Undergrad, Upper Div
5565	●	●		●		**New Paltz — Grad**
0965		●		●		Old Westbury — Lower Div
4965		●		●		Old Westbury — Upper Div
0930	●	●		●		Oneonta — Undergrad, Lower Div
4930	●	●		●		Oneonta — Undergrad, Upper Div
5590	●	●		●		**Oneonta — Grad**
0935	●	●		●		Oswego — Undergrad, Lower Div
4935	●	●		●		Oswego — Undergrad, Upper Div
5420	●	●		●		**Oswego — Grad**
0940	●	●		●		Plattsburgh — Undergrad, Lower Div
4940	●	●		●		Plattsburgh — Undergrad, Upper Div
5610	●	●		●		**Plattsburgh — Grad**
0945	●	●		●		Potsdam — Undergrad, Lower Div
4945	●	●		●		Potsdam — Undergrad, Upper Div
5615	●	●		●		**Potsdam — Grad**
0970		●		●		Purchase — Lower Div
4970		●		●		Purchase — Upper Div
4975	●	●		●		Utica Rome — Upper Div
						Specialized Colleges and Medical Centers
—						College of Environmental Science and Forestry (See Syracuse University)
5500	●	●		●		**College of Optometry**
4955	●	●		●		Downstate Medical Center — All Undergrad, Upper Div, except
4957	●	●		●		School of Nursing
5535		●		●		**Downstate Medical Center — Grad**
0985		●		●		Maritime Col — Undergrad, Lower Div
4985		●		●		Maritime Col — Undergrad, Upper Div
5600		●		●		**Maritime College — Grad**
0990	●	●		●		Upstate Medical Center — Undergrad, Lower Div
4990	●	●		●		Upstate Medical Center — Undergrad, Upper Div
						Yeshiva University — Grad
5155		●		●		Albert Einstein College for Medicine
5160	●	●		●		Belfer School of Science
5150	●	●		●		Bernard Revel Grad School
5165	●	●		●		Ferkauf School of Humanities
5170	●	●		●		Sue Golding School of Medical Sciences
5175	●	●		●		Wurzweiler School of Social Work
5540		●		●		Upstate Medical Center — Grad
						Contract Colleges, St[illegible] under [illegible]
—						[illegible] University
—						[illegible] Human Ecology, Industrial and Labor Relations, [illegible]
						Community Colleges
2095	●	●		●		Adirondack
2100	●	●		●		Auburn
2125	●	●		●		Broome
2100	●	●		●		Clinton
2148	●	●		●		Columbia-Greene
2142	●	●		●		Corning
2133	●	●		●		Dutchess
2165	●	●		●		Erie City Campus
[illegible]	●	●		●		Erie North Campus
[illegible]	●	●		●		Fashion Institute of Technology
2255	●	●		●		Finger Lakes
2240	●	●		●		Fulton-Montgomery
2152	●	●		●		Genesee
2255	●	●		●		Herkimer
2140	●	●		●		Hudson Valley
2095	●	●		●		Jamestown
2120	●	●		●		Jefferson
2105	●	●	●	●		Mohawk Valley
2150	●	●		●		Monroe
2113	●	●		●		Nassau
2215	●	●		●		Niagara
2230	●	●		●		North Country
2135	●	●		●		Onondaga
2125	●	●		●		Orange
2147	●	●		●		Rockland
2143	●	●	●	●		Schenectady
2157	●	●		●		Suffolk
2225	●	●		●		Sullivan
2260	●	●		●		Tompkins-Cortland
2170	●	●		●		Ulster
2160	●	●		●		Westchester

¹ Be careful not to confuse SUNY at Buffalo (Main Street) with SUNY College at Buffalo (Elmwood Avenue).

The University of the State of New York

THE STATE EDUCATION DEPARTMENT

Regents Examination and Scholarship Center, 99 Washington Avenue,
Albany, N.Y. 11210

LEGISLATIVE CHANGES IN 1974–75 STUDENT GRANT PROGRAMS

(Important supplementary notice and instructions to students)

The Legislature on May 14, 1974 approved increased benefits for certain categories of students, effective with the 1974–75 college year. These increased benefits were established after the 1974–75 Student Payment Application had already been printed and mailed, and so they are not included in the informational booklet accompanying that application. Nevertheless, the award certificate that will be mailed to you after approval of your application will, of course, indicate the awards to which you will be entitled under the program as revised by the Legislature.

You are advised to read carefully the information and instructions in this circular, which serves as a supplement to the 1974–75 Student Payment Application booklet. In particular, please note that if you are an undergraduate student who has not previously received scholar incentive or scholarship payment, you will be required to submit a Schedule Request Form with your 1974–75 Student Payment Application, as explained below.

A. GENERAL CHANGES APPLICABLE TO ALL STUDENTS

1. The requirement that the student pay the first $200 of tuition has been eliminated. This change will be of particular benefit to students attending community colleges or other institutions with relatively low tuition charges. For example, if the tuition charge is $600 a year, and your maximum entitlement is $600, your adjusted payment will be $600 instead of $400.

2. Eligibility for tuition assistance program awards has been extended to all students in hospital-based programs, including such programs as X-ray technology and practical nursing. (Formerly, students in hospital schools were eligible for payment only if enrolled in professional nursing programs.) However, it should be noted that there has been no change in the eligibility for Regents scholarships or child-of-veterans awards. These awards are still limited to college programs or to hospital programs of professional nursing.

3. Students enrolled in an approved undergraduate program of remedial study (e.g. HEOP, EOP, SEEK) may receive TAP awards for a total of 5 years of undergraduate study. If 1974–75 will be your fifth year of study in such a program, complete Item 14 in your Student Payment Application and attach an explanatory statement.

B. CHANGES RELATING TO EMANCIPATED STATUS

Undergraduate students who have been emancipated for at least one year will now be eligible to apply for exclusion of parental income on the same basis as graduate students. The criteria for emancipation are established by the law as follows for both graduate and undergraduate students:

A student shall be considered emancipated if:

(1) during the calendar year next preceding the term for which application for an award is made, and during the entire period of such term, such student:

(i) has not resided with parents for more than two consecutive weeks, and

(ii) has not received in any calendar year financial assistance or support in excess of $600 from parents; and if

(2) during the parents' taxable year next preceding the term for which application for an award is made, such student has not been claimed as a dependent by either parent for purpose of either Federal or State income tax.

Veterans are exempt from the requirements of paragraph (1) above for a reasonable period following release from active duty, or until the beginning of the fall term next following such separation.

Any graduate student who was allowed to exclude parental income prior to the 1974–75 school year may continue to exclude such income so long as such student continues to meet the criteria in effect before 1974–75. (This provision does not apply to undergraduate students.)

If you believe that you are eligible for exclusion of parental income, you should complete Item 20 on the Student Payment Application. Please be sure to answer part d, even if you are a graduate student, since the answer to that question is now necessary in order to determine the eligibility of all students, graduate as well as undergraduate.

If you answer "yes" to question b or c, or if you answer "no" to question "d", you must attach to your application a completed copy of "Request for Exclusion of Parental Income" (SFA 14C). To expedite the processing of your award, it is recommended that you also report parental income in Item 23. Should it be determined, after review of your application, that you do in fact meet the legal requirements, parental income will then be excluded in determining the amount of your award.

If you have already submitted your 1974–75 Student Payment Application, and a copy of SFA 14C should have been attached, the application will be returned to you with appropriate instructions.

C. CHANGES RELATIVE TO THE TUITION ASSISTANCE PROGRAM (TAP)

The general program for financial assistance to students will now be known as the Tuition Assistance Program (TAP), rather than as the scholar incentive program. Eligibility requirements for TAP will remain exactly the same as those listed on page 2 of the 1974–75 Student Payment Application booklet (with the exception that all students in hospital-based programs are now eligible). However, there will be changes in payment schedules for certain categories of students, as described below under "Schedules of Payments."

Schedule of Payments

There will be three different schedules of TAP payments in effect during the 1974–75 school year. The particular schedule under which you will be paid will depend on your level of study.

Schedule A.—Graduate and Professional Students

Schedule A applies to students in graduate level programs who have already received a college degree, and also to students enrolled in professional schools (law, medicine, dentistry, veterinary medicine, podiatry).

The scale of payments is exactly the same as that presented on page 2 of the Student Payment Application. The income adjustment for other persons in the family in full-time study also remains the same, as described on page 11.

SCHEDULE B.—All Undergraduate Students, Except Recent High School Graduates

Schedule B applies to those undergraduate students who either (a) graduated from high school before January 1, 1974, or (b) enrolled before July 1, 1974, whether as full-time or part-time students, in any college program, hospital school program, degree program in a trade or technical school, or 2-year program in a private business school.

Under Schedule B, the maximum annual award will be $600 if the net taxable balance (NTB) for 1973 was $2,000 or less. If the NTB exceeded $2,000, the maximum award will be reduced by $1 for every $15 of NTB over $2,000. However, if the NTB was $20,000 or less, the minimum annual award will be $100. The following table indicates the range of TAP awards for corresponding ranges of income. For specific incomes between the limits of each range, the exact award can be found by interpolating according to the formula above.

Range of net taxable balance:	***Range of Maximum Award***
$2,000 or less	$600
2,001 to 5,000	599 — 400
5,001 to 8,000	399 — 200
8,001 to 9,500	199 — 100
9,501 to 20,000	100
20,001 or more	0

The actual award may not exceed the cost of tution (excluding fees). For example, if your maximum entitlement based on income is $575 a year, but you attend a college with a tuition charge of $500 a year, your payment will be adjusted to $500 a year.

If more than one person in the family will be attending college, the NTB will be divided by the number of such persons, as explained on page 11 of the Student Payment Application booklet.

SCHEDULE C.—Recent High School Graduates

Schedule C applies to students who neither graduated from high school before January 1, 19[illegible]; nor began post-secondary study before July 1, 1974.

Under Schedule C, if the net taxable balance (NTB) is $2,000 or less, the maximum annual award will be either $1500 or the cost of tuition, whichever figure is lower. If the NTB exceeds $2,000, the maximum award above will be reduced by the following schedule:

New York State net taxable balance:	Reduction from Maximum Award
$2,000 or less	$600
2,001 — 5,000	6% of the excess over $2,000
5,001 — 8,000	$180 plus 7% of the excess over $5,000
8,001 — 11,000	$390 plus 8% of the excess over $8,000
11,001 — 14,000	$930 plus 12% of the excess over $14,000
14,001 — 17,000	$630 plus 10% of the excess over $11,000
17,001 — 20,000	$1,200 plus 14% of the excess over $17,000
20,009 or more	No award given

For example, if your family NTB is $8,000 and you attend a college with an annual tuition charge of $1500 or more, your adjusted award will be $1,110 (that is $1,500 less $390), whereas if you attend a college with an annual tuition charge of $650, your adjusted award will be $260 (that is, $650 less $390).

Under Schedule C, if more than one person in the family will be attending a college or other approved school, the net taxable balance is reduced by $3,000 for the second person in attendance, and by $2,000 for each additional person. (If you are eligible and apply for payment under Schedule C, follow the instructions for Item 21 on the Student Payment Application and list the names of other persons in approved attendance. However, in Item 23, make the appropriate income adjustment by subtracting the amounts indicated above. Do not divide the NTB by the number of persons in attendance, as such division is permitted by law only under Schedules A and B.)

Schedule Request Form

Attached to this circular is a form entitled "Schedule Request form." All undergraduate students who are applying for assistance for the first time during the 1974–75 college year are required to complete and to submit a Schedule Request Form, in order to establish the particular schedule under which they will receive payment. (Undergraduate students who previously received scholar incentive assistance during any year prior to 1974–75 will automatically receive payment under Schedule B, and all graduate students will automatically receive payment under Schedule A.)

If you have not previously received scholar incentive assistance, and you have not yet submitted your 1974–75 Student Payment Application, you should complete the Schedule Request Form and attach it to your application. If you neglect to attach the Schedule Request Form, it will be necessary to return your application to you.

In the event that you have already submitted the 1974–75 Student Payment Application to this office without the Schedule Request Form attached to the application, you may expect that your application will be returned to you within the next few weeks. When you receive the application, attach the Schedule Request Form and resubmit the application. Please do not forward the Schedule Request Form separately, as it must be reviewed together with your application.

If you are eligible for TAP payment under Schedule C and you elect payment under Schedule C, your award certificate will indicate "Sched. C."

Save-Harmless Option Under Schedule C

If you are a recent high school graduate and you qualify for payment under Schedule C, it will generally be to your advantage to request payment under this schedule, since it provides for a higher maximum payment of up to $1,500 a year. However, in certain special cases a student may be eligible to receive a higher adjusted award under Schedule B than under Schedule C. The law therefore provides that recent high school graduates, if they wish, may exercise an option to receive benefits under Schedule B instead of Schedule C.

The following examples will illustrate special circumstances where it will be to your advantage to exercise this option:

1. If more than one person in the family will be in attendance in an approved program, the Schedule B procedure of dividing the NTB by the number of such persons may result in a lower adjusted NTB than will result from the Schedule C procedure of subtracting the specified amount from the NTB. For example, suppose that your family NTB before adjustment is $8,000, and that there are 2 children in college. Dividing $8,000 by 2 will give an adjusted NTB of $4,000, whereas deducting $3,000 from $8,000 will give an adjusted NTB of $5,000. (Of course, to determine whether the actual award would be greater under Schedule B or Schedule C, it will be necessary to compute each award separately.)

2. If you are attending a relatively low-tuition school ($600 or less), and your family NTB is between $8,750 and $9,500, it may be to your advantage to choose Schedule B. For example, suppose that your adjusted family NTB is $9,000 and that you are attending a community college with a tuition charge of $570. Under Schedule B, your adjusted award would be $133 (or $600 less $467). Under Schedule C your adjusted award would be $100 (or $570 less $470).

It is strongly recommended, therefore, that you compute your relative awards under both Schedule B and Schedule C, and that you exercise the option for Schedule B if that would be to your advantage.

It should be noted that, for some students, the family net taxable balance appropriate for the fall semester may differ from that for the spring semester, as when the number of children in college changes during the year, or as a result of marriage, divorce, or death of parent. Similarly, your transfer to another college in the spring semester may result in a change in the tuition charge. Under such circumstances, it may be to your advantage to exercise the option for Schedule B for one semester but not for the other semester. In that case, you should attach an explanatory statement to the Schedule Request Form.

Under the law, the fact that you exercise the save-harmless option during 1974–75, or that you choose not to exercise that option during 1974–75, will not necessarily limit your freedom subsequently to exercise such options as the law may establish for later years.

D. INFORMATION FOR SCHOLARSHIP HOLDERS

The law provides that if the holder of a Regents college scholarship or a Regents nursing scholarship receives TAP assistance during 1974–75 under Schedule C, then the scholarship payment for that year shall be limited to a flat award of $250. Except for this one limitation, any holder of any Regents scholarship will be eligible to receive scholarship payment during 1974–75 in accordance with the same schedules that were in effect before 1974–75, as described in the informational materials that were sent to scholarship recipients at the time the scholarship award was made.

For example, if you are a Regents college scholarship holder and you are entitled to a TAP award of $600 for 1974–75 under Schedule B, you may also receive a scholarship award of up to $1,000 a year, for a total of $1,600 a year, provided that your college tuition is at least that amount. On the other hand, if you receive a 1974–75 TAP award of $1,500 under Schedule C, your scholarship will be limited to $250, for a total of $1,750, if your tuition charge is at least that amount.

Students who hold Regents scholarships effective with the 1973–74 or an earlier year will automatically be assigned TAP Schedule B, if they meet the income and tuition requirements for TAP. Students who hold Regents scholarships effective with the 1974–75 college year must submit the Schedule Request Form, as explained above.

In general, it will be to the advantage of new scholarship holders eligible for TAP payment under Schedule C to request such payment. Although the scholarship payment will thereby be limited to $250 a year, the combined total of TAP and scholarship payments will in most cases be larger than would otherwise be received.

However, in certain special cases, the student may receive a larger combined scholarship and TAP payment if the option is exercised not to receive payment under Schedule C. One example would be where there is more than one person in your family attending college, and Schedule B would result in a lower adjusted income than Schedule C would give. Similarly, Schedule B might be to your advantage if you attend a low-tuition college (e.g. tuition of $800 or less a year) and your adjusted family net taxable balance is between $7,000 and $9,500. For example, suppose that as the holder of a Regents college scholarship, your tuition charge is $650 a year and the net taxable balance is $8,000. By reference to the payment schedules above, you will find that if you elect Schedule B then your TAP award will be $200 and you would receive a scholarship award of $380, for a total of $580. If you elect Schedule C, your TAP award would be $260, but your scholarship award would be limited to $250, for a total of $510.

If you are a new scholarship holder eligible for a TAP award under Schedule C, therefore, you should take into consideration the award you will receive under the scholarship program as well as the TAP award. When you complete the Schedule Request Form, you should request Schedule C only if that option will result in a higher combined award to you.

The University of the State of New York
THE STATE EDUCATION DEPARTMENT
Regents Examination and Scholarship Center
99 Washington Avenue
Albany, New York 12210

SCHEDULE REQUEST FORM

Instructions: This form is to be completed by all undergraduate students submitting a 1974–75 Student Payment Application **who have not received payment for any previous year.** (Other persons will be assigned to an appropriate payment schedule based on prior payment record.) The Schedule Request Form must be attached to the 1974–75 Student Payment Application.

1. Under which schedule do you request a TAP award for 1974–75?

   ☐ Schedule B

   ☐ Schedule C

   ☐ Not eligible for TAP
   (Scholarship holder with NTB over $20,000 or tuition below $200 a year)

2. a. Did you graduate from high school before January 1, 1974?

   ☐ Yes ☐ No

   b. Did you before July 1, 1974 begin study, either full-time or part-time, in any college program, hospital school program, degree program in a trade or technical school, or 2-year program in a private business school?

   ☐ Yes ☐ No

   If you answer " yes " to either part a or part b of Question 2, you would not generally be eligible for Schedule C. If you believe that there are special circumstances, attach an explanatory statement.

Print Name: ____________________

Signature: ____________________

Scholarship or " SI " Identification No: ____________________
(if known)

Date: ____________________

STATEMENT OF ROBERT M. PICKETT, LEGISLATIVE DIRECTOR, NATIONAL STUDENT LOBBY

Mr. PICKETT. Mr. Chairman. I would like to thank you for this opportunity to testify on the Basic Educational Opportunity Grant expected family contribution schedule for the 1975–1976 academic year.

I am Robert Pickett, legislative director of the National Student Lobby.

During the period 1971–1972, the National Student Lobby focused on the authorization of the BEOG Program as the cornerstone of the Federal Government's role in the eventual development of full and legally enforceable "entitlement" rights to access to post-secondary education for each person in this country. If funding for this program continues to increase, it will become that cornerstone.

While there are many aspects of the BEOG Expected Family Contribution Schedule which are worthy of comment and have been the object of much discussion in the last two approval cycles, we shall restrict our comments to three main issues: the definition of independent students; treatment of assets; and provisions for the use of current year data for computing eligibility.

Before proceeding, a general comment about the BEOG Family Contribution Schedule is in order.

As has been pointed out on numerous occasions during the short life of the BEOG program, the overall effect of the family contribution schedules adopted by the U.S. Office of Education has been to severely—perhaps unreasonably—restrict access to the program for many lower middle-income families.

Data for the first year indicated that the overwhelming bulk of BEOG recipients came from families with yearly incomes below $11,500. The existing regulations eliminate access for students from families with $11,000 to $15,000 annual incomes and severely restrict it for students from families in the $9,000 to $11,000 range.

Students from these groups can in many cases show demonstrable need in large amounts; however the expected family contributions are set at a level which excludes them from eligibility.

These expected family contributions are excessively high and often quite unreasonable to expect from families hit hard by double-digit inflation. The net effect is to turn the family contribution schedule into a rationing device for limited funds, rather than to serve as a true measure of the resources available to a student to meet his first $1,400 of postsecondary educational expenses.

I. DEFINITION OF INDEPENDENT STUDENT SECTION 190.42(A)

While the National Student Lobby, along with the rest of the postsecondary community, is still wrestling with the appropriate way to deal with the question of how independent students should be treated with respect to financial aid, we would like to suggest several possible modifications in the definition of the independent student.

We recognize the potential problems that could be caused in a financial aid system characterized by extremely limited resources versus the potential demand for such funds. These suggestions, however, attempt to move the current system in the direction of a more rational system that recognizes the reality of the world facing students.

We believe that the restriction to an applicant's tax relationship with his/her parents in the calendar year prior to academic year in which aid is requested should allow an applicant, who has experienced a substantial change in circumstance, the option to use his current year situation.

The current regulation is of dubious constitutionality, and several analagous cases dealing with eligibility for food stamps have concluded that "tax dependency is one calendar year as a basis for determining an individual's need in the following year has no rational connection."

Standards of fairness and due process require that an individual be allowed an opportunity to present current evidence that his situation has changed and that present need exists.

The National Student Lobby believes that consideration should be given to raising the maximum financial assistance that a parent can give an independent student to $1,200 (including both cash and in kind contributions). The $1,200 figure is selected because it is approximately one-half of the total expenses of a resident student at a 4-year public institution. This figure should also contain an adjustment for inflation. This maximum financial assistance level should also contain an inflation adjustor.

The maximum cash contribution could be two-thirds of that figure ($800).

The 2-week limitation on residing in the parent's home should be dropped altogether—this restriction is completely unenforceable.

One possible approach would be to consider each month spent in the parents' home as the equivalent of a $50 in kind contribution. This approach would encourage students to save the room and board they would have to pay if they were forced out of their parents' home to retain independent status.

We believe that this treatment of the independent student might bring regulaitons more in line with reality, encourage parents to assist independent students up to some maximum figure, and provide the self-supporting student with greater access to the program.

II. TREATMENT OF ASSETS

We would like to register our objection to the unreasonable requirements for contributions from assets. The proposed $8,500 asset reserve of the Office of Education is totally inadequate since the proposed increase of $1,000 does not even keep pace with inflation since the first schedule. The asset reserve should be raised to $15,000 with annual increases tied to the cost-of-living increases.

The asset reserve is one of the most restrictive aspects of the family contribution schedule, particularly with regard to lower middel-income families with almost any amount of home equity. It is generally a nonliquid asset and is particularly so during times characterized by 10- to 12-percent interest rates. The supply of mortgage money is so short that it makes liquidity of home equity into a distant dream.

III. PROVISIONS FOR USE OF CURRENT YEAR DATA

The National Student Lobby believes that provisions should be studied to allow the use of current year income and tax dependency in determining basic grant eligibility.

The due process clause of the 14th amendment requires that the Government act on an individualized basis, with general propositions serving only as rebuttable presumptions or other burden-shifting devices. We believe that the use of a person's previous year situation should be a rebuttable proposition.

All individuals and families can experience a change in their income situations, and in such instances should be allowed to use estimated current income (by affidavit) to determine current year eligibility. The Department of Agriculture has taken recognition of this important principle in drafting its proposed regulations dealing with eligibility of college students for food stamps—current year income is used to determine eligibility.

The Office of Education has proposed "permitting all independent applicants who were not students in the base year and who were employed on a full-time basis, to file a basic grant application using estimated current year income data."

We believe that this proposal should be broadened to allow all independent students who have experienced a substantial income change over the base year (including those who were employed part-time and were part-time students in the base year) to file a basic grant application using estimated current year income data.

Each of our suggested alternatives should be carefully examined and a cost analysis model should be developed to assess the impact of each proposal on the following factors: number of eligible students, size of the family contribution, number of grant recipients, average grant size, and number of independent students.

This information must be brought to light before any major revisions are made in the family contribution schedule, and only then can the various problems of equity be dealt with.

Mr. Chairman, I would like to thank you again for allowing me this opportunity to speak before your subcommittee, and I would welcome any questions.

Mr. BIAGGI. Thank you very much, Mr. Pickett, for a concise and detailed statement.

On the treatment of assets, Dr. Hollander testified that, as an alternative proposition, the net taxable income might be a superior approach.

What is your reaction to that?

Mr. PICKETT. My reaction to Mr. Hollander's suggestion would be that I think an extensive investigation should be done of it but before you should jump into something like that one should consider the redistributional effects.

We are not just talking about one problem of equity. There are numerous problems of equity.

For example, if you do completely eliminate the contributions from assets and by doing that bring more eligible students into the program, the limited amount of funds for any given academic year would have to be spread over more individuals and therefore the average size of the grant would have to be reduced.

In a case like that, if the reduction is relatively small, perhaps $50 to $75, it might be an equitable move.

However, if it comes out that the reduction of the grant would be $200 to $300, I think that the move should be weighed against the impact it would have on access for those individuals whose grant size would be reduced by that amount.

Mr. BIAGGI. The opposite course would be to provide more funds?

Mr. PICKETT. Yes; the optimum would be to attain the full funding level so that we don't have the shortage of funds.

Mr. BIAGGI. In connection with the independent student, it is recognized there are some inequities development.

Dr. Hollander suggested an appeals process for the independent student.

The comments you make in your statement lend credence to his [illegible]tion, suggests an individual approach, a review of each case to a[illegible] for some adjustment for the current year income.

Mr. PICKETT. Yes.

Mr. BIAGGI. What is your reaction to the appeals process?

I have read your other suggestions.

Mr. PICKETT. I think some forms of appeals process, whether it is in the form of some type of hearings or perhaps the possibility to submit a supplemental application, is imperative at some point down the road.

Mr. BIAGGI. Let us go back a little bit on the consequences of a net taxable income with the possibility of reduction of the amount of grant.

Is it your position that we ought not reduce the grant but limit it to the numbers now eligible, or would you reduce the grant and broaden the number of people eligible for it?

Mr. PICKETT. Here again I would have to fall back on what I earlier said.

The optimum position would be to have full funding for the basic grant program, so, what was being talked about back in 1972, a maximum grant of $1,400 and an average grant size of, say, $800 to $900, becomes a reality. We don't want to experience a whittling down of the program and the expectations of it.

Mr. BIAGGI. Thank you very much, Mr. Pickett, for your contribution.

Mr. Fisher.

STATEMENT OF MARK MILES FISHER IV, EXECUTIVE SECRETARY, NATIONAL ASSOCIATION FOR EQUAL OPPORTUNITY IN HIGHER EDUCATION

Mr. FISHER. Mr. Chairman and members of the Special Subcommittee on Education:

I am Miles Mark Fisher IV, executive secretary of the National Association for Equal Opportunity in Higher Education. The association expresses its gratitude for the opportunity to present testimony before this subcommittee.

The National Association for Equal Opportunity in Higher Education represents the historically black colleges and universities of our Nation.

There are 107 institutions located in 15 Southern States, four Northern States, and the District of Columbia, enrolling more than 180,000 students. These institutions graduate more than 30,000 students annually with baccalaureate, graduate and professional degrees. These institutions have made and are making a significant contribution to higher education and the American Nation.

In keeping with the need of most institutions of higher education to have available the necessary financial resources for their students, student financial assistance is the No. 1 priority.

An approach to student financial assistance that includes the supplemental educational opportunity grant program, the college work study program, the direct student loan program, the basic educational opportunity grants program, and the guaranteed student loans will be necessary for the foreseeable future to bring to fruition the education hopes of thousands of students of this Nation.

Therefore, it is important that the basic educational opportunity grants program family contribution schedule be given consideration for the impact that it has and will have on what happens in the lives of thousands of college eligible students.

The family contribution schedule for the basic educational opportunity grants program should be further amended for academic year 1975-76 if this program is to be equitable for those who qualify for participation.

In keeping with the modified proposals that Commissioner Bell has submitted to this committee on the BEOG family contribution schedule, I will direct the major portion of my remarks.

Proposal 1 seeks to increase the asset reserve from $7,500 to $8,500. This does several things, namely:

1. Enlarges the pool of eligibles and broadens the base of participation in the program.

2. Raises the definitional problem of equity and debts against the assets. Are these real debts/immediate debts or are they deferred debts?

Proposal 2 pertains to the consideration given to the effective income of students.

The fact that the previous modifications did alleviate problems for social security recipients from the lowest income families, this treatment still results in problems with regard to inequities for other recipients of social security benefits.

The proposal that the "effective income of the student" be made equivalent dollar for dollar with other family income and assessed at the same marginal rate bears some thought. The treatment of veterans benefits should be given special study.

Proposal 3 on adjusting the basis of the family size offsets currently in use by the Consumer Price Index for 1974 is not clear as stated.

Proposal 4 addresses the issue of the independent student who was employed in the base year but who lost his employment in order to pursue postsecondary education. In order to deal with this problem, it is proposed that all independent applicants, who were not students in the base year and who were employed on a full-time basis, be permitted to file a basic grant application using estimated current year income data.

This proposal should be further expanded to include the unemployed, those who were employed on a half-time or part-time basis to bring equity to this provision.

There should also be given consideration to the impact of inflation and unemployment upon the economy. The low-income families bear a disproportionate burden of the unemployment.

The Higher Education Daily of October 1, 1974, began its headline as follows: Students to get less BOG aid next year in reporting to the testimony of the U.S. Office of Education Commissioner bill.

The reasons given were as follows:

1. That appropriations for the program for grants in academic year 1975-76, fiscal year 1975, are likely to be insufficient to cover the greater number of students who will be eligible.

2. The number of postsecondary schools whose students are eligible for basic grants has gone from about 4,300 at the beginning of 1973-74 to 5,500 this year.

3. Reforms in the family contribution schedule this year and proposed reform for next year will make more students eligible for grants.

4. Improvements in the distributions of application materials have drawn more students into the program.

Adding on a third year of first-year students as well as the expansion of the pool within each of the 3 years will impact the distribution of funds within this program.

This being the case, Congress must:

1. Take a very close look at the proposed family contribution schedule.

2. Recognize that this increase in the pool of eligibles which in turn decreases the size of the grants for participating students necessitates a larger amount of funds being put in the college based programs in order to provide the difference between up to 1,400 or half of the cost whichever is less and also provide the other half necessary for students to participate in the postsecondary experience.

3. Reconsider the relative future of the noncollege based loan programs as problematic with the economic crises of today.

4. Look at what is happening here as it relates to the independent groups such as college boards who have already announced a substantial cut in the parental contribution schedules for the next academic year.

This means that the student aid will be in much shorter supply due to the cutback in what will be required of parents to send their kids to college.

5. Consider the potential situation arising where students will be standing at the door of institutions with underfunded BEOG grants but lack the other funds to metriculate. What will this mean for the economic health of our institutions? What will this mean for the private sector? Who will make up the difference in student assistance?

6. Give priority consideration in the institutional based programs to those students from families with little or no discretionary income and little or no asset reserves.

The BEOG may, in fact, increase the tendency of lower income students to enroll at lower cost institutions because the amount of unmet need for additional aid required is lower at these institutions and it would be reduced at a faster rate than at higher cost institutions.

Low income students, who are enrolled in disproportionate numbers at low cost institutions may find that low cost institutions become their only educational alternatives under BEOG. Their access to lower cost institutions may be increased by the BEOG but their choice of education among all institutions may remain as restricted as now.

I would like to conclude by reading from the last page which is an excerpt from a progress report on the national debate about financing postsecondary education, Ten Basic Issues, which was prepared for presentation at the American Political Science Association meeting in Chicago on August 30, 1974, by Dr. Carol Van Alstyne, chief economist and policy analyst for the American Council on Education. In this statement, she quotes some remarks that I made, and I think that these remarks say something which is significant to the deliberations that we are about:

> You may recently have read editorials in the newspapers or seen television programs describing the plight of the middle-income student:
>
> It is pointed out that, while low-income students receive financial assistance and while upper-income students can still rely on their parents for financial help, middle-income students are not getting aid from either source and thus are being squeezed out of higher education.
>
> However, as Miles Fisher, Executive Director of the National Association for Equal Opportunity in Education, remarked recently, we characteristically use the term *access* in two different ways, depending on whether we apply it to low-income or to middle-income students. Middle-income students do have access to low-cost institutions but generally not to high-cost institutions; we interpret this to mean that they are being "denied access".
>
> In contrast, though low-income students who receive financial aid are in the same situation (that is, they have access to low-cost institutions but not to high-cost ones), we do not regard this as denial of access.
>
> We have made a hidden value judgment that access to low-cost institutions is sufficient 'access' for low-income students but not for middle-income students, who have a "right" (so we judge) to the "best"—that is, most expensive—education.

Mr. BIAGGI. Who said that?

Mr. FISHER. This is a quote I made that was recorded in a paper by Dr. Van Alstyne. I thought the phraseology was quite apt for presentation at this time.

Mr. BIAGGI. That is all right but I am a little confused.

There is something radically wrong with the statement, or maybe I don't understand it.

Are you offering it in sarcastic fashion—not to us—but are you trying to say we are dealing with double standards?

Mr. FISHER. Basically, that is what it is. It is not sarcasm.

Mr. BIAGGI. You lost me there for a while. To me, it sent up a flare, double standards, and I don't agree with double standards. I just could not understand the statement that was being said.

Mr. FISHER. I was really trying to assess what appears to me to be the situation that we are in today wherein you have quite a bit made over this whole notion: the community college and the low-cost institutions are in many instances available to most people; many middle-income people can afford to send their kids there. Much of the complaining is that they would rather send them to Harvard, Yale, or Duke.

Consequently, they don't have that kind of money, you talk about $5,000 a year, whereas you can go to a nearby community or junior college or low-cost 4-year college for maybe $1,000. An average middle-income person can put that on a Master Charge account. They give you a cash advance and you can send your kid there if you really want to do it and put it out on time.

Mr. BIAGGI. The same condition confronts the veterans today, too. They are locked in economically.

Mr. FISHER. Yes.

I would like to thank you for the opportunity to speak to you at this time.

Mr. BIAGGI. Thank you for your contribution.

I am aware of exactly what this does.

I don't approve of double standards. As a matter of fact, I reject it, reject it most vigorously. That is one of the reasons why we are trying to obtain more money in the Congress.

The question of assets, of course, is the critical one here.

I observed you sitting there when Dr. Hollander was talking, suggesting again a net taxable income as a basis rather than assets.

What is your reaction to that?

Mr. FISHER. I think I would have to do a little more thinking about that.

One of the notions that has struck me is that the more assets you protect, the less there will be in the pool for those who probably have nothing to protect. That also raises the question about what is going to ultimately happen to the future direction of the program if at every seemingly step along the way it broadens its base and includes more students and these students are not funded adequately, what will you really have and will this program really make the impact that it was originally hoped that it would make upon the postsecondary community?

Mr. BIAGGI. What you are talking about is more money, then?

Mr. FISHER. Right.

It is that, plus some other kinds of things, too.

When you look at the family contribution schedule, the question comes to my mind in the family offset this is given in equitable fashion to both the low income with assets and the low income without assets. But then you come back on the other hand and in that family offset you include some allowances for shelter and clothing and all that and then you come back around and you take and protect the "home equity" of the student and, in a sense, give a double protection of the cost of shelter for these particular people. You don't make allowances for the people who rent.

I wonder: Is that an inequity, whether some rentership has some concessionals in terms of a cost if you are going to be concerned about the cost of how someone lives, is the fact that someone pays rent of significance to be considered as a cost in this whole equation?

Mr. BIAGGI. The purpose is to recognize that there are many people who don't come within the low income but are just outside of it and they just can't afford the kind of education as those who would otherwise qualify under BEOG.

The purpose of the legislation is to bring more people in. If that is so, obviously the more money we provide by the Government——

Mr. FISHER. The other factor is that when you broaden this base you have broadened it but you don't come up to the $1,400 or half cost. You have to make up in other kinds of programs the deficit to bring it up to the level in addition to complete the distribution of resources so that the people can really have an opportunity to get through.

I think that we may find ourselves caught up with inflation, unemployment and inability of families to pay, and we are going to give the people just enough to get them in trouble. They get in there and they will go a year and a half and drop out. There will be no way that some of the schools in trying to spread the resources around to get as many bodies on campus that they will be able to really adequately support students so that they can move through and have a reasonable assurance that if they can cut it in terms of the academics that they can at least come out on the other end.

Mr. BIAGGI. Thank you, Mr. Fisher.

I think at this point we will, in light of those bells which are all-demanding, close the hearings for the 1975–1976 BEOG family contribution schedule.

I hope the members of the staff and the subcommittee and Commissioner Bell and his staff will very quickly work out what seems to be a very narrow area of disagreement and we can shortly move to a third year of this program.

The subcommittee will now stand adjourned subject to the call of the Chair.

[Whereupon, at 12:05 p.m., the subcommittee adjourned subject to the call of the Chair.]

[Subsequently the following correspondence was exchanged between the Commissioner and the Chairman:]

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE,
OFFICE OF EDUCATION,
Washington, D.C., October 8, 1974.

Hon. JAMES G. O'HARA,
Chairman, Special Subcommittee on Education, Committee on Education and Labor, House of Representatives, Washington, D.C.

DEAR MR. O'HARA: We appreciated the opportunity to appear before your subcommittee on September 30 to present our proposed changes on the Family Contribution Schedules for the Basic Grant Program.

As a result of further discussions, we are proposing an additional modification in the treatment of assets. As you know, our original proposal contained an increase in the amount to be subtracted from net assets of $1,000, raising the asset reserve to $8,500. We are now recommending that this asset reserve be further increased to a level of $10,000.

We hope that this proposed change will meet the concerns which have been expressed concerning the treatment of assets in the Basic Grant Family Contribution Schedules and will permit an early resolution of these Schedules for the 1975–76 academic year. We would be pleased to discuss this with you at your convenience.

Sincerely,

T. H. BELL,
U.S. Commissioner of Education.

IMPACT OF ALTERNATIVE ASSET RESERVE OFFSETS ON STUDENTS AND AWARD LEVELS
(Assumes Appropriation of $650 million)

1. $8,500 Asset Reserve	
Maximum	$780
Average	$503
Students	1,270,000
2. $10,000 Asset Reserve	
Maximum	$758
Average	$487
Students	1,317,000
3. $12,000 Asset Reserve	
Maximum	$735
Average	$472
Students	1,358,000
4. $15,000 Asset Reserve	
Maximum	$714
Average	$457
Students	1,398,000
5. No Asset Contribution	
Maximum	$578
Average	$369
Students	1,730,000

Estimated Costs Assuming Asset Reserve of $8,500 plus $12,000 for Farmers, Business, and Home Owners

It is difficult to make precise cost estimates assuming different asset offsets for various types of asset equities. However, the proposed offset of $20,500 for business and home owners substantially exceeds the average reported asset equity for such applicants. For example, the home equity for all qualifying and nonqualifying applicants is $12,424. Further, of all applicants who reported any kind of asset equity, home owners constitute nearly 85 percent. With the exception of farm owners, the majority of applicants with other types of assets would, in most cases, be exempted from contribution of assets by the proposed asset reserves. As such, the general effect of the proposed changes would substantially reduce expectation from assets over current treatment. Previous cost estimates indicate that, at full funding, the program costs would increase by $600 million if expectations from assets were eliminated. Given the fact that the majority of applicants would not be expected to contribute from assets under the proposed asset offsets, it is estimated that the total program cost at full funding would be increased by about $500 million under the $8,500–$12,000 asset reserve.

It should be further noted that the $650 million funding level, the average award would be reduced to $369 if expectations from assets were eliminated. This compares to a $780 average award assuming an asset offset of $8,500. If a reasonable allowance is made for some contribution from assets under the $8,500–$12,000 offset proposal, it is estimated that the average award would be about $430.

OCTOBER 8, 1974.

Hon. T. H. BELL,
Commissioner of Education, Department of Health, Education, and Welfare, Washington, D.C.

DEAR COMMISSIONER BELL: This is in response to your letter of October 8, in which you indicate your willingness to modify the proposed BEOG family contribution schedule for 1975–76, as submitted to the Congress on September 25th, by increasing the assets reserve to $10,000, in lieu of the $8,500 figure originally proposed.

We have polled the members of the Subcommittee, and consulted with Chairman Perkins and Mr. Quie, the ranking minority member, and find that a substantial majority of the members of the Subcommittee are willing to support a motion to table H.Res. 1396. Such a motion will be brought before the Subcommittee at its next mark-up session. Although it is unlikely that such a session can be held before the recess begins this month, we feel that you may proceed with the implementation of the schedule, as proposed in your September 25th letter to the Speaker, as modified in your letter of October 8 addressed to the Chairman of the Subcommittee, and as explained by you in the public hearings on September 30, without fear of further disapproval by the House. Naturally, this assumes that the language of the schedule, as finally developed is consistent with those letters, and with that testimony.

Once again, we want to thank you and your staff for the cooperation and sensitivity to Congressional and public concerns which you have shown in the development of the 1975–76 schedule.

Very truly yours,

JAMES G. O'HARA,
Chairman.

JOHN DELLENBACK,
Ranking Minority Member.

BASIC EDUCATIONAL OPPORTUNITY GRANTS—FAMILY CONTRIBUTION SCHEDULE, 1975–76

TUESDAY, NOVEMBER 19, 1974

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

The subcommittee met at 10:40 a.m., pursuant to notice, in room 2257, Rayburn House Office Building, Washington, D.C., Hon. James G. O'Hara (chairman of the subcommittee) presiding.

Present: Representatives O'Hara, Perkins, Dellenback, Quie, Phillip Burton, Lehman, Benitez, and Erlenborn.

Staff present: Jim Harrison, staff director; Elnora Teets, clerk; Webster Buell, counsel; Robert Andringa, minority staff director for the full committee.

[At 11:45 a.m., under a unanimous consent agreement earlier entered into, the subcommittee set aside other legislation under consideration, and called up H. Res. 1396.]

Mr. O'Hara. The Chair will now put before the subcommittee H. Res. 1396, submitted by myself, providing for disapproval of the proposed family contribution schedule. Without objection the resolution is considered as read, open to amendment at any point.

The Chair recognizes the gentleman from Oregon.

Mr. Dellenback. I would move that we table House Resolution 1396.

Mr. Erlenborn. Seconded.

Mr. O'Hara. The gentleman from California wishes to be heard on the subject.

Mr. Burton. Could the Chair give us the highlights of the modifications?

Mr. O'Hara. Yes. The modifications are as follows: first, the assets reserve before the amount you can exclude from taxation of assets is increased from $7,500 to $10,000. Second, the social security benefits received on account of the student and veterans' benefits are considered as family income rather than as income of the student, therefore are taxed at a lower rate than they have been. Then the independent student who was applying for assistance under BOG had to be judged on the basis of what his income was last year. Now let us take the independent student who is working full-time and wants to go back to school. He had to be considered for a BOG grant on the basis of what he made when was working full-time rather than what he is going to be making when he goes back to school. The change will have them consider the estimated prospective income rather than last year's income.

Finally, the family set-aside, the family offset would be increased by the increase in the Consumer Price Index during the calendar year 1974. So we have in effect a cost of living adjustment.

Mr. BURTON. I intend to follow the leadership of the Chair on this. I would hope that next year we will review the efficacy, which I highly doubt, of the assets test. I don't necessarily like the income test, but I think that has at least some relevance. I think the asset test may well on objective scrutiny prove to be burdensome and not be a very good measurement of a student's or family's ability to help a student provide financial assistance.

Mr. O'HARA. My friend from California who was the first one who brought this problem forcefully to my attention, and I later discussed it with the gentleman from Oregon, and the gentleman from Minnesota and others. We have had testimony to the subcommittee particularly from the New York State people who have run a needs base grant program without a needs test successfully. That will be one of the subjects that we will seriously consider when we go to write the program in the next session.

Mr. BURTON. I thank the Chairman.

Mr. DELLENBACK. I renew my motion.

Mr. O'HARA. The gentleman from Oregon has moved that we table House Resolution 1396. Those in favor say aye. Those opposed no.

The ayes have it and House Resolution 1396 is tabled with a quorum present.

Mr. ERLENBORN. I move we adjourn subject to the call of the Chair.

Mr. O'HARA. Without objection, the motion to adjourn to the call of the Chair is agreed to.

[Whereupon, at 12 noon, the subcommittee adjourned, subject to the call of the Chair.]

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