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ABSTRACT

Hearings held before the U.S. House Committee on Education and Labor on reauthorization of the Higher Education Act considered the student financial assistance programs authorized by Title IV. The following programs of grant assistance were examined: the Basic Educational Opportunity Grant, the Supplemental Educational Opportunity Grant, and the State Student Incentive Grant. Testimony is presented by Congressmen, representatives of the postsecondary community, representatives of state programs, and individuals particularly concerned with nontraditional education and lifelong learning. (SW)

# REAUTHORIZATION OF THE HIGHER EDUCATION ACT AND RELATED MEASURES

## Part 4

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# HEARINGS

BEFORE THE

SUBCOMMITTEE ON
POSTSECONDARY EDUCATION

OF THE

COMMITTEE ON EDUCATION AND LABOR
HOUSE OF REPRESENTATIVES

NINETY-SIXTH CONGRESS

FIRST SESSION

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HEARINGS HELD IN WASHINGTON, D.C.,
ON MAY 16, 22, AND 24, 1979

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# REAUTHORIZATION OF THE HIGHER EDUCATION ACT AND RELATED MEASURES

## Part 4—Student Financial Assistance: Grants

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WEDNESDAY, MAY 16, 1979

House of Representatives,
Subcommittee on Postsecondary Education,
Committee on Education and Labor,
*Washington, D.C.*

The subcommittee met, pursuant to notice, at 9:37 a.m. in room 2257, Rayburn House Office Building, Hon. William D. Ford, chairman of the subcommittee, presiding.

Members present: Representatives Ford, Gaydos, and Buchanan.

Staff present: Thomas R. Wolanin, staff director; Patricia F. Rissler, deputy staff director; William C. Clohan Jr., minority assistant education counsel.

Mr. **Ford**. The Subcommittee on Postsecondary Education will come to order for the purpose of continuing hearings on the reauthorization of the Higher Education Act and other related measures.

Today's hearing will continue our consideration of the student financial assistance programs authorized by title IV of the Higher Education Act. Thus far, in our consideration of title IV, the subcommittee has held 3 days of hearings on general issues and topics that cut across all of the title IV programs. These issues have included: institutional eligibility and accreditation, the effects of Federal student aid on institutional and State pricing decisions, and whether less than half-time students should be eligible for financial aid.

In addition, we held a field hearing earlier this week at Oberlin College in Ohio at which we learned from the experiences and recommendations with respect to title IV of students and administrators representing seven independent liberal arts colleges.

This morning we will begin our consideration of the specific programs authorized by title IV, focusing our attention today and at our two hearings next week on the programs of grant assistance—as distinguished from the loan program—the basic educational opportunity grant, the supplemental educational opportunity grant, and the State student initiative grant.

The basic grant program is making awards of between $200 and $1,600 to 2.1 million students in the current 1978-79 school year. With the expansion of the basic grant program enacted by the Middle-Income Student Assistance Act last year, the program will make grants of between $200 and $1,800 to approximately 1.5 million additional students during the coming academic year including students from a typical family of four with an income of $26,000.

Independent, self-supporting students will be treated equitably enabling approximately 70,000 independent students to be eligible for the first time and increasing the grant award of another 600,000 independent students.

In fiscal year 1979, $2.6 billion was appropriated for the basic grant program. The enactment in 1972 of the basic grant program signaled a decisive shift in Federal policy for postsecondary education toward placing the primary emphasis on student assistance as the means for expanding educational opportunity and assisting postsecondary institutions.

The supplemental educational opportunity grant program is the oldest of the grant programs. It was created as the educational opportunity grant program by the landmark Higher Education Act of 1965 and it signaled a policy breakthrough as the first broad program of grants to undergraduate students based on their financial need. In fiscal year 1979, $340 million was appropriated for the supplemental educational opportunity grant program and about a half million students are receiving grants of between $200 and $1,500 in the current academic year.

The State student incentive grant program was enacted in 1972 to recognize and encourage the efforts of the States in assisting students through need-based grants. In fiscal year 1979, $76.75 million was appropriated for the SSIG program and approximately 225,000 students are receiving grants as large as $1,500, in part funded with Federal matching money under this program. In total, the States are awarding over $800 million in need-based grants to students in the current academic year.

I am especially pleased to welcome as our first witness this morning Congressman Robert Drinan of Massachusetts.

I note that he may be commenting on a bill that he introduced with some 30 cosponsors so far. I would expect it to have far more than that, once the members of this committee hear your argument for the bill.

I want to compliment Congressman Drinan for recently organizing a successful conference at Brandeis University in Massachusetts during the month of March on the topic of meeting the high cost of education.

He brought together a number of people to ventilate their ideas and make their contribution. Our staff was able to participate in that meeting and reported in great detail on the suggestions that occurred and the criticisms that they heard at this conference.

Bob, we thank you for inviting this committee to participate with you.

Without objection, the statement of Congressman Drinan will be included in full in the record at this point.

[The prepared statement of Hon. Robert F. Drinan follows:]

TESTIMONY OF CONGRESSMAN ROBERT F. DRINAN BEFORE THE SUBCOMMITTEE ON POSTSECONDARY EDUCATION OF THE HOUSE EDUCATION AND LABOR COMMITTEE, WEDNESDAY, MAY 16, 1979.

Mr. Chairman and Members of the Subcommittee: I appreciate the invitation to participate in these important hearings on the student assistance programs of the Higher Education Act. I am here to discuss my bill, H.R. 272, which removes home value from consideration in determining a student's eligibility for the most popular of these programs, the Basic Educational Opportunity Grant program.

As you know the Basic Grant Program is the cornerstone of federal financial assistance to college students. In determining a student's eligibility for a Grant, a rather lengthy formula is used, which attempts to consider, in a uniform and fair manner, a family's total financial strength. Obviously, a family's economic position is enhanced by the possession of certain assets and the Basic Grant Program takes into account savings, stocks, bonds and other investments. Also included in the assets test is the current market value of the home where the family resides.

In my view, if the program is to insure that all students seeking grants will be treated in a uniform and fair manner, home value should be taken out of the assets test. A home is a necessity and a nonliquid asset. Unlike stocks, bonds and other investments, it is not a source of supplementary income to a family.

Home values have shot up in neighborhoods across the country but to homeowners this escalation has not meant additional income. They are not living in better homes than what they purchased and have had little, if any, control over the appreciation of their homes. Also, just as value has increased, so too has the cost of maintenance, utilities, property taxes and insurance.

Federal policies since World War II have encouraged the American Dream of home ownership with considerable success. In 1940 fewer than half of American families owned their own homes; today nearly two-thirds do. Why should those families who bought their homes twenty years ago be penalized now when their children are going off to college? One of my constituents poignantly expressed what this dichotomy means and I would like to share a part of his letter with you. He said:

> When I was younger and working it was possible for us to purchase a home at a price we could afford to pay. Now, we could never even think of purchasing a home in this town. We have managed to hold on to our home, difficult as this is, but now I feel I must in good conscience protest what I feel is a first rate fraud in which our federal government has participated.
>
> Why does our government tell us that there are funds to help students with their college education, when, in fact, there is nothing more than words? For three years, even when I was ill, my wife tried to get help for our son. On our income we could not pay the costs of a college education for him, even in schools that were not in the high cost category. Last Spring we tried again. The BEOG people said we were not eligible. We had equity in a house. Never mind our low income level; we were not eligible because we had struggled for years to keep our home.

10

Since introducing H.R. 272, I have received many similar letters. I have asked HEW to provide me with information on the number of students found ineligible for Basic Grants due to home value. I have not yet received this information.

In a random survey of localities in my district I found that home values now range from $34,000 to $100,000. In Waltham where median family income is about $13,000 current home value averages $52,000. In Sudbury where median income is about $18,000, home value averages $90,000. In Framingham which is the largest town in Massachusetts, home values average $70,000. As in other areas of the country this escalation in market value of existing homes does not reflect the financial situation of the homeowner.

On the first page of the pamphlet HEW sends out on the BEOG program it is noted that:

> Since the entitlement nature of the Basic Grant Program requires all students be treated in a consistent manner on a national basis, a formula has been developed by the Office of Education and approved by Congress which is applied to all students in the same way.

Unfortunately that is not the case. The BEOG formula, through the inclusion of home value, can discriminate against a student because of where he or she lives. For example. two students with identical financial backgrounds could be treated differently based on home value, even though their homes are similar. Within my own congressional district, a home valued at $34,000 in Fitchburg might sell for $50,000 in Newton. This pattern of variation in home value is repeated across the nation. In a survey of 32 metropolitan areas the Library of Congress found a range in the changes of existing housing costs between 1977 and 1978 of from minus 5.6 percent to an increase of 38.1 percent which I might note was the rate of escalation in Washington housing costs.

The current formula does allow an asset reserve which is $25,000 for the 1979-80 school year. After subtracting the reserve from the family's total assets, the formula considers 5 percent of that figure to be the sum a family could reasonably be expected to contribute toward the student's education in that school year. This is a fair way of treating assets such as savings and investments but when applied to home value it has an unfair impact. A family with a modest income, no savings or investments but fortunate to own their home outright would be penalized. If the current market value of their home is $50,000 the program would assume they were in a position to contribute $1,250 toward the student's tuition regardless of other considerations. Thus, families of modest income who the Basic Grant Program was intended to help are not given fair access in competing for a grant by reason of home ownership.

An additional problem is that HEW simply asks the applicant to state the current fair market value of their home. They are not asked to provide any verification of that sum.

This serves to encourage subterfuge. Whereas one family might give a realtor's appraisal, another could simply state a figure that understates the current market value of their home. The applicant is indirectly encouraged to manipulate the method of determining need, to their own advantage.

Some might have a concern that removal of home value would open the program to wealthy families who should not be participating in the program. Even with the exclusion of home value, applicant's families will be subject to the substantial test of financial strength which includes consideration of savings, stocks, bonds, investments and business holdings. It is unlikely that the removal of home value would result in abuse of the program.

The Carnegie Council on Policy Studies in studying federal aid to education in a 1975 report, specifically called for elimination of home value from the BEOG program. I would also note that there is a precedent for such action. In 1976, Congress removed home value from the Supplemental Security Income Program. SSI is also an entitlement program which uses a formula for determining need. Congress recognized at that time that a home should not be treated as an asset for the purposes of such programs.

Last year we expanded the availability of Basic Grants to middle income students by insuring adequate funding levels for this program. By so doing we brought the program closer to its original objective of offering educational access in a uniform and fair manner to lower and middle income students. Removing home value from the program will further that goal.

96TH CONGRESS
1ST SESSION

# H. R. 272

To amend section 411 of the Higher Education Act of 1965 to exclude from eligibility calculations for basic grants the value of a family's residence.

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IN THE HOUSE OF REPRESENTATIVES

JANUARY 15, 1979

Mr. DRINAN introduced the following bill; which was referred to the Committee on Education and Labor

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# A BILL

To amend section 411 of the Higher Education Act of 1965 to exclude from eligibility calculations for basic grants the value of a family's residence.

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,* That section 411(a)(3)(B)(ii)(IV) of the Higher Education Act of 1965 (20 U.S.C. 1070a(a)(3)(B)(ii)(IV)) is amended by inserting after "family" the following: ", excluding the value of such family's principal residence".

SEC. 2. The amendment made by the first section of this Act shall be effective for the academic year 1979–1980 and thereafter.

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# EXTENSIONS OF REMARKS

## IMPROVING THE BEOG PROGRAM

### HON. ROBERT F. DRINAN

OF MASSACHUSETTS

IN THE HOUSE OF REPRESENTATIVES

*Wednesday, February 21, 1979*

● Mr DRINAN Mr. Speaker, on January 15, 1979, I introduced H R 272 which removes home value from consideration in determining a student's eligibility for a basic educational opportunity grant. At the present time the program groups a home with assets such as savings, stocks, bonds, and other investments in determining what a family can be expected to contribute toward the cost of higher education Basic grants are the prime source of Federal financial assistance for higher education.

BEOG is an entitlement program. In order to be fair, eligibility for this program must relate to the total financial strength of the family. Obviously a family's economic position is enhanced by the possession of certain assets However, to be truly fair, the program should make a distinction between assets which are a potential source of supplementary income as savings, stocks, and bonds, and a home, which is not a source of immediate additional income to a family.

A home is a nonliquid asset It is a necessity intended for shelter and comfort If converted to cash to meet educational expenses, the family still has the often increased expense incurred by refinancing or the choice of finding new housing Over recent years housing costs have escalated dramatically According to the Census Bureau a home that cost $32,000 in 1972 cost $52,000 5 years later in 1977

Prices have shot up in neighborhoods across the Nation, but to homeowners this escalation has not meant a source of additional income They are not living in better homes than what they purchased and have had little, if any, control over the appreciation of their homes Also, just as value has increased so too has the cost of maintenance, utilities property taxes, and insurance.

The parents who saved and bought their homes 10 to 20 years ago should not be penalized now when their children are looking for help in meeting higher education costs Owning your own home is supposed to be the American dream and Federal policies have encouraged home ownership with considerable success In 1940 fewer than half of American families owned their own homes, now, nearly two thirds do

For many middle income families who have realized that dream, the home is their major asset Yet, because of its appreciation over the years it can serve to disqualify their children from participation in the basic grant program One of my constituents poignantly expressed in a letter to me what this dichotomy means He said:

> When I was younger and working it was possible for us to purchase a home at a price we could afford to pay Now, we could never even think of purchasing a home in this town We have managed to hold on to our home, difficult as this is, but now I feel I must in good conscience protest what I feel is a first rate fraud in which our federal government has participated.
>
> Why does our government tell us that there are funds to help students with their college education, when, in fact, there is nothing more than words? For three years, even when I was ill, my wife tried to get help for our son On our income we could not pay the costs of a college education for him, even in schools that were not in the high-cost category Last Spring we tried again The Iowa City Group (BEOG) said we were not eligible We had equity in a house Never mind our pension, social security, low level income, we were not eligible because we had struggled for years to keep our home

The basic educational opportunity grant program was a major part of the Higher Education Amendments of 1972 It represented the first step in a Federal higher education assistance policy aimed at encouraging equality of opportunity. Awards would be made directly to the student based on need.

In the pamphlet which HEW sends out on how eligibility is determined for the BEOG program, it is stated on page 1 that –

> Since the entitlement nature of the Basic Grant Program requires all students be treated in a consistent manner on a National basis a formula has been developed by the Office of Education and approved by Congress which is applied to all students in the same way

The formula provides that once total family assets are determined (home, savings, stocks, bonds, et cetera) an asset reserve is subtracted from the total For the 1978 79 school year the asset set-off or reserve was $17,000 and it will rise to $25,000 in the upcoming school year Of the sum remaining once the reserve is subtracted, the parents are expected to be able to contribute 5 percent toward educational costs

For example, if the market value of a home was $50,000 and the family seeking a BEOG for the 1978 79 school year, had $10,000 remaining on their mortgage, their equity in the home is $40,000 If this is their only asset, the asset reserve of $17,000 would be subtracted from that sum leaving a total of $23 000, 5 percent of which or $1 150 is the amount the family could be expected to contribute toward their child's education It should be kept in mind that "expected family contribution" is not an out of pocket requirement In other words the family in the above example does not have to spend $1,150 toward tuition costs in order to be eligible for a BEOG The "expected family contribution" is used in determining the "student's eligibility index" on which eligibility for the program is based

There will be a significant variation in the amount parents are expected to contribute toward tuition costs, because of the difference in fair market home values from State to State and within States Thus two families with similar financial profiles could live in almost identical homes in two different neighborhoods and one family might be eligible for a BEOG whereas the other would not.

Regional disparities in home value are not taken into account in the formula which determines the "Expected Family Contribution." As a result the inclusion of home value in determining eligibility can serve to hinder the objective of the BEOG program "to treat all students in a consistent manner on a national basis." Although appreciation of home value is a national phenomena, wide disparity in home value exists. In a survey of 32 metropolitan areas, the Library of Congress found a range of from minus 5 6 to 38.1 percent in the increase in costs of existing housing between 1977 and October 1978. Why should a family be penalized simply by where they live?

An additional problem is that HEW simply asks the applicant to state the fair market value of their home. Although it might be suggested that the homeowner check with a local realtor, they are not asked to provide any verification of the sum designated "fair market value" of the home This serves to encourage subterfuge Whereas some families will give a realtor's appraisal, others will simply provide a figure which might understate the market value If the program is going to be fair it should not encourage applicants to manipulate the method of determining need to their own advantage.

Some might argue that by removing home value from consideration we will be opening the program to wealthy families It should be remembered that even without home value families are subject to the substantial test of financial strength which includes consideration of income, savings, stocks, bonds, investments, and business interest It is unlikely that removal of home value would lead to abuse of the program

The Carnegie Council on Policy Studies when studying Federal aid to higher education in 1975 and making their recommendations specifically called for the elimination of home value in determining eligibility for the basic grant program

There is a precedent for such a change in the law In 1976 Congress removed home value from consideration in determining eligibility for the supplemental security income (SSI) program SSI is also an entitlement program Congress recognized that a home is not a liquid asset and should not be used in determining need for purposes of SSI.

Congress will be reauthorizing the Higher Education Act this year Just last year we expanded the BEOG program by providing for a more adequate level of funding and thus insuring the participation of more middle income families We are bringing the program closer to its original objectives of offering educational access in a uniform and fair manner Removing home value will serve to further that goal ●

Mr. FORD. You may proceed directly to highlight it or comment on it.

Mr. DRINAN. Thank you very much, Mr. Chairman, Congressman Gaydos, and members of the staff.

## STATEMENT OF HON. ROBERT F. DRINAN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MASSACHUSETTS

Mr. DRINAN. Mr. Chairman and members of the subcommittee, I appreciate the invitation to participate in these important hearings on the student assistance programs of the Higher Education Act. I am here to discuss my bill, H.R. 272, which removes home value from consideration in determining a student's eligibility for the most popular of these programs, the basic educational opportunity grant program.

As you know the basic grant program is the cornerstone of Federal financial assistance to college students. In determining a student's eligibility for a grant, a rather lengthy formula is used, which attempts to consider, in a uniform and fair manner, a family's total financial strength.

Obviously, a family's economic position is enhanced by the possession of certain assets and the basic grant program takes into account savings, stocks, bonds, and other investments. Also included in the assets test is the current market value of the home where the family resides.

In my view, if the program is to insure that all students seeking grants will be treated in a uniform and fair manner, home value should be taken out of the assets test. A home is a necessity and a nonliquid asset. Unlike stocks, bonds, and other investments, it is not a source of supplementary income to a family.

Home values have shot up in neighborhoods across the country, but to homeowners, this escalation has not meant additional income. They are not living in better homes than what they purchased and have had little, if any, control over the appreciation of their homes. Also, just as value has increased, so too has the cost of maintenance, utilities, property taxes, and insurance.

Federal policies since World War II have encouraged the American dream of homeownership with considerable success. In 1940, fewer than half of American families owned their own homes; today, nearly two-thirds of all families own their own home. Why should those families who bought their homes 20 years ago be penalized now when their children are going off to college?

One of my constituents poignantly expressed what this dichotomy means and, Mr. Chairman, I would like to share a part of his letter with you.

He said:

> When I was younger and working it was possible for us to purchase a home at a price we could afford to pay. Now, we could never even think of purchasing a home in this town. We have managed to hold on to our home, difficult as this is, but now I feel I must in good conscience protest what I feel is a first rate fraud in which our Federal Government has participated.
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> For 3 years, even when I was ill, my wife tried to get help for our son. On our income we could not pay the costs of a college education for him, even in schools that were not in the high-cost category.

> Last spring we tried again. The BEOG people said we were not eligible. We had equity in a house. Never mind our low income level; we were not eligible because we had struggled for years to keep our home.

Since introducing H.R. 272, I have received many similar letters, Mr. Chairman. I have asked HEW to provide me with information on the number of students found ineligible for basic grants due to home value.

Unfortunately, I have not yet received this information.

Mr. Chairman, if I may interject, I read with interest the study from the GAO dated May 11, 1979. This relates to inconsistencies in awarding financial aid to students on the four Federal programs. I had hoped to find in this document a recommendation that my particular proposal should be enacted into law. It apparently falls somewhat short of that, but it does recommend, in essence, that a single system to determine a family's ability to meet educational costs be developed.

In a random survey of localities in my district, I found that home values now range from $34,000 to $100,000. In Waltham, where the median family income is about $13,000, current home value averages $52,000. In Sudbury, also in my district, where median income is about $18,000, home value averages $90,000. In Framingham, which is the largest town in Massachusetts, home values average $70,000.

As in other areas of the country, this escalation in market value of existing homes does not reflect the financial situation of the homeowner.

On the first page of the pamphlet which HEW sends out on the BEOG program it is noted that:

> Since the entitlement nature of the basic grant program requires all students be treated in a consistent manner on a national basis, a formula has been developed by the Office of Education and approved by Congress which is applied to all students in the same way.

Unfortunately, Mr. Chairman, that is not the case. The BEOG formula, through the inclusion of home value, can discriminate against a student because of where he or she lives.

For example, two students with identical financial backgrounds could be treated differently based on home value, even though their homes are very similar.

Within my own congressional district, a home valued at $34,000 in Fitchburg might sell for $50,000 in Newton 40 miles away.

This pattern of variation in home value is repeated across the Nation. In a survey of 32 metropolitan areas, the Library of Congress found a range in the changes of existing housing costs between 1977 and 1978 of from minus 5.6 percent to an increase of 38.1 percent which, I might note, was the rate of escalation in Washington housing costs.

The current formula does allow an asset reserve which is $25,000 for the present school year. After subtracting the reserve from the family's total assets, the formula considers 5 percent of that figure to be the sum a family could reasonably be expected to contribute toward the student's education in that particular year.

This is a fair way of treating assets such as savings and investments but when applied to home value, Mr. Chairman, it has an unfair impact. A family with modest income, no savings or investments but fortunate to own their home outright, would be penalized.

If the current market value of their home is $50,000, the program would assume they were in a position to contribute $1,250 toward the student's tuition, regardless of other considerations.

Thus, families of modest income whom the basic grant program was intended to help are not given fair access in competing for a grant by reason of homeownership.

An additional problem is that HEW simply asks the applicant to state the current fair market value of their home. They are not asked to provide any verification of that sum.

This serves to encourage subterfuge. Whereas one family might give a realtor's appraisal, another could simply state a figure that understates the current market value of their home.

The applicant is indirectly encouraged to manipulate the method of determining need, to their own advantage.

Some might have a concern that removal of home value would open the program to wealthy families who should not be participating in the program. Even with the exclusion of home value, applicant's families will be subject to the substantial test of financial strength which includes consideration of savings, stocks, bonds, investments, and business holdings. It is unlikely that the removal of home value would result in abuse of the program.

The Carnegie Council on Policy Studies in studying Federal aid to education in a 1975 report, specifically called for elimination home value from the BEOG program. I would also note, Mr. Chairman, that there is a precedent for such action.

In 1976, Congress removed home value from the supplementary security income program. SSI is also an entitlement program which uses a formula for determining need. Congress, at that time in 1976, recognized at that time that a home should not be treated as an asset for the purposes of such programs.

Last year, Mr. Chairman, we expanded the availability of basic grants to middle-income students by insuring adequate funding levels for this program. By so doing, we brought the program closer to its original objective of offering educational access in a uniform and fair manner to lower and middle-income students. Removing home value from the program will further that goal that your subcommittee brought about so aptly last year.

Thank you, Mr. Chairman.

Mr. FORD. Thank you very much.

I think it would be appropriate to add to the record the list we have of the cosponsors of your legislation which includes members of this committee. I would like to say the only reason I am not a cosponsor of your bill is that I have taken a firm position of not introducing any legislation until the committee is ready to go forward with the reauthorization vehicle, but the idea of your legislation has a great appeal to me. I am very happy that you pressed forward and obtained cosponsors in the dimensions that you have to bring this matter before this committee.

[Cosponsors H.R. 272: Mr. Barnes, Mr. Benjamin, Mrs. Bouquard, Mr. Blanchard, Mr. Buchanan, Mr. Corman, Mr. Dodd, Mr. Dougherty, Mr. Duncan of Tennessee, Mr. Edgar, Mr. Evans of the Virgin Islands, Ms. Ferraro, Mr. Gudger, Mr. Harris, Mr. Kogovsek, Mr. LaFalce, Mr. Lederer, Mr. Mineta, Mr. Mitchell of Maryland, Mr. Moakley, Mr. Moorhead of Pennsylvania, Mr. Murphy of Pennsylvania, Mr. Patten, Mr. Pease, Mr. Price, Mr. Rangel, Mr. Rose, Mr. Seiberling, Mr. Solarz, Mr. Walker, Mr. Harkin, and Mr. Neal.]

Mr. FORD. In preparation for the consideration of your legislation, we have tried to get some estimate of what was generated in additional costs by making that change. If we drop the home assets and make other changes, the costs start to escalate off the paper. But if we also drop the asset set-aside from $25,000 to $5,000 at the same time that we drop the consideration of the dwelling, the family's principal residence, the estimate is only $267 million, which is not an unreasonable percentage quantum jump for the purpose of equity.

I think, when considering this, obviously people at OMB will not approve of it. If we had $50 in there, they would say "No." [General laughter.]

But we haven't been overly impressed with their understanding of the concept of equity in these programs up until now. There is no reason to believe that their interest is going to grow between now and this fall, at least with this committee.

I think we would be pleased to work with you, Congressman Drinan, in working out the possible adjustments back and forth to see how we can keep the figures within some reasonable level and still achieve the measure of equity. The same sort of frustration led the people of California to, in my opinion, foolishly support proposition 13 out of sheer frustration over something that, on its face, appeared to be so terribly unfair to them. They reacted and overreacted in a way that, in the long run, is probably going to hurt a lot of institutions out there. But that frustration is moving across the country.

It revolves around somebody living in a house who has, in effect, been evicted from the house they purchased and has been placed in a house that is too expensive for them, because the inflated value of the house has caused the taxes to go up. The inflated cost of insuring that inflated value has caused the insurance to go up. People now find that the same house they bought 20 years ago is costing them 2½ times a year to maintain as a household for their family.

As you suggested, they do not have any extra bedrooms, they do not have additional garages, there is no increase in the value to the family in living amenities or in real value. But the tragedy is there is a paper asset that has absolutely no potential for providing funds for education. Unless one perceives of a family selling their home and moving into public housing, I cannot imagine how they could capture the equity in their house and use it to educate their children.

Mr. DRINAN. Mr. Chairman, you state the case for my bill much more equitably and forcefully than I was able to do. [General laughter.]

Mr. FORD. Thank you. I told you, I am prejudiced in favor of the bill to start, but I wanted to indicate to you that we are going to have to figure out some kind of adjustments to accept this.

Mr. **Drinan**. There may be some ceilings that would be appropriate, so that the wealthiest people of the country would not be getting grants that obviously were not intended for them and if they own a $1 million home, maybe some rational classification could be made so that they would not be able to exclude that.

But I am certain that your wise counsel here, who helped me and my forum at Brandeis University so well before, could devise a formula that would be equitable.

Mr. **Ford**. If I could think out loud with you, what would be the reaction to looking at the average dwelling, start with the preceding year and use that for a measuring only the equity above that value?

As I recall last year, it was $62,000 for the average home in the United States, and each year there is a figure like that generated early in the year for the preceding year. Surely, no one could argue the fact that, if someone had a homestead with an equity at or below the average cost of a new home in the country, we were rewarding the rich. It is quite difficult for people to realize that the house that their children are now looking at that is exactly the same as the house that they bought when they were having children costs three and four times as much money.

I see homes in my working-class neighborhod, factory neighborhoods, not in the suburbs of Washington where everybody thinks they are the only ones who are paying inflated prices, that I closed as a lawyer in the 1950's for $14,000 and $15,000 that are now selling for $45,000. That means that a young couple trying to start their family in that very same neighborhood, which in many ways is not as enjoyable a place to live as it was then, has to come up with a downpayment which makes the purchase of that house prohibitive. But the family that is living in this house does not really have anything, because the day that they sell, they have to replace their house. They are sort of in the position of the fellow with the $1,000 dog that we talk about back home. The fellow came around to the neighborhood bar with a scruffy looking dog, mostly a spaniel. He boasted constantly, it was his proudest boast that that dog could bring $1,000 any time he was ready to sell it.

Finally his friends, tired of his boasting, challenged him to prove it. He disappeared for a couple of weeks and didn't come in regularly to the bar and when he finally did come in, he ordered drinks for the house and proudly announced that, by golly, he did, after all, have a $1,000 dog because he had just completed the transaction.

One of his friends said, "Well, you don't mean to say that somebody actually gave you $1,000 for the dog?" He said, "Well, in effect they did."

They said, "What do you mean, in effect they did?" He said, "Well, I really didn't get cash, but I got two $500 cats for it." [General laughter.]

It is sort of what happens to a family when they try to change residences. They can trade in a $50,000 two-bedroom home for a $60,000 two-bedroom home. It is a losing proposition.

Mr. **Drinan**. Mr. Chairman, your point is contained in a far less interesting way in this minibrief from the Library of Congress. I am certain that your counsel can utilize this. This is "Prices of New and Existing Homes," current data, updated rather recently, and it shows the drastic escalation in the prices of homes that would be very relevant to the consideration of my bill.

[Document referred to is printed at end of hearing.]

Mr. FORD. But you would work with us in figuring out some reasonable ceiling so that you do not have the accusation that the Rockefellers will qualify for a grant? That is patently ridiculous but, you recall, we heard that kind of thing on the floor. I found myself in the extraordinary position late one night in October in defending the right of the rich to get Federal help against the vicious attack of one of my conservative Republican friends. [General laughter.]

Mr. Gaydos?

Mr. GAYDOS. I have nothing to say other than to point out that my colleague has demonstrated once again that he is always alert to what should be done. Your written statement with its accompanying documentation and the plain logic of your argument are excellent. I like the salient point that you make when you say that the precedent has been established in the SSI program. In fact I will have no hesitation about joining my colleague as a cosponsor of his legislation.

Again, I want to close by saying that, the presentation just cannot be argued against. I think it is excellent. I think you are right on all points.

Mr. DRINAN. Mr. Gaydos, we appreciate that, and we are listing your name as the very first cosponsor. [General laughter.]

Mr. FORD. Mr. Clohan, do you have any questions?

Mr. CLOHAN. I don't have any questions, but I want to extend Mr. Buchanan's apologies for not being able to be here this morning, and appreciation to you for introducing this legislation.

He, like Mr. Ford, feels that he ought not to take positions on postsecondary education legislation prior to completion of the hearings. He felt so strongly about this issue that he needed to cosponsor the bill. I am sure he will forcefully support you.

Mr. DRINAN. We are very, very grateful to Mr. Buchanan.

Mr. FORD. Thank you very much.

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

Mr. FORD. Michael O'Keefe, Deputy Assistant Secretary for Planning and Evaluation (Education), Department of Health, Education, and Welfare is our next witness.

Do you have a statement? I guess you do.

Mr. O'KEEFE. Yes; I do.

Mr. FORD. Without objection, your statement will be included at this point in the record in full.

Please proceed to highlight what you think is most important for the record.

[The prepared statement of Michael O'Keefe follows:]

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

TESTIMONY OF

MICHAEL O'KEEFE

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

BEFORE THE

SUBCOMMITTEE ON POSTSECONDARY EDUCATION

OF THE

HOUSE COMMITTEE ON EDUCATION AND LABOR

MAY 16, 1979

5/14/79

## INTRODUCTION

Mr. Chairman and members of the Subcommittee, thank you for the invitation to appear again before you and participate in your review of the Federal student aid programs. I have been asked by the Chairman to discuss the so-called "half-cost rule" in the Basic Education Opportunity Grant program (BEOG), a provision which has caused debate and discussion since the program was first established in 1972. The purpose of my presentation today will be to explain the workings of this provision, the effect it has, and the reasons it is a widely-discussed issue. I will also briefly describe several alternative provisions which have been proposed as ways to deal with the problems created by the rule, and would like to take the liberty to suggest several criteria against which these alternatives might be judged.

It will not be my purpose today to present either my or the Administration's recommendations on the BEOG half-cost provisions. As I hope this discussion will illustrate, changing the half-cost rule will have somewhat complex effects, and no single alternative fully satisfies all the concerns which have been raised.

## How BEOG and the Half-Cost Rule Works

The fundamental purpose of the BEOG program is to make it possible for students to attend college by reducing the financial barriers to attendance. This is accomplished by providing grants to the lower and middle income student which compensate for the relative inability of the family to finance the cost of college. The size of the grant depends upon income, so that for a given cost of education the effect is to equalize the relative burden low- and middle-income students face in going to college. Ideally, the combination of the BEOG and the expected family contribution would either be equal for different income students, or at least the disparity in total family and student resources would be reduced significantly. The manner in which the BEOG formula is designed achieves this objective, but with some exceptions resulting from the half-cost rule.

The amount of the Basic Grant award is determined by subtracting the expected family contribution to the student's education (which is determined by the family's finaficial resources) from the maximum award, presently $1,800. However, the half-cost rule must also be applied: the BEOG award cannot exceed one-half the cost of education (tuition, fees, and living expenses).

The determination of the expected family contribution is based on factors such as the size of the family, family income, home, farm, and business assets, and unusual expenses—but its effect is straightforward: for two families which differ only in income, the higher income family will be expected to contribute a larger amount to cover the cost of education than the poorer family. For example, a family of four with one child in college, an annual income of $8,000, and average assets, is expected to provide about $100 annually to the costs of college. If a similar family has a income of about $15,000, the expected contribution increases to about $800. Table 1 (attached to this testimony) shows the average amount expected for families of four at varying levels of income.

The cost of education is determined for a student who lives on the campus by taking the total of actual tuition, fees, room and board, plus an allowance of $400 for books and supplies. Average costs of education are now approximately $2800 per year at public institutions and $4400 per year at private colleges and universities.

For the student who lives off the campus (either with his or her family or in off-campus housing), the cost of education is considered to be the combination of actual tuition and fees plus $1,100 for living expenses and $400 for books and supplies. Thus the minimum cost of education—that which occurs when tuition is zero—is $1500, corresponding to a minimum BEOG award for the poorest student of $750 (half the cost of education). A more detailed and thorough description of how the amount of the BEOG award is determined is included as an appendix to this testimony.

## The Effect of the Half-Cost Rule

The half-cost rule affects only those students attending schools with a cost of education of less than $3,600. This is the case because, at a cost of education of $3600 or more, the $1800 maximum is the limiting factor, not the half-cost rule. The effect of the half-cost provision in the award formula is that two students with different family income who attend a low-cost institution would receive the same or similar BEOG's. At many institutions, this apparent difference is often equalized through aid to lower income students from the Federal campus-based programs, loans and State and institutional programs.

For example, at an institution costing $1900 (tuition and fees of $400), students from families with income from zero up to $15,000 will each receive a $750 BEOG award. Up to a cost of $2300, students from families with income from zero to $13,000 will uniformly receive grants of $1150.

This effect can be most clearly presented in chart form. Chart 1 (attached) illustrates the effect of the provision on two students—one with $8,000 family income, the other with $15,000—attending a school which has a cost of education of $2300 (tuition and fees of $800 per year).

The two bars to the left compare the students under the current provision, those to the right without the half-cost rule. For the middle income student, the expected family contribution is $800 and the BEOG award is $1,000 (the $1,800 maximum minus $800). Since $1000 is already less than half the cost of education ($2,300), the half-cost rule has no effect and the amount is the same with or without the provision. In each case, the remaining burden—that amount which must be made up from a larger family contribution, from savings, work by the student or loans—is $500.

However, for the lower income student, the half-cost rule does have an impact. Without the provision, the lower-income student would receive a BEOG of $1,700 ($1,800 minus the family contribution of $100) and would have a remaining need of $500—identical to that of the middle-income student. But the half-cost rule comes into play. Half the cost of education is $1,150; thus the grant to the lower income student is this amount rather than the $1,700. The award is $550 less because of the half-cost rule. The most important result is that the remaining burdens are now disequalized: the lower income student must make up an additional $1050 in support rather than the $500 which the middle income student requires.

There are various interpretations of these effects of the half-cost rule. One can conclude that low-income students at low-cost institutions are receiving grants which are too small. However, it is also possible that middle-income students at low-cost schools are receiving grants which are relatively too large, the inequity could be in either direction. Further, simple removal of the provision would have two effects which may be undesirable. First, it would increase total costs of the program by about $250 million. Secondly, it would lead to substantial increases in grants for low-income students attending low-cost institutions. For many of these students, this would mean that their BEOG award would be so large as to provide support well in excess of the direct costs of education.

## Criteria to Judge Alternatives

There are numerous alternatives to the half-cost rule which have been proposed. Before describing several of these, I would like to suggest four policy criteria against which proposals which address the half-cost problem can be evaluated. Each of you may judge one or the other of these as less important than others or even as invalid. However, your own views on which of the critera are most important will affect your reaction to the current half-cost provision and the various alternatives. As you ponder the half-cost rule, you might consider the following criteria:

- Equity Between Students at the Same School. Should the policy objective be to ensure that at a given school, the same fraction of a student's costs is covered by the combination of the expected family contribution and the BEOG, irrespective of income? This is the major concern of those who feel that the current half-cost rule is unfair and should be corrected.
- Equity Between Students at Different Cost Schools. For the same student at different cost schools, should the amount of self-help which is required after family contribution and BEOG be the same, or

should it be greater at the higher cost institution? Currently, for a student with a given family income, the remaining burden appropriately increases as the cost of attendance increases. That is, if a student decides to go to a higher-cost college, he or she will have to assume some share of the increased costs. I suggest this criterion because some of the alternatives to the half-cost rule have the opposite effect—that is, for some students the remaining burden remains constant as the cost of education increases.

- o <u>Impact by Family Income and Cost of Institution</u>. Should the portion of the cost of education which is covered by the BEOG be <u>increased</u> for lower-income students at low cost institutions? Should it be <u>decreased</u> for the middle-income students at those schools? Some combination of the two?
- o <u>Cost</u>. What increase or decrease in aggregate costs of the BEOG program is acceptable in dealing with this issue?

Each of the alternatives which I will discuss today may be measured against these criteria in different ways. Charts 2, 3, and 4 compare the alternatives and the current provision against each of the first three criteria.

## Alternatives to the Half-Cost Rule

There are four alternatives to the half-cost rule which I would like to discuss today. Some of these are quite straightforward, others more complex, but they cover the range of possible alternatives to the half-cost rule and amply illustrate the tradeoffs which any change in the rule will entail.

1. Elimination of the Half-Cost Provision. Some people have proposed the simple elimination of the half-cost rule. This change would result in equity between two students at the same school by increasing the grant to the lower income student—it "levels up." Without the provision, the amount of remaining burden is equalized for students with different family income at the same institution. It also has the effect that the remaining burden increases as the cost of education increases. All students whose awards would be affected would gain under this option and low-income students at low-cost institutions would gain the most. For example, the student with $8000 family income at a zero tuition school would see his or her grant nearly double from $750 to $1400. As I indicated earlier, this option would be costly—an estimated $250 million in 1980-81.

2. Half-Need. Under this proposal, the limitation would be changed from half-cost (half of tuition, fees, and living expenses) to half-need (half of the amount which remains after the parents' expected contribution is subtracted from the cost of education). This alternative would reduce the grant to both the low- and middle-income student at the low-cost school, with a greater reduction for the middle income student. However, it would not reduce the disparity enough to fully eliminate the difference in the burden remaining after parental contribution and BEOG. This is the "leveling down" option — the opposite extreme to simple elimination of the provision.

Under this option, students with family incomes ranging from $8,000 to $25,000 and attending the lowest cost institutions would have their grants reduced. The least reduction ($50) would be suffered by the student with family income of $8,000, the greatest ($450) at $20,000. Reductions would occur for students with educational costs up to $3,100, with fewer and fewer middle-income students suffering reductions as the cost of education rises. Because all students whose awards change would lose money, this alternative would save about $78 million per year.

3. Resource-Equalizing. Under this alternative, the BEOG would be the lesser of two amounts: $1,800 minus the family contribution (as at present), or 60 percent of the cost of education minus the family contribution (substituting for the half-cost rule).

This change would fully eliminate income inequities among students at low- and middle-cost institutions by a combination of increases in grants for the low income students and decreases for higher income students. The remaining burden after the family contribution and the Basic Grant are taken into account would be the same for both low- and middle-income students. The amount of the remaining burden would also increase for both students at a higher cost school.

Students with family incomes up to $10,000 and with costs of education up to slightly more than $3,100 would have increases in their grants. Above $10,000 family income and up to about $25,000, there would be decreases in the grant award, with the greatest decrease ($650) being for family income of $15,000 at the lowest cost institution. Some students would gain, some would lose. The net effect of the change would be a reduction in the appropriation for BEOG of about $74 million per year.

This option has been proposed and widely discussed with the percentage set at 70 percent rather than 60 percent. This change would reduce somewhat the remaining need faced by low- and middle-income students. Those who gain would receive slightly more, those who lose would lose smaller amounts. Obviously there are numerous possible variations on many of these options.

4. Self-Help. In this proposal, every student would be assumed to contribute $900 per year (through work or loans) to cover the cost of college. The current BEOG formula has no such expectation of self-help, and its inclusion clearly could have substantial implications for the College Work Study program. The BEOG award would be the lesser of: 1) $1,800 minus the family contribution (as at present), or 2) the cost of education minus both the family contribution and $900 in self-help.

As with the third option, this proposal would result in equity between students at the same institution. However, it would only partially meet the second criterion. The remaining burden for all students would be constant at $900 at institutions up to a cost of education of $2,700 (tuition and fees of $1,200 per year). Above $2700, it would meet the second criterion, that is, the remaining burden would increase as the cost increases.

The effect on students by income and cost of education is the most complex for this alternative. It would decrease the award for the zero income student at a zero cost institution (by $150) but would increase it for lower income students at schools with costs between $1900 and $3500 (the largest increase being $450). Awards to middle-income students at lower-cost schools would be reduced (as much as $750 for students with family income of $15,000).

This is also similar to the third option in that some students gain and some lose. Cost estimates for this option are difficult to make. Using current BEOG recipient data, we estimate that the gains and losses approximately balance off, resulting in little or no change in program costs. This estimate should be regarded with caution: a shift in the relative proportion of an income group that attends a given cost institution could result in a very different estimate.

Summary

I have discussed four possible alternatives to the half-cost rule. Eliminating the provision—not unexpectedly—eliminates the problems which it creates. However, this is accomplished at a substantial increase in total costs of the program and with the effect of producing large increases in awards for some students. At the other extreme, the second alternative, half-need, eliminates the inequities by reducing the grant award to many students, with larger reductions for middle-income students than for those from poorer families. A third approach, which I have called "resource-equalizing", would also eliminate the problems and meet the criteria I suggested. It would do so by increasing some grants (to low-income students at low-cost institutions) and decreasing others (to middle-income students). The final alternative would require self-help in the form of work or loans. This alternative would only partially meet the second of the criteria I have suggested. Under this option, the lowest-income student would have a slight reduction in award at the low-cost institution but an increase at middle-cost institutions. Awards would be decreased for middle-income students at low-

I have discussed these options as fully implemented changes in the BEOG calculations. However, any of them could be phased in over time to prevent substantial one-time reductions for specific categories of students. Further, at current rates of inflation, increases in the cost of education could partly compensate for decreases in awards.

Dealing with the half-cost rule can be somewhat complex, given the number of alternatives available and the variations on each of them. For this reason, a thorough discussion of the alternatives can easily become confusing and utterly without redeeming entertainment value. I hope this relatively brief summary has served to give you an initial understanding of the issues without convincing you that you should have remained in your office for that meeting with constituents. If you wish, I would be pleased to discuss any of these options in further detail. Additionally, we would be happy to assist yo[illegible] consideration of any options which are proposed by preparing comparable analyses of their impacts.

Once again, thank you for this invitation.

Table 1

## BEOG EXPECTED FAMILY CONTRIBUTION TO COST OF EDUCATION

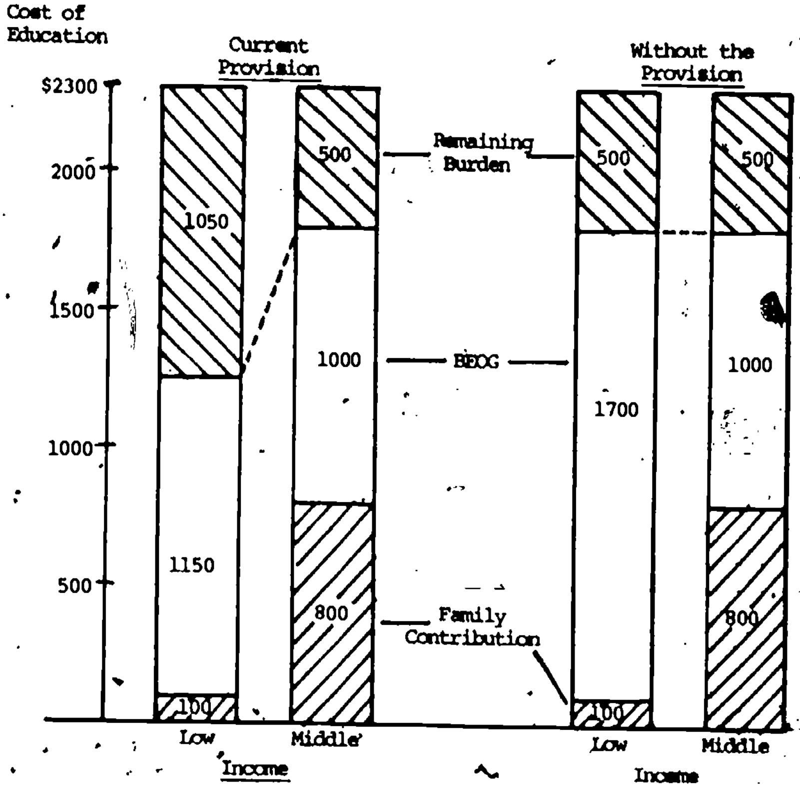
(Typical Family of Four With One Child in College)

| Family Income | Expected Annual Contribution |
|---|---|
| $30,000 | $1,800 |
| 25,000 | 1,500 |
| 20,000 | 1,200 |
| 15,000 | 800 |
| 12,000 | 500 |
| 10,000 | 300 |
| 8,000 | 100 |
| 5,000 | 0 |
| 3,000 | 0 |
| 0 | 0 |

Chart 1

## AMOUNT OF BEOG FOR TWO STUDENTS AT A LOW COST SCHOOL

### Illustration of Effect of Half-Cost Rule



Low Family Income: $8,000
Middle Family Income: $15,000

## ALTERNATIVES TO THE HALF-COST PROVISION

Effect on a low income student ($8,000 family income) and a middle income student ($15,000 family income) attending a moderate cost institution ($2,300).

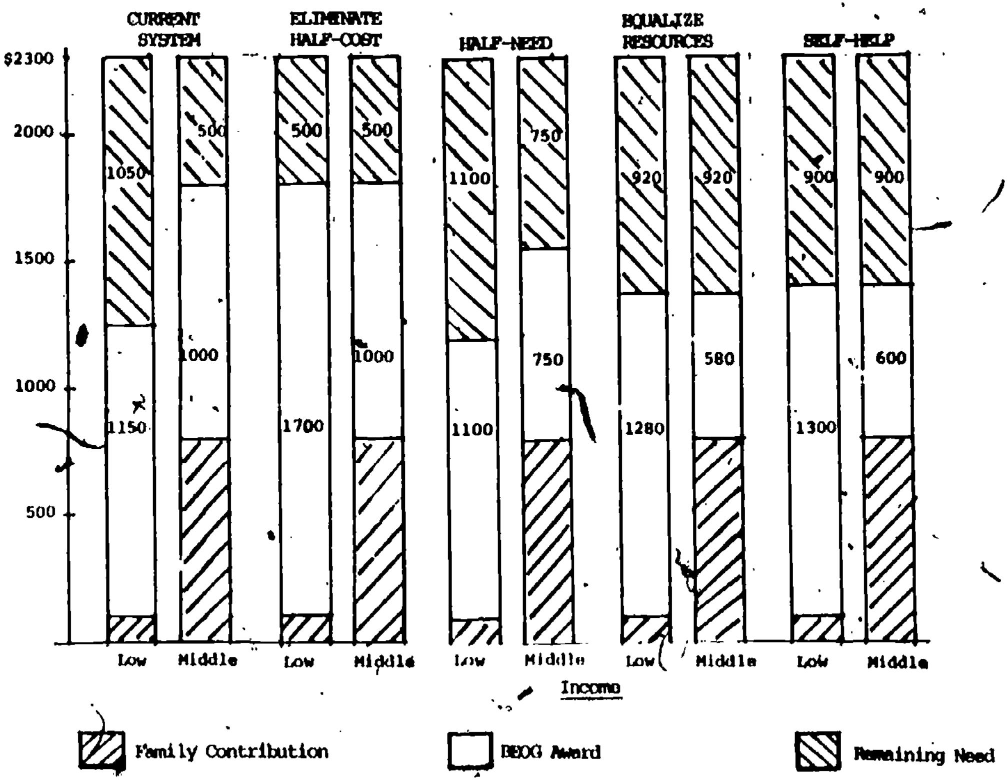
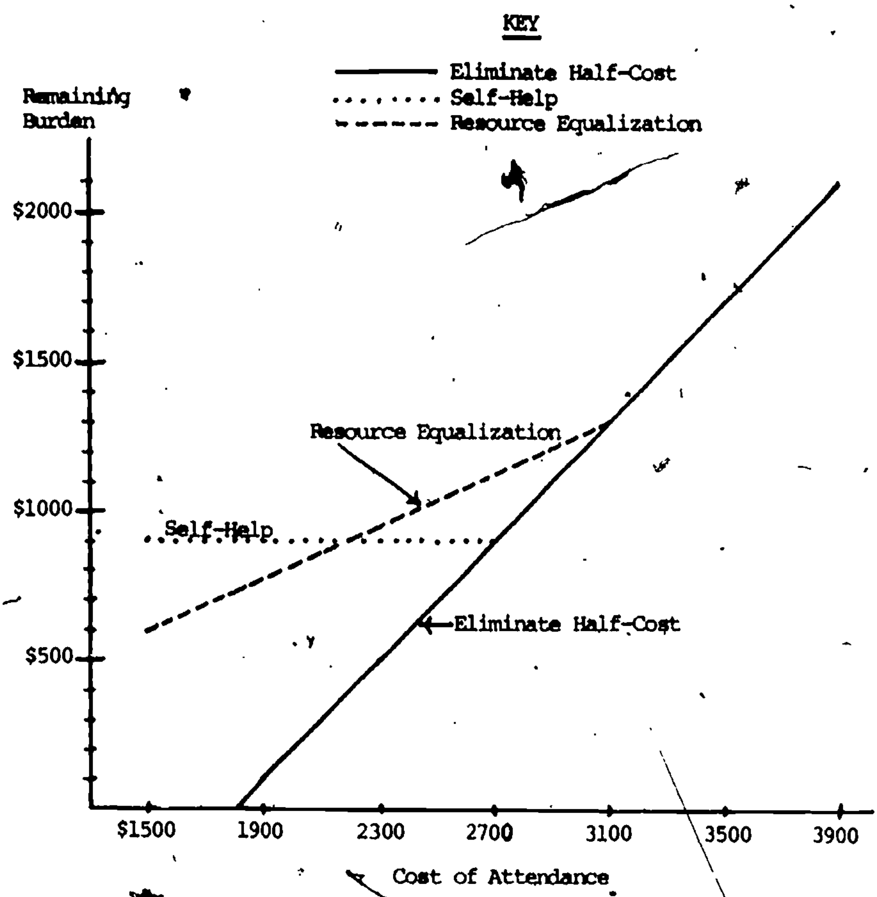


Chart 3

## ALTERNATIVES TO THE HALF-COST RULE

The amount of remaining burden (amount student must provide after family contribution and BEOG award) and cost of attendance is shown for varying costs for the four proposals which equalize the burden for students at the same institution.*



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* The current provision and the Half-Need alternative cannot be shown on this chart. Remaining burden for a cost of attendance varies by income.

Chart 4

## ALTERNATIVES TO THE HALF-COST RULE

### Average Basic Grant Award Under Various Proposals

(Award in Dollars)

| | CURRENT PROGRAM | ELIMINATE HALF-COST | HALF-NEED | RESOURCE EQUALIZATION | SELF-HELP |
|---|---|---|---|---|---|
| LOW COST SCHOOL ($2300) | | | | | |
| -- Low Income ($5,000) | 1150 | 1500 | 1150 | 1380 | 1400 |
| -- Middle Income ($15,000) | 1000 | 1000 | 750 | 580 | 600 |
| -- High Income ($25,000) | 300 | 300 | 300 | 0 | 0 |
| MIDDLE COST SCHOOL ($3100) | | | | | |
| -- Low Income ($5,000) | 1550 | 1800 | 1550 | 1800 | 1800 |
| -- Middle Income ($15,000) | 1000 | 1000 | 1000 | 1000 | 1000 |
| -- High Income ($25,000) | 300 | 300 | 300 | 300 | 300 |

# APPENDIX

## BASIC EDUCATIONAL OPPORTUNITY GRANT PROGRAM

### Program Purpose

The BEOG is an entitlement program administered by the United States Office of Education (USOE) which provides grants directly to students based upon need. The amount of the award is based on family size, income, and assets and upon the costs of attendance at a given school., BEOG is the foundation program of the total student aid package. Its purpose is to guarantee access and a degree of choice to students from families with low and modest incomes.

### Program Eligibility Requirements

Student Eligibility: At least half-time enrollment in an undergraduate program of an eligible postsecondary institution, U. S. citizen or permanent resident, and demonstrated financial need.

Institutional Eligibility is determined by OE based on legal authorization to provide a postsecondary program, accreditation status, length of program, and admission requirements. Eligible institutions for Basic Grants include traditional public and private four year colleges and universities, community and junior colleges, vocational schools, and proprietary schools.

### Program Operation

A Basic Grant application requires specified information on income, assets, and family factors (size, unusual expenses, number of family members in postsecondary education, unreimbursed private elementary and secondary school costs, employment expenses incurred when both parents or a single parent who is head of household is employed). The process for obtaining a BEOG is as follows:

- Students submit this application to OE, which determines the expected family contribution using different formulae for independent and dependent students.
- Within six weeks, the student receives a Student Eligibility Report (SER) from OE, which is used to document eligibility at the institution of enrollment.
- The institution calculates the amount of the student's Basic Grant award based upon the SER, cost of education at that institution, and the student's enrollment status.

- The institution disburses the funds to the student (or credits the student's account) and is reimbursed by the Treasury. In very limited cases (refusal of the institution to do so) OE pays the student directly.

Calculation of Award Amount.

Families are expected to contribute some portion of discretionary income, a small percentage of family assets, and a sizable fraction of the student's own assets to cover costs of education. The expected family contribution is made up of three parts:

- The contribution from income is determined as follows. Net income after taxes, non-taxable income, and half the value of any GI Bill education benefits are summed. From this sum, the following amounts are subtracted:
  - The "family size offset" equal to the Social Security low-income threshold (this ranges from $4,450 for a family of two to $13,250 for a family of ten);
  - Private elementary and secondary school tuition and fees;
  - Unusual expenses (excessive medical, casualty, theft, etc.); and
  - An amount to compensate for added family expenses, due either to both parents working or to a single working parent, is subtracted.

The difference is the adjusted discretionary income. Ten and one-half percent of this amount is the expected contribution from income.

- The contribution from assets is determined as follows:
  - Net assets (subtracting related debt) are determined by summing the value of savings, house equity, stocks and bonds, etc., but excluding the cash value of life insurance;
  - An amount (the "asset exclusion") is subtracted from this total. For FY 1979 this amount is set at $25,000 against home and savings; $50,000 against total assets if there are farm and business assets.

Page 3 - Appendix

The resulting amount is taxed at 5 percent to give the contribution from family assets.

- The contribution from the student's own assets is one-third of his or her net assets.

The three contributions are then summed and the total adjusted for the number of children in the family who are enrolled in postsecondary education. Specifically, 100 percent of the amount is taken if only one child is enrolled, 70 percent if two, 50 percent if three, and 40 percent if four or more. The final amount is the expected family contribution for the dependent student.

For the single independent student:

- The "family size offset" is $3,450 (the poverty threshold for a one person family) and the expected contribution from assets equals one-third of net assets.

- Contribution from income equals 70 percent of discretionary income.

For the independent student with dependents:

- Contribution from adjusted discretionary income is:

  — 50 percent for a couple, no dependents; or

  — 40 percent if there are dependents other than spouse.

- Contribution from assets as calculated for a family with dependent students.

The next step in setting the BEOG grant is calculation of the cost of education. This includes:

- Actual tuition and fees;

- Living expenses (actual amounts or $1100 whichever is greater);

- A $400 allowance for books, supplies, and miscellaneous expenses.

The final award amount is then determined as either $1800 minus the expected family contribution or one-half the cost of education, whichever is less. If the result is less than $200, no award is made.

However, if the program has been funded at less than the maximum level, the law provides a formula for reducing awards. For example, in FY 1978 the maximum award was reduced to $1600 and the $200 minimum award was reduced to $50. It is important to note that when the program is not fully funded, only the amount of the award, but not the number of eligible students, is reduced.

## Program Coverage

In academic year 1977-78, an estimated 1,846,000 students attending almost 6,700 schools received awards averaging $853. In academic year 1978-79 the number of students aided is expected to be about 1,700,000 with an average award of $866.

Given the complexity of the above calculations, it is difficult to generalize about the average family. However, roughly, at the level currently requested in the FY 1979 budget, the amount of the award for a family of four with one child in college would range from the $1800 maximum if the family has a gross income of $8000 or less, to the $200 minimum for an income of $26,000.

## Funding

The program is forward funded, i.e., the FY 1979 appropriation will be used to make awards in academic year 1979-80. The following is the recent funding history of the program:

| Year | Budget | Maximum Award |
|---|---|---|
| FY 1976 | $1,538 M | $1,400 |
| FY 1977 | 1,692 M | 1,400 |
| FY 1978 | 2,160 M | 1,600 |
| FY 1979 | 2,435 M | 1,800 |
| FY 1980 | 2,444 M | 1,800 |

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Distribution of Program Benefits, Effectiveness

As intended, the bulk of the funds in this program go to students from families with low income. Rough estimates of the share of funds by income groups are as follows:

| Income Level | Estimated Share of Benefits (Percent) in FY 1979 |
|---|---|
| $0 - $10,000 | 42 |
| $10,000 - $16,000 | 27 |
| $16,000 - $20,000 | 15 |
| $20,000 - $27,000 | 12 |
| $27,000 and up | 3 |
| All Incomes | 100 |

## STATEMENT OF MICHAEL O'KEEFE, DEPUTY ASSISTANT SECRETARY FOR PLANNING AND EVALUATION/EDUCATION, DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

Mr. O'KEEFE. Thank you, Mr. Chairman. I also have some colorful charts again to present to you as I go through this explanation. My summary will be a little bit longer——

Mr. FORD. Mike, I would like to tell you that you had been the high point of the hearings with your beautiful multicolor charts until Monday of this week, because, like all other humans we have a tendency to be impressed by that which we can see and hear. But on Monday one of the witnesses left the witness chair after testifying that he was a 100-percent product of Federal aid to education. He went to the piano and played a piece of Mr. Chopin's music in a flawless way for the committee. We haven't figured out how to convey that to our colleagues as a part of the record. This may be the first record with a taped cassette attached as an appendix. [General laughter.]

But we do appreciate the pretty pictures, because that makes us want to support your point of view.

Mr. O'KEEFE. Thank you, Mr. Chairman. Had I had advance notice I had been upstaged on Monday, I would have worked a little harder to provide some embellishment to this presentation, but I will give some little thought to that and see what I can do. I am not accomplished on the piano, so I cannot match that.

Mr. Chairman and members of the subcommittee, I thank you very much for the invitation to appear again and to participate in this review of the student aid programs. You have asked me to discuss the so-called half-cost rule in the basic education opportunity grant program, a provision which has caused debate and discussion since the program was first established in 1972.

Today, I would like to explain the working of this provision, the effect it has, and the reason it is a widely discussed issue. I will also briefly describe several alternative provisions which have been proposed as ways to deal with the problems created by the rule, and would like to take the liberty to suggest several criteria against which these alternatives might be judged.

It is not my purpose today, as I hope you understand, to present either my or the administration's recommendations on the BEOG half-cost provisions. As I hope this discussion will illustrate, changing the half-cost rule will have somewhat complex effects, and no single alternative fully satisfies all the concerns which have been raised.

The fundamental purpose of the BEOG program is to make it possible for students to attend college by reducing the financial barriers to attendance. This is accomplished by providing grants to the lower- and middle-income student which compensate for the relative inability of the family to finance the cost of college.

The size of the grant depends upon income, so that for a given cost of education the effect is to equalize the relative burden low- and middle-income students face in going to college.

Ideally, the combination of the BEOG and the expected family contribution would either be equal for different income students or at least the disparity in total family and student resources would be reduced significantly.

The manner in which the BEOG formula is designed achieves this objective, but with some exceptions resulting from the half-cost rule.

The amount of the basic grant award is determined by subtracting the expected family contribution to the student's education, which is determined by the family's financial resources, from the maximum award, presently $1,800. However, the half-cost rule must also be applied: the BEOG award cannot exceed one-half the cost of education, tuition, fees, and living expenses.

The determination of the expected family contribution is based on factors such as the size of the family, family income, home, farm and business assets, and unusual expenses—but its effect is straightforward: for two families which differ only in income, the higher income family will be expected to contribute a larger amount to cover the cost of education than the poorer family.

For example, a family of four with one child in college, an annual income of $8,000 and average assets, is expected to provide about $100 annually to the costs of college. If a similar family has an income of about $15,000, the expected contribution increases to about $800. Table 1, attached to this testimony, shows the average amount expected for families of four at varying levels of income.

The cost of education, which is the other element in the formula, is determined for a student who lives on the campus by taking the total of actual tuition, fees, room and board, plus an allowance of $400 for books and supplies. Average costs of education are now approximately $2,800 per year at public institutions and $4,400 per year at private colleges and universities.

For the student who lives off the campus, either with his or her family or in off-campus housing, the cost of education is considered to be the combination of actual tuition and fees plus a set amount, $1,100, for living expenses and $400 for books and supplies. Thus, the minimum cost of education—that which occurs when tuition is zero—is $1,500, corresponding to a minimum BEOG award for the poorest student of $750--half the cost of education. A more detailed and thorough description of how the amount of the BEOG award is determined is included as an appendix to this testimony.

I would like now to call your attention to the effect of the half-cost rule. The half-cost rule affects only those students attending schools with a cost of education of less than $3,600. This is the case because, at a cost of education of $3,600 or more, the $1,800 maximum is the limiting factor, not the half-cost rule. The effect of the half-cost provision in the award formula is that two students with different family income who attend a low-cost institution would receive the same, or similar, BEOG's. It should be recognized that at many institutions, this apparent difference is often equalized through aid to lower income students from the Federal campus-based programs, loans and State and institutional programs.

For example, at an institution costing $1,900—tuition and fees of $400—students from families with income from zero up to $15,000 will each receive a $750 BEOG award. Up to a cost of $2,300, students from families with income from zero to $13,000 will uniformly receive grants of $1,150.

This effect can be most clearly presented in chart form. I direct your attention to the charts which are before you. Chart 1 illustrates the effect of the provision on two students—one with $8,000 family income, the other with $15,000—attending a school which has a cost of education of $2,300—tuition and fees of $800 per year. This is the cost of an average 2 year public institution.

The two bars to the left compare the students under the current provision, those to the right without the half-cost rule. For the middle income student, the expected family contribution is $800 and the BEOG award is $1,000, that is to say, the $1,800 maximum minus $800. Since $1,000 is already less than half the c[illegible] of education, the half-cost rule has no effect and the amount [illegible] the same with or without the provision. In each case, the remaining burden—that amount which must be made up from a larger family contribution, from savings, work by the student or loans, is $500.

On both sides of the chart, the middle-income student receives the same BEOG, has the same BEOG, and has a remaining burden of the same amount, roughly $500.

However, for the lower income student, the half-cost rule does have an impact. Without the provision, the lower income student would receive a BEOG of $1,700—$1,800 minus the family contribution of $100—and would have a remaining need of $500—identical to that of the middle-income student. However, at this point, the half-cost rule comes into play.

Half the cost of education is $1,150; thus the grant to the lower income student is this amount rather than the $1,700. The award is $500 less because of the half-cost rule. The most important result is that the remaining burdens which I discussed in my testimony several weeks ago, are now disequalized. The lower income student must make up an additional $1,050 in support rather than the $500 which the middle-income student requires.

It is very important to point out that there are various interpretations of these effects of the half-cost rule. One can conclude that low-income students at low-cost institutions are receiving grants which are too small. However, it is also possible that middle-income students at low-cost schools are receiving grants which are relatively too large. The inequity could be in either direction.

Further, simple removal of the provision would have two effects which may be undesirable. First, it would increase total costs of the program by about $250 million. Second, it would lead to very substantial increases in grants for low-income students attending low-cost institutions. One effect of this is for many of these students, their BEOG award would be so large as to provide support well in excess of the direct costs of education.

There are numerous alternatives to the half-cost rule which have been proposed. Before describing several of these, I would like to suggest four policy criteria against which proposals which address the half-cost problem can be evaluated. They include the following:

Equity between students at the same school. Should the policy objective be to insure that at a given school, the same fraction of a student's costs is covered by the combination of the expected family contribution and the BEOG, irrespective of income? This is the major concern of those who feel that the current half-cost rule is unfair and should be corrected. It is the major criterion that is, in effect, illustrated on the first chart.

Second, there is the question of equity between students at different cost schools. For the same student at different cost schools, should the amount of self-help which is required after family contribution and BEOG be the same, or should it be greater at the higher cost institution? Currently, for a student with a given family income, the remaining burden appropriately increases as the cost of attendance increases. That is, if a student decides to go to a higher cost college, he or she will have to assume some share of the increased costs. I suggest this criterion because some of the alternatives to the half-cost rule have the opposite effect—that is, for some students the remaining burden remains constant as the cost of education increases over a limited range.

A third criterion is impact by family income and cost of institution. Should the portion of the cost of education which is covered by the BEOG be increased for lower income students at low cost institutions? Should it be decreased for the middle-income students at those schools? Some combination of the two?

This incorporates as a criterion the question of which institutions or which student bodies are affected by a given change in this rule. For example, simple elimination of the provision would provide large increases for lower income students. This would have a disproportionate effect on those students attending community colleges, or the lower cost institutions.

So the question of what institutional sector is affected is one of the questions at stake here.

Finally, I would suggest an OMB question: What are the costs? [General laughter.]

Or, what increase in aggregate costs of the BEOG program is acceptable in dealing with this issue?

I would like now to turn to the four alternatives which I will present today and set them against these criteria. There are four that I have chosen to discuss today. They are widely discussed in town and among analysts. Some are straightforward, others are more complex.

I think they represent the range of possible alternatives to the half-cost rule and I think will illustrate for you the tradeoffs which any change in that rule is going to entail.

The first option is obviously the elimination of the half-cost provision. I have discussed it a little bit already.

As indicated, it would be relatively costly and it would lead to very large increases for many lower income students attending low-cost institutions.

Another alternative which has been discussed is what I term the half-need alternative. Under this proposal, the limitation would be changed from half-cost—half of tuition, fees, and living expenses—to half-need—half of the amount which remains after the parents' expected contribution is subtracted from the cost of education. This alternative would reduce the grant to both the low- and middle-income student at the low-cost school, with a greater reduction for the middle-income student.

If I could have the next chart, I think it is easiest to point these out in comparison with a repeat of this first chart. The first two pairs of bars on this chart are identical to what was shown on the first chart, and I have put the other three alternatives which I am discussing next to them.

Perhaps it would be useful just to summarize what those are and take them against each of these criteria.

The second alternative is one which would equalize—which I have entitled "Resource Equalizing"—which is aimed at equalizing the remaining burden and does so by specifying that the BEOG would be the lesser of two amounts: Either, $1,800 minus the family contribution, which is the present contribution, or 60 percent of the cost of education minus the family contribution which would be a substitute for the half-cost rule. This proposal has been discussed with different percentages—70 percent.

The fourth option that I am discussing today is what we call the self-help option. In this proposal, every student would be assumed to contribute $900 a year, through work or loans, to cover the cost of college. The current BEOG formula has no such expectation of self-help and its inclusion clearly could have substantial implications for the college work study program.

In effect, that option, the self-help option, would require that the BEOG award would be the lesser of $1,800 or the cost of education minus the family contribution and $900 in self-help.

The effect of this is on the remaining burden for the lower income student or higher income student at that low-cost institution. As illustrated on the second chart, under the elimination of the half-cost rule, the inequity or the difference in the remaining need is removed by increasing the amount of award to the low-income student. The effect is that any student who is affected by the provision receives an increase in his or her award.

The half-need provision moves toward equalizing the two remaining burdens by lowering the amount of the BEOG that the higher income student receives and increasing the amount that the lower income student receives. In other words, it starts to bring them together but does not do so fully. The effect of that is that some students gain, and some students lose. The students who lose are obviously the lower income students. The students who lose are the more middle-income students attending the low-cost institutions.

The third alternative, the equalization of resources, has the effect that at whatever percentage level is chosen, the remaining burden is made equal for the two students. Again, this is done by reducing the award for the middle-income student and by increasing the award for the lower income student, bringing the two together.

Once again, also, the effect is that for a certain group of students, the award is increased and, for another group, the award is decreased.

The final alternative is the self-help proposal also which makes the two remaining burdens equal. In this case, it is done by imposing the $900 flat amount that each student is expected to contribute out of additional work or loans to his own education.

Mr. FORD. Let me ask you one question.

Mr. O'KEEFE. Yes.

Mr. FORD. If you carry it up to costs of $2,300, what happens to the relative admissions and the alternatives when you start moving toward more expensive educational packages? If you have up $6,000, $7,000, or $8,000, would you expect that this would extend itself out, or would you expect that you do not have a comparable impact?

Mr. O'KEEFE. Remember that the range in which the half-cost rule affects the student is determined by the maximum, so that for a maximum of $1,800, above a cost of education of $3,600 or more the half-cost rule has no effect.

If you move the maximum to $2,300, then below a cost of $4,600 the half-cost rule will have its effect, but not above it.

So if you move the maximum up, you actually increase the number of students who are affected by the half-cost rule.

Mr. FORD. The red portion in the margin of your graph that would serve to run off the top of the paper if you added $4,000?

Mr. O'KEEFE. That is correct.

The maximum and the half-cost rule are coupled. I think it is important to realize this but it is somewhat complex. The two are only coupled in that the maximum determines the point at which the half-cost rule no longer has an effect. As you raise the maximum, in fact, you include more and more students who are going to be affected by the half-cost rule.

Just raising the maximum does not affect the two kinds of students, because the maximum is not the determining factor for either of these two students. It is the half-cost rule that is determining their award.

Mr. FORD. OK.

Mr. O'KEEFE. The second criterion I have suggested is the question of how the remaining burden changes for the same student as that student decides to go to one institution or another. My apologies for a somewhat complex chart, but I think it is an important issue.

As I said, for the existing provision, this is not a problem and for the half-need alternative, it cannot be shown because both the current provision and for the half-need proposal, the remaining burden for a given cost of attendance varies by income. I cannot show one line of this chart that represents these two alternatives, but can do so for the resource equalization, for the self-help and for the simple elimination of the half-cost rule.

What this chart shows is that, for a given income student, as the cost of education along the bottom increases, the amount of remaining burden is indicated by the curve. If you eliminate the half-cost rule and go to higher and higher cost of education, the student has to pick up more and more of the burden.

In other words, from the economists' point of view, this means that if the student chooses a higher cost product, the student has to pay relatively more, in spite of the Federal aid that is provided.

With the self-help alternative, because of the $900 flat amount that each student is required to put forth, the curve is flattened so that between the $1,500 cost of education and up to about $2,700 or so, the student, in effect, has no change in his or her remaining burden in looking at a given institution or one that may cost more or less. Two, within the range of $1,500 to $2,700 the student sees no difference in price of the institution.

Again, from the point of view of economists, this has a negative effect. That is, to say, the individual purchaser, the student, sees no price difference and therefore is expected by economists to be indifferent to a choice among those institutions.

The resource equalization is sensitive to changes in costs of education, but in a different manner than the elimination of the half-cost rule. The increase in the amount of remaining burden as you go from one institution to another institution is lesser, up to about $3,100 at which point it becomes steeper and the increase in burden that the student has to pick up becomes more and more as the student goes to a higher cost institution.

Finally, there is the question as to how each of these alternatives affect the actual award at different cost institutions for different income students. The final chart in the series that I have presented illustrates this for three different students and two different institutions.

I have chosen a low-cost school, the $2,300 that I have used on the other charts, and I have chosen a middle-cost school at $3,100 and I have shown for low income, middle income and high income which is respectively chosen, in this instance, at $5,000, $15,000 and $25,000. The chart shows the amount of the BEOG award for the current program, for the elimination of the half-cost and for each of the other three alternatives.

With the elimination of the half-cost rule, no less, that is, no overall awards are reduced and the lowest income student at both the low-cost and the middle-cost institution receives an increase in his or her award. At the low-cost institution, it is slightly larger than at the higher-cost institution, but it is an increase.

The half-need proposal is the other extreme—it provides equity for the remaining burden by leveling down. It does not change the grant received by the low-income student at either of those institutions—it actually increases it a little bit for the middle-cost school. However, it provides a decrease, for the middle-income student attending the lower cost institution. It does not affect the high-income student at that institution nor does it affect the middle- or high-income student at the higher cost institution.

The resource equalization option gives some students an increase, and some a decrease, The lower income student again receives an increase in the award, a larger increase at the lower cost institution. The middle-income student suffers a decrease in the amount of his award, as does the higher income student.

Finally, the self-help provision—at which the $900 of work is assumed of everyone—in essence removes $900 from each of those others, with the exception of the low-income student attending that low-cost institution. Again, there is a large reduction for both the middle-income and high-income student.

Once again, there is no change in the award to the middle- or high-income student at the middle-cost institution from any of these provisions. There is an increase, on average, for the low-income student at the middle-cost school.

Mr. FORD. Thank you. I think that is helpful. I am not sure. [General laughter.]

What you have done is, in a very orderly fashion, presented something with one or two horns on it.

Mr. O'KEEFE. Yes, that has been our observation too.

Mr. FORD. I hope that some place along the line you can courageously stand with us on some position. There are those who advocate total elimination, and those who advocate no change.

They feel very strongly about it. It is one of the areas where the greatest degree of difference exists in recommendations coming from associations representing constituencies in the higher education field.

My instinct is to look for a compromise when that happens. I do not see the outline of a compromise on the charts. That is what leaves me uneasy. I thought you were coming in here with a magic solution.

Mr. O'KEEFE. I tried my best to identify the ways to look at it. I think your observation is correct: This is a complex issue in which there are simply trade-offs. It is a classic public policy issue. There is no single solution that seems to satisfy all criteria.

Mr. FORD. But is it not correct—the thing that is involved here has education measured in terms of tuition and fees as distinguished from the other factors that we take into account.

We assume the living style and the cost-of-living, for example, for all students to be the same no matter where they are going to school. That presents a problem, because the high-cost institutions tend to be institutions where the students are living away from home. The greatest anxiety about the half-cost provision, as it now exists in the law, is expressed to us by the community and junior colleges where the overwhelming majority of students do not live away from home, at least, do not live on campus. They do not live in institutionally supported or subsidized housing.

Is it possible to work toward a compromise of equity by dealing with an adjustment that applies itself only to the tuition and fees portion of the formula instead of the total cost of education portion?

What would happen, for example, if you said that the half-cost rule would apply in all respects except that there would be a floor on the size of a grant for low-cost institutions, a minimum one established for the consideration of tuition?

Mr. O'KEEFE. A minimum or a maximum?

Mr. FORD. Well, suppose that up to a certain amount of tuition, you would consider all of the tuition and fees as a part of the cost without respect to half-cost, and then you would consider only half of the total, including living costs and tuition fees, say like $300 or $400. That would be an immediate aid for the community and junior colleges.

Mr. O'KEEFE. It is an interesting suggestion, Mr. Chairman. I would have to take a look at it rather carefully before I give you my reaction to it.

Mr. FORD. Suppose you visualize developing a package for a student or a community junior college, a low-cost public institution, and you visualize the other package at the higher-cost institution. You could figure out how much of the package you could work out in the formula actually represents the cost of tuition and fees and then go back and add on the remaining tuition and fees not to exceed $300 or $500 or $400 or some such figure, so that you picked up actual tuition costs, or at least you designate the money as being for the actual tuition costs for the low-cost institution without dislocating the actual treatment with respect to standard of living.

Mr. O'KEEFE. What would you want to accomplish? Which of the criteria?

Mr. FORD. Get the community and junior colleges off my back. [General laughter.]

That is not one of the criteria that you have, but it is one of mine.

Mr. O'KEEFE. I suggested to Jack Tirrell last night they there is a combination of proposals on the half-cost rule that probably would satisfy many people, that is, eliminate the half-cost rule entirely and federalize the entire community college system. [General laughter.]

He congratulated me for finally being half right. [General laughter.]

To satisfy the community college concern you were talking about would mean eliminating the provision altogether, resulting in very large increases for students at low cost institutions. However, if that is your objective, then there are alternative ways to accomplish it.

There are other ways to look at the inequity; it may go both ways. You may want to deal with the problem by some of the intermediate options that both increase and reduce awards.

Mr. FORD. Well, the practical problem is that we are dealing with a finite amout of resources. We are not really talking about adding on a substantial amount of money to provide equity for the low-cost institutions. We are talking about shifting those resources from one kind of institution to another.

If we simply take the half-cost out of it and if you start out with the assumption that you have a fixed amount of money we are going to have available to deal with and recognize that the short fall starts to work against the middle-income student first. At least, that is what we thought we were designing into MISAA. If you start to make that adjustment without paying for the additional entitlement that is created, that results in the shift in resources from the middle-income student and the high-cost institution to the low-income student and low-cost institutions.

Mr. O'KEEFE. That is correct.

As I suggest, ways to deal with that might be to phase it in, to step toward it slowly, to phase it in for the first-year class, for example, and first- and second-year class the next year and so forth, so that no particular student would end up with that award being reduced.

Mr. FORD. It does not show in the record, but that is not selling very well in the rows behind you. [General laughter.]

It shows now. [General laughter.]

Mr. FORD. I want to thank you very much for at least laying out for this record a better understanding than perhaps some people have had into the sensitivity of this issue and the complexity of this issue. I find that I constantly encounter people for whom there is not much of a problem. We could do it one way or the other, and that is equity.

Obviously, we are not able to do it that simply within the constraints of budgetary considerations. It becomes more difficult to work with equity. You can do a lot of things if you have extra money to do it with, but it is very difficult to make changes without money. That results in taking something away from someone who previously was entitled to that, and giving it to someone else.

We have very rarely succeeded in doing that in any kind of education program.

But I do appreciate having on the record now the problems that each of the alternatives suggest in themselves, so that members of the committee will have a better understanding of why we have not been able to come up with an answer that makes every one happy.

Mr. Buchanan?

Mr. BUCHANAN. Thank you, Mr. Chairman. Actually, I think you hit the nail on the head. Our usual situation is that we need the funds at both ends, and we have to do either/or; robbing Peter to pay Paul, Paul is always on the receiving end.

I do not know what course we can take, but I appreciate your outline of the alternatives.

Mr. FORD. Thank you very much.

Mr. O'KEEFE. My apologies for leaving the committee in puzzlement and confusion over this issue, but I did try to lay it out as clearly as I could.

Mr. FORD. I cannot think why you should be any different from anybody else who has come here. [General laughter.]

We have a panel, now, consisting of Joel Packer, legislative director for the U.S. Student Association; Pat Kocian, Coalition of Independent College and University Students; and Henry T. Yost, chairman of the Committee on Government Relations of the American Association of University Professors and professor at Amherst College.

Without objection, the prepared statements to the committee by the witnesses will be inserted in full at this point in the record.

[The prepared statements referred to follow:]

USSA United States Student Association

The Merger of the U.S. National Student Association and the National Student Lobby

STATEMENT OF

JOEL PACKER

LEGISLATIVE DIRECTOR

UNITED STATES STUDENT ASSOCIATION

BEFORE THE

HOUSE POSTSECONDARY EDUCATION SUBCOMMITTEE

ON REAUTHORIZATION OF THE
FEDERAL STUDENT GRANT PROGRAMS

MAY 16, 1979

RAYBURN HOUSE OFFICE BUILDING

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Chairman Ford, members of the Subcommittee I would like to thank you for the opportunity to be here today. My name is Joel Packer and I am Legislative Director of the United States Student Association (USSA). As you know we have appeared here several times already on the reauthorization, and I will be speaking here again on other issues such as loans and work-study. I want to commend this Subcommittee for the thoroughness of these hearings and for your efforts to seek meaningful student input from USSA and other organizations.

The programs under review today, the three Federal grant programs are of major importance to students. We have always firmly believed that grants are the preferred and most sensible method for financing higher education for low-income and lower middle-income students. The grant programs should provide for the base to ensure access and if possible choice of institutions. Only after a student's grant aid eligibility has been exhausted should he/she be required to work or take out loans. Higher education is vital to the well-being of a very advanced and technological society such as ours. College benefits not just those involved in education directly but all citizens.

The current programs, Basic Educational Opportunity Grants (BEOG), Supplemental Educational Opportunity Grants (SEOG), and State Student Incentive Grants (SSIG) have ~~grown~~ steadily, sometimes rapidly over the last several years. In general we believe they have worked well. According to the Bureau of the Census in 1967 there was a 48.3 percent difference in college enrollment rates between those from families with incomes of less than $5,000 and those from families with incomes over $15,000. However, by 1976 this gap had narrowed to 35.8 percent. Significant progress, but a sign that there are still more steps to be taken to ensure income does not remain a barrier to attendance.

My testimony today will not dwell on the current operations of these programs as NASFAA and others have already spoken to this here. I will simply review the major proposals that USSA recommends for improvement in these programs. All of the changes I will discuss here have been submitted to the Subcommittee as part of our legislative recommendations for reauthorization. In general we believe that all three programs should be continued in essentially their present form. The changes we propose would either expand award levels, redefine eligibility to admit new clienteles such as the less than half-time students, or provide better coordination and clearer purpose to the programs.

The improvements that this Subcommittee has already succeeded in enacting as part of the Middle Income Student Assistance Act (MISAA) were long overdue changes that were really the first step of reauthorization. I hope that the proposals USSA has developed will be seriously and thoroughly considered by the Subcommittee.

A) BASIC EDUCATIONAL OPPORTUNITY GRANTS (BEOG)

1) Make Basic Grants a True Entitlement.

USSA recommends that new language be adopted that would clearly define BEOG as a true entitlement program. While in theory it is an entitlement, that is the student applies, a calculation is performed on their financial situation, and if they qualify under the formula they are supposed to receive the amount they so qualify for. In reality the award levels are subject to the political and fiscal whims of Congress. If insufficent levels of money are appropriated then the schedule of reduction takes effect and almost every student has his/her award reduced. This situation has occurred several times, including the academic year just finishing. USSA and several other groups including A.C.E., COPUS, NASFAA, and SHEEO believe that the BEOG program should become, as it is intended to be, the cornerstone of Federal student assistance. Unless it is made a true entitlement, the cornerstone will never be firmly in place and will perhaps undermine the rest of the student aid structure.

2) Increase the Maximum Award To Keep Pace With Inflation.

USSA, along with A.C.E., COPUS, CCSSO, NAICU, NASFAA, and N.J., urges that the BEOG maximum award, now authorized at $1800 be increased. Between FY 72 and FY 80, the Consumer Price Index (CPI) will have increased by 75 percent, yet the Basic Grant maximum will only have risen by 28.6 percent, from $1400 to $1800. Clearly, the lower-income students who are dependent on BEOG as an access program have been and will continue to stagger under the burden of increased college costs unless the award level increases. Raising the maximum will also provide for award increases for the middle-income families recently made eligible by MISAA. It will also offset the problem of the number of eligible students being reduced each year due to inflation affecting incomes. A maximum award of $2400 in FY 81 would be necessary to maintain the value of the original grant. Since this might prove expensive if implemented in one jump, USSA has recommended a series of step changes which would bring the maximum to $2,500 in FY 85. While we do not have detailed cost data on such an increase, a rough estimate would place the cost of every $100 increase in the maximum award at $350 million.

3) Remove the Half-cost Limitation.

While most of the rest of our recommendations are somewhat non-controversial, at least within the higher education community, the half-cost issue once again, is unfortunately creating divisions among organisations. USSA however, has consistently and strongly opposed this provision which limits the maximum BEOG to no more than one-half the cost of attendance, as arbitrary and inequitable. This provision supposedly helps the private institutions by enticing students to higher cost colleges where they can get the full Basic Grant they are entitled to. But the Carnegie Council in 1975 concluded, "Low-income students frequently have only one feasible option for postsecondary education: attendance at a near-by low-priced public institution... but the present limitation of the BEOG grant makes it impossible to cover (non-instructional) costs, which may make their only practical choice between not attending at all, or attending on a part-time basis while working."

Only the lowest-income students who attend lower-cost colleges are adversely affected by the provision. A former staff person of the Brookings Institute has said the provision "punishes the poor". A.C.E. estimates that about 700,000 students are affected by the limitation. We understand that the Office of Education is considering changing the half-cost limit to a half-need limit. While USSA has not yet fully analysed such a proposal, since we have not seen the details of it, we would urge careful evaluation of it, particularly its effects on low-income students. Removal of half-cost is also a top priority of AACJC.

4) Computation of Off-campus Attendance Costs.

In calculating a student's cost of attendance the statute requires use of actual costs charged the student by the institution. However, for those living off-campus and not contracting with the institution for room and board services, OE has established a national standard figure of $1100. This is clearly irrational. First in many cases it costs more than this to live off-campus, and thus these students are being penalized. Second, living expenses obviously vary from region to region, and thus a national figure doesn't make sense. Lastly, there are differences if the student is living with his/her parents or in separate housing. To alleviate this problem, we have suggested that a campus derive two different figures - an average cost for those living with their parents and a separate average cost for those who are not. NASFAA has made a similar recommendation. Adoption of this proposal will also ensure that no student receives a BEOG award larger than their cost, which could conceivably happen for those who attend no-tuition institutions and commute.

5) Expand Maximum Time Limit for Eligibility for BEOG. Current law restricts a student to four years of eligibility for Basic Grants unless the institution is requiring them to take remedial courses, or the program of study they are enrolled in is normally five years in length. USSA, and such groups as A.C.E., APGA, CAPE, CCSSO, JCET, NASFAA, NUEA, and PCSCU, has proposed extending normal eligibility to five full academic years or the equivalent for those attending on a part-time basis. We believe there are many valid reasons, in addition to the two stated in law, why students must go five years to obtain their degree. Transfer students invariably lose credits, thereby forcing them to attend at least an additional semester beyond the normal eight. Illness, change in majors, academic problems, etc. are other frequent reasons for attending more than four years. One study found that only 50 percent of students complete their bachelors degree within four years. As long as the student is meeting the institution's standards of academic progress they should not be penalized. We recommend this change for SEOG also.

6) Treatment of Independent Students with Dependents. Current law and regulations specify that the assessment rate on income be 10.5 percent for dependent students, 75 percent for single independents, 50 percent for independent students with a dependent, and 40 percent for independents with two or more dependents. While MISAA ameliorated the problem of unfair treatment for independents with dependents regarding asset treat-

ment, it made no improvements for income assessment rates. Our proposal would treat independents with dependents the same as dependent students families for income purposes also. USSA sees no reason why a given family's income should be treated radically different if the student is a child or the parent. With increasing numbers of older students, many of whom are heads of household, enrolling in college, these changes are necessary to meet current needs.

With regard to the single independent student, we do believe they should be treated differently, since the student is the only person living off the income, and therefore should contribute a much higher percentage of income toward the cost of education. However, the current 75 percent rates seem out of line when compared to the 10.5 percent rate for families. We suggest reducing this to 50 percent, still five times that of a family.

7) Direct Proration of BEOG Awards.

Present OE regulations state that students attending from 1/2 to 3/4 time all receive 1/2 the normal Basic Grant, while those from 3/4 to full-time all receive 3/4 their normal BEOG. USSA proposes that the awards be reduced in direct relation to the number of credit hours taken by a student. Several associations have made this recommendation in addition to USSA.

8) Reduction in Minimum Award

If a student's financial situation causes she/he to be eligible for a Basic Grant of anywhere from zero to $199, they get nothing, since the minimum award by statute is $200. We propose lowering this to $100. Amounts of this size can be effective, especially for part-time students. Processing of such awards should not prove costly since these people are applying now but getting no award. AACJC, NUEA, and CAPE also support this change.

B) SUPPLEMENTAL EDUCATIONAL OPPORTUNITY GRANTS (SEOG)

There is no question that SEOG continues to be a vitally needed program, particularly for higher cost institutions. With average costs about $3000 at public colleges and almost $5500 at private institutions, it is clear that a Basic Grant of $1800 or even $2100 is not sufficient to assure choice of institutions, and for very low-income students perhaps not even access to public colleges. USSA, as set forth below, believes that SEOG needs to be expanded, more closely tied with BEOG, and made to serve additional populations.

1) Provide Better Coordination Between SEOG and BEOG.

USSA believes that the Title IV programs need to be placed in a broad conceptual framework. We believe that to the extent feasible student's need should be met through a combination of family contributions and Federal/State grant programs first, through Work-Study and/or other employment second, and by loans as a last resort. We have advocated for some time placing a statutory limit on the percent of need (cost minus family contribution) that can be met through loans. We recommend that 33 percent be this limit. Conversely USSA proposes that a statement be added to Sec. 401 of the Act which would clarify the intent of the grant programs - which would be to meet 70 percent of student need. Our amendment would do this by setting this as a goal, thereby not creating undue restrictions on the campus financial aid office. Such a goal will help students to better plan the financing of their education, if they can make rough estimates based on this guideline of how much they may receive in grant aid.

This goal is in line with the new campus allocation formula OE has implemented for distribution of campus-based funds, which state that SEOG should provide, in conjunction with family contributions and other grant aid, 70 percent of student cost. In Fall 1975, on the aggregate, 74.6 percent of college costs were met by grant aid and family contributions.

Our second proposal for coordination of the grant programs links the appropriation for SEOG with BEOG, by setting the minimum funding threshold for SEOG at 20 percent of the Basic Grant appropriation. This will ensure that SEOG keeps pace with increases in college costs and increases in BEOG, and thus remains a viable program. Several groups have recommended this type of linkage including COPUS, COFHE, NAICU, and NJ.

2) Abolish the Distinction Between Initial Year (IY) and Continuing Year Awards.

In practice, this distinction has been ignored by the Congressional appropriations process since a single lump sum has been approved the last several years. This distinction serves no useful purpose and should be eliminated. This will save institutions much troublesome paperwork, yet still leave schools the flexibility to decide at the campus level whether to give out different types of awards.

3) Increase Maximum SEOG Award.

Current law sets a maximum on the yearly SEOG of $2000, but also sets an overall cumulative maximum of $4000. USSA recommends that the yearly limit be raised to $2000 and that the cumulative maximum be increased to $[illegible]00. According to A.C.E., the average college cost will be $5,800 by 1985. Without substantial amounts of grant aid low-income and middle-income students will be forced out of college, certainly from the higher cost ones. Under our proposal the total of the maximum BEOG and SEOG will be $4500, still less than the average cost of college projected. An increase in the SEOG maximum has been endorsed by a wide variety of groups including A.C.E, COPUS, CCSSO, NAICU, NASFAA, and NJ.

4) Reduce the SEOG Minimum Award Limit.

For SEOG even more than for BEOG we would urge lowering from $200 to $100 the amount that the minimum award can be. We believe that at the discretion of the campus financial aid officer a smaller award may be in order. Examples of situations that call for a smaller award are students enrolled in summer sessions, or for just one semester, or students who withdraw at some point in the academic year, or simply students with a small need. Groups such as APGA, CAPE, JCET, NACECE, and NUEA have suggested lowering or eliminating the SEOG minimum award limit.

5) Treatment of Independent Students With Dependents.

USSA proposes, as we did for BEOG that these students be treated the same as the family of dependent students in need analysis. This could be accomplished by adding a mandate to this effect to Sec. 413C (a)(2).

6) Aid For Less Than Half-Time Students.

As we testified here last week we support amending the SEOG program to allow institutions at their discretion the authority to provide SEOG to LTHT students. AACJC, A.C.E, CAPE, CCSSO, JCET, NACECE, and NUEA have also recommended aid for less than half-time students.

7) Extend the Maximum Time Eligibility For SEOG.

USSA suggests that the maximum amount of time that a student should be eligible to receive an SEOG be extended from four to five academic years, or the equivalent thereof, if the student is on a less than full-time basis. Our reasons for this have been discussed above under BEOG.

8) Establish Limited Grant Aid for Graduate Students.

Currently graduate students are totally excluded from any of the Federal grant programs. Except for loans, the only program they are eligible for under Title IV is CWS. The Federal government has sharply curtailed its commitment to graduate education in recent years, and has even tried to zero out several existing fellowship programs. Something needs to be done. In many cases graduate degrees are required to enter certain professions. Without adequate assurances of financial aid, low-income students, many of whom are minorities will be forced to incur tremendous debt burdens or not attend at all. USSA proposes that institutions be allowed, if they so desire, to utilize up to 15 percent of their SEOG allocation to give grants to graduate students. Such grants cannot exceed 50 percent of the cost of education. This modest proposal will help alleviate the burden of financing graduate education, without increasing the costs of the SEOG program. We also recommend incentives in the SEOG program to encourage States to include grads in their scholarship programs.

9) Revise the State Allocation Formulas.

The current State apportionment formula for SEOG, as well as NDSL and CWS, are all based on enrollment and other factors. For SEOG it is based on full-time enrollment and the full-time equivalent of part-time enrollment. This makes no sense since funds go to students based on financial need. Because of the current formulas different States receive differing percentages of their approved funding request for SEOG. Thus, a student may get vastly different amounts of SEOG, not because of differing needs, but because of how their State fared under the formula.

USSA recommends that the formula become need-based. Specifically we would set SEOG apportionment as 70 percent of the aggregate State need for financial aid. The specific formula would be set by the Commissioner based on such factors as the aggregate cost of education in the State, the aggregate family contribution, and the amount of BEOG funds received by the State. This would follow the principles established in the new campus allocation formulas based on the "Huff panel" recommendations. Any new formula should probably be phased in and include save harmless provisions to prevent major abrupt shifts of funds between States.

One last point about any new formula based on need. In order to ensure that institutions and States do not raise tuition and fees simply to increase "need" and thereby capture increased federal dollars at the expense of students, we propose that institutional cost increases which rise at a faster rate than some set indicator, perhaps the CPI, would not be counted in the new "need" of the institution, unless the institution can justify to the Commissioner why such extraordinary costs should be covered. Similarly, the formulas should set some maintainence of effort to prevent States and institutions from drastically reducing their share of financial assistance.

## C) STATE STUDENT INCENTIVE GRANTS (SSIG)

This program has admirably served its initial purpose, which was to encourage States to establish programs of grant aid. Before SSIG, in 1972-73, only 28 States ran these types of scholarship programs. During the current year all 56 eligible States and territories have programs in operation. This program should be maintained, expanded, and establish new incentives to encourage States to expand coverage of their program.

### 1) Abolish Distinction Between Initial Year and Continuing Year Awards.

We propose this for much the same reasons as we did for SEOG. A.C.E. also proposes this change.

### 2) Increase the SSIG Maximum Grant and Include Provisions for Part-Time Students.

We join with such groups as NASSGP, A.C.E, CAPE, NUEA, COPUS, NAICU, JCET, and NJ in recommending an increase in the SSIG maximum. We propose that it go from $1500 to $2000, if a State so desires. In addition, our recommendation would encourage States to include part-time students and grant them authority to include less than half-time students. Our language specifies that grants for students attending part-time be reduced proportionate to the normal grant.

### 3) Establish a Rolling Base Year.

Since many States vastly overmatch the Federal share of SSIG dollars, increases in their Federal allotment do not require them to put new State dollars into the program. Also, they can actually reduce the State share and not lose Federal funds, because the base year for maintainence of effort is a fixed one. One way to overcome this problem and increase the flow of State dollars is to make the base year a rolling one, that would set a continually updated level for maintainence of effort purposes. Both NAICU and COPUS support this idea:

4) Establish a Two-Tier Program With New Incentives.

Coverage by States of specific types of students varies widely. Only 13 States give awards to part-time students, while only seven provide portability of grants. USSA believes that it is in the best interest of students for these programs to more broadly cover different types of students. To require as a condition of participation that all States do these things is not feasible, since in many States the State shares far exceed the Federal share. Many of these States would be completely tempted to drop out of the program if additional mandates were established. We propose therefore that a two-tier program be established. Once appropriations rise above $100 million, portions of such funds would be earmarked only for those States which do specific things, in our proposal include part-time students, graduate students, or allow for portability of grants. In this way, no State is penalized for not expanding their program, while those States which do respond to the new incentives will be rewarded. COPUS has proposed similar amendments.

5) Revise State Allotment Formulas.

We propose these formulas become need-based rather than the current enrollment base. For a rationale see the discussion of this issue under SEOG.

Mr. Chairman, one last area I want to mention is that of processing of applications, not just for grants, but for all Federal and even State and institutional assistance. Unless the money that is available for students actually reaches them, it is of no use. The application processing system is thus as important as the structure of the programs themselves. USSA believes that the system, not just the form, must be simplified, yet remain flexible enough to meet the diverse needs of thousands of institutions, States, and of course the millions of student financial aid recipients. While we realize there are certain problems with legislating the outlines of the system, we have recommended some specific items which we hope will put some degree of rationality into the system. Our proposal would do several things:

a) It authorizes the Commissioner to establish a common form for all need-based Federal student aid programs, We hope and urge that this form will be simplified from the current forms. As you know, OE is already moving in this direction.

b) It authorizes the Commissioner to contract with private processors, as well as States, to process this form. We strongly feel that one way to simplify the system is to allow all processors complete edit, correction, and printing of output document functions. This would reduce the number of agencies a student must deal with to one.

c) It mandates that this form, which we hope will be the only one necessary for the large majority of students, be processed at no charge to the student. USSA has consistently opposed charging needy students a fee to tell them how much money they will get from the government.

d) It provides that reimbursement to the processors include reasonable costs for monitoring of the quality of financial aid services, information dissemination, training and counseling, and research and development activities to keep pace with technological advances in the field.

e) It allows for a supplemental form. As already noted we believe that the core form can be the sole document for most students. However, we must recognize that there are certain institutions which will require more data. The supplement should be coordinated with the core form.

f) It mandates consumer input in the design, implementation, and evaluation of the system.

In closing, I want to once again thank you for the opportunity to be here today. I would be happy to answer any questions you may have.

copus Washington

# STATEMENT OF THE
# COALITION OF INDEPENDENT COLLEGE AND UNIVERSITY STUDENTS

BEFORE THE

HOUSE SUBCOMMITTEE ON POSTSECONDARY EDUCATION

THE HONORABLE WILLIAM D. FORD, CHAIRMAN

Presented by Patrick W. Kocian

National Director

May 16, 1979

REAUTHORIZATION OF THE HIGHER EDUCATION ACT

STUDENT GRANT PROGRAMS

Mr. Chairman and Members of the Subcommittee, I am Patrick W. Kocian, National Director of the Coalition of Independent College and University Students, or COPUS. COPUS is a national federation of student chapters, student governments, and state associations of students at independent colleges across the country. Now in its fifth year, COPUS is honored to have supported the consistent leadership of this Subcommittee and its members in advocating the best in educational opportunity for all students. We take great pleasure in appearing before you today to offer our recommendations for reauthorization of student grant programs in Title IV of the Higher Education Act.

As you know, COPUS joined a number of associations in offering comprehensive legislative language for our proposed amendments to the Higher Education Act. As the architect of that language, I personally would not gamble the educational opportunities of future generations of students on its legal soundness. Rather, we wish to offer here our program goals and objectives without bias towards the language we have previously proposed to affect these changes. We trust the Subcommittee is better equiped than we to write legislation.

Before launching into our recommendations, I would like to lay out the important premises on which our recommendations have been developed and are offered here. First, we believe that the structure in which the federal grant programs are contained is fundamentally sound and should be retained. If we desire a system of grant aid that is rational, relatively integrated, correspondent to the structure of American higher education, and consistant with the principle of equal opportunity, than we should all be delighted to know that our predecessors have already developed such a model and, roughly, enacted it into law. The current grant programs represent a surprising, maybe even inadvertant wisdom--the kind of wisdom that inexplicably, but regularly and fortunately results from the American political process. BEOG, SSIG, and SEOG exemplify the widely - if not universally-held principle of a shared federal, state, and institutional partnership in realizing equal educational opportunity. The coupling of a standardized student entitlement--BEOG--with a locally-based, individually sensitive program--SEOG--represents a fundamentally important recognition that the diverse needs of millions of students attending thousands of institutions are better addressed by decentralized decisions, rather than by a single, presumptuous, nameless bureaucracy in Washington. As a new student of national financial aid policy, I have found it revelatory to perceive a logical theory underlying our grant systems.

The system, we submit, is sound. It is still evolving, or, at least, still smoldering from its eruptive birth. Prudence suggests that we let this structure realize maturity before we abandon it for another. But we cannot do so without commiting to our grant programs the resources they need to fulfill their design. And here is where we have undermined the proud design of Title IV grant aid: funding of the programs has been unpredictable, arbitrary, and inconsistent with the intended relationship between the programs. Until we can reconcile program intent with program funding, no delivery system will result in equitable, rational distribution of financial aid. Without addressing the funding problem, we will continue to have haphazard, "crisis" management in Washington, and unmet need among students across the country. In short, our problem is not so much the program, but the appropriation.

Our second principle is that access to only one type of education is a disappointing promise to students who require another type. American higher education is unique and is distinguished by the diversity it offers in educational program, environment, objectives, flavor, texture, and substance--in short, in the variety of educational experience it presents to meet the needs of American students. If it is this diversity that most defines our nation's educational asset, then it is logical that our commitment to educational opportunity be premised on sharing this asset with all students. Choice, then, is not a luxary in American higher education; it is an imperative of American higher education.

Finally, I'd like to emphasize that we are unique among the witnesses who will face you. We are as self-interested as any interest group, but our interest is the *student* interest, and that, after all, is why we're all here. As students in private colleges, we do value independent higher education in our country; moreover, we are well aware that in our schools, moreso than in others, institutional well-being directly and dramatically affects our well-being, in the tuition we pay and in the product it buys. But COPUS trusts institutions to fend well in representing their self perceived, and usually valid needs. Our responsibility is to students, and our recommendations are offered as responsive to to student needs.

The students we represent are of two groups: those who now struggle to fulfill their academic ambitions at an independent institution, and those who would, if they felt that the awesome price tag of an independent higher education was within their reach. But this is the only categorization we care to recognize in our constituency. We do not accept philosophically that anyone is born, or is by economic or social circumstances given to be, a public or private college student. We know, however, that reality does not conform to this ideal, that economic and social circumstances do define educational opportunity for many students, and that the opportunity for an independent higher education is, by cost, too often limited by such circumstances. It is to overcome these limits, and not to preserve them, that private college students founded COPUS, and that COPUS is here today.

BASIC EDUCATIONAL OPPORTUNITY GRANTS (BEOG)

A True Entitlement: The most prominant example of the inconsistency between operational and funding models in federal student assistance is the uncertain "entitlement" of Basic Grants. We cannot hope to achieve rationality and legitamacy in our financial aid system if the "corner stone" of that system is threatened annually by the frequent irrationality of the appropriations process. Our financial aid policy must be founded on at least one absolute, and if we can't guarantee that, we may as well toss in the towel. The current student aid system employs the BEOG entitlement as its absolute, to which other programs refer. If we want this system to work as it should, it is time we solidify its foundation. We join most higher education associations in urging the Subcommittee to authorize the Basic Grant as a true entitlement program subject to non-discretionary appropriations.

Raise the Maximum Award: COPUS recommends increasing the maximum BEOG award to recognize the dramatic tuition increases that have been a fact of life this decade. The current maximum BEOG has been decreased woefully by inflation, which particularly diminishes its relevance to students who hope to attend independent and out-of-state public institutions. Merely increasing the award by inflation standards would require a $2400 award for FY 81. We suggest that, to maintain BEOG's role in our federal grant system, the maximum award be raised to at least $2400 by FY 81, to account merely for inflation since the program's inception. While this increase is no more or less than consistent with the program's original intent, it may be politically difficult to obtain. In that event, we would urge that a $2400 maximum award be achieved at least by FY 83, although functionally it is advised to obtain this increase sooner.

COPUS also recommends authorizing marginal step increases in the BEOG maximum award--perhaps $100 to $200--in order to reflect, albeit not match, projected increases in education costs to students. Such small incremental increases are unlikely to have significant inflationary impact, though they can be of important help to students in offseting $300--$600 annual tuition increases.

The Half-Cost Limitation is Vital to this Model of Grant Aid: COPUS strongly supports the retention of the half cost provision within the current framework of student grant aid. Despite its controversy, the half-cost provision is clearly logical in a student aid structure that seeks to encourage the widest opportunity of educational choice for all students.

There are two arguments surrounding the half-cost issue. One, on which our recommendation is founded, is based on incentives for student choice; the other is based on institutional recruitment and revenue. Unfortunately, the latter argument has obscurred the former over the years.

In the institutional brawl, we find on one side the high-cost colleges, usually independent, fearing that the removal of the half-cost provision will seriously impair their ability to compete for student enrollments with lower-cost, usually public institutions. This lost enrollment, they assert, and the lost revenue it represents, constitutes a grave threat to independent institutions which must rely substantially on tuition and student aid revenues for operating expenses. Some high-cost institutions, however, particularly highly prestigious ones, doubt that their recruitment is significantly affected by federal grant policy, and are not too concerned about half-cost. Thus, there is some division in these ranks.

On the other side of the institutional debate are the lower-cost institutions, who, though not particularly excited about the potential for increased enrollment with the removal of the half-cost, do certainly covet the substantially incr[illegible]d BEOG revenues from currently enrolled students now affected by half-cost. Community colleges in particular, traditionally the lowest-cost institutions, stand to recieve almost windfall increases in BEOG revenues should half-cost be eliminated.

Given today's economy, and the projected decrease in nationwide postsecondary enrollment, one can understand and genuinely sympathize with the institutional concerns. But we feel that both sides, pro and con, are arguing from concerns that are divorced from the real question that half-cost represents: do we want a student aid policy that limits or enhances a student's choice of educational program?

I mentioned earlier that COPUS represents two groups of students. The first group, those already enrolled in the independent sector, have nothing to directly gain or lose from half-cost (except, of course, to the degree that their institutions suffer lost revenue, and consequently raise tuition and cut back programs). It is the second group, future would-be college students, for whom we support the half-cost provision. We cannot help but wonder, and worry, what the impact on these students would be if the federal government offered them a full- or subtantially-full subsidy to live at home and attend the community college around the corner. "How does an entitled, full federal subsidy to attend the local branch state college affect a low-income high school student's perception of educational opportunity in the big, wide world? How many low-income students can resist that kind of incentive, and how many low-income families wouldn't pressure their kids to take the sure thing, and not the unknown away from home? It would certainly be ironic if financial aid came this far only to start encouraging students to choose their education on the basis of dollars rather than academic needs. But it would by no means be amusing for federal financial aid policy to facilitate "tracking" low-income students into low-cost colleges. The removal of half-cost is an inadvertant but effective discrimination in educational opportunity.

Don't get me wrong: COPUS has no penchant for self-help. Personally, I'd be happy to see every student get a free ride. Nor do we want low-income students, or any student, denied the financial aid necessary to attend any chosen college. But the answer to this need is in the same system of which half-cost is a calculated part: full and balanced funding for the campus based programs. Any student denied needed financial aid by half cost should be able to obtain that aid from campus-administered and state funds; this is the promise of the federal, state, institutional partnership of the current grant programs, _if_ they are appropriately funded. The idea of half-cost is not to withold needed assistance from any student, but to provide that aid in the most neutral manner, in order to enhance the opportunity of all students to shop the educational market.

The half-cost provision exists in a comprehensive system intended to make available the full offerings of American higher education to all students. We think this is a worthy objective of federal student aid policy. Opponents to half-cost often-times quote the Carnegie Council on Policy Studies in Higher Education, in its 1975 report proposing the elimination of the provision: "Low-income students frequently have only one feasible option for postsecondary education: attendence at a near-by, low-priced public institution...". In other words, the removal of the half-cost provision is justified only if we are willing to abandon the goal of expanding educational opportunities for low-income students. But that goal is fundamental to our organization, and we won't abandon it. I'm sure that no one else wants to, either. I hope that that objective will be prominant in your deliberations about the intent of student aid policy in the future.

_Other Concerns_: COPUS fails to see the rationale for distinguishing between dependent students and independent students with dependents in assessing eligibility for BEOG assistance. We recommend that this distinction be eliminated. We further would be amenable to lowering the minimum BEOG award if the Office of Education and the financial aid community agree that this can be done without undue increases in administration and costs.

## SUPPLEMENTAL EDUCATIONAL OPPORTUNITY GRANTS (SEOG)

The Supplemental Grant program represents well the coordination built into the grant structure of Title IV. It provides supplemental aid to students who, by virtue of either BEOG's, other aid, or family contribution, already have the hope of a college education, but have real financial need remaining. It is institutionally based, thereby sensitive to costs, as well as income, in determining eligibility. SEOG thus has two constituencies: first, the lowest-income student, for whom a BEOG alone is not sufficient to afford even simple access to education; second, students who may be ineligible for more than token BEOG help, but who face towering financial obstacles in attending many high-cost independent and out-of-state public colleges.

Inconsistent Funding: SEOG demonstrates an appealing structural relationship to the other grant programs; its funding, however, evidences an inconsistency with that functional relationship. While BEOG has grown in leaps and bounds, SEOG has sputtered along haltingly and erratically. The intended relationship between SEOG and other grant programs is undermined annually as disproportionate funding is given it in comparison to BEOG.

Congress has, of course, tried to address this imbalance with the famous thresholds. Well, there are some things wrong with thresholds. The first problem I hardly need to remind you of: that is, some people in this city don't respect the threshold concept, and we've got to fight every year to protect it. Just as troublesome is that thresholds tend to be inflexible--we don't have opportunities that often to adjust them for current needs. If we want a rational system of student aid grants, we've got to assure certain funding relationships.

We propose a double threshold for SEOG: one, a "floating threshold", relating the SEOG appropriation to the BEOG appropriation by percentage: We propose 25%; two, a standard threshold, sort of a safety against the wiles of the appropriations process, and the speculation that if the BEOG program shrinks in response to decreasing enrollment, the need for SEOG will not decrease proportionately and may even increase. For this second threshold, we propose $500 million, approximating the latest institutional requests for SEOG money. Such secure and certain funding relationships are vital if the various grant programs are to realize their intended coordination.

State Allotments Based on Need: The current state allotment formula for SEOG bears little if any relationship to aggregate state need for the funds, and is instead driven primarily by enrollment. We find this to be perhaps the most irrational provision of Title IV. It is defeating to allocate the funds for a need-based program to states on any basis other than need. We propose that the allotments be made on aggregate state need, as determined by institutional application for funds.

Award Ceilings and Cumulative: COPUS strongly urges [illegible] increase in the maximum SEOG award. Mere tuition increases amply justifies this increase, but it is especially important since SEOG serves a great percentage of students at higher cost colleges, the ones most likely to sustain significant annual tuition increases. COPUS also finds the cumulative SEOG limit to be redundant, in conjunction with the current limit on years of student SEOG eligibility.

## STATE STUDENT INCENTIVE GRANTS (SSIG)

SSIG has always been the weakling of federal student aid programs, and come appropriation time, we always seem to throw the bulk of our resources behind other programs. Yet by its design, SSIG is one of the most politically and logically appealing student aid initiatives. The more we apprehend the finiteness of the federal budget, the more imperative it seems for us to encourage greater state involvement in pursuing the goal of educational opportunity. Yet SSIG is essentially an untried concept, given the small appropriations it has recieved and the wide variations among state programs.

Authorization and Incentives: COPUS recommends increasing the SSIG authorization to $150 million. We recommend, however, that appropriations over a certain floor--we propose $80 million--be distributed to states which meet specified criteria. The criteria for eligibility for these additional SSIG funds must, we believe, include that the state provide SSIG grants to its citizens studying out of state, or to non-residents studying in state. Lack of such portability has been the chief complaint about SSIG in the financial aid community.

SSIG is clearly the program for the future, the opportunity to tap new resources for the new student constituencies of the 80's. Graduate students, part-time students, and others should look to this relatively fresh reserve for their needs in the future. It would be proper federal policy to employ incentives in the SSIG program to encourage states to assume responsibility for meeting these emerging needs.

## MAINTENANCE OF EFFORT

Though not specifically a grant-related recommendation, we think that this hearing is a proper opportunity to introduce our concern about the "maintenance of effort" provision under Part F--General Provisions--of Title IV. This provision requires institutions to maintain a level of financial aid expenditures that is determined by averaging such expenditures for the three years which preceded institutional participation in the Federal aid programs. Thus, while Federal student assistance has expanded, many institutions are required to commit no more resources to student aid today than they did nearly a decade ago. Of course, most institutions have, by their own initiative, expanded their financial aid effort well beyond the requirements of this current provision. COPUS has submitted language to update this provision, by requiring institutions to maintain a level of "effort" no less than the average of such expenditures for the years of 1976, 1977, and 1978 (except for institutions which began participation in the program after these dates, for whom the current three-year standard would apply). By updating it as recommended, this provision will reflect the demonstrated capacity of institutions to share responsibility for student opportunity.

Thank you again for the opportunity to outline our proposals for the reauthorization of the student grant programs of Title IV of the Higher Education Act. I hope that you will rely on COPUS to provide an independent college student perspective on these important issues, and count on our support and assistance in your work ahead.

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# STATEMENT

to the

HOUSE COMMITTEE ON EDUCATION AND LABOR
SUBCOMMITTEE ON POSTSECONDARY EDUCATION

May 16, 1979

by

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Mr. Chairman and Members of the Subcommittee:

I am Henry T. Yost, professor of biology at Amherst College. I am here today in my capacity as Chairman of the Committee on Government Relations of the American Association of University Professors.

I am pleased to have this opportunity to discuss with the Subcommittee our recommendations concerning the three grants programs authorized currently under Title IV. Specifically, I want to provide a fuller rationale for the recommendations we submitted to this Subcommittee in February of this year and to suggest additional improvements which should be considered during the current discussions of reauthorization.

As you know, the American Association of University Professors has strongly supported Federal higher education programs since their creation in the mid-1960's and their subsequent expansion under the Higher Education Act Amendments of 1972 and 1976 and the Middle Income Student Assistance Act of 1978. The goal of equal educational opportunity, which serves as the basis for the Federal programs, is one that our Association endorsed prior to the passage of the Higher Education Act of 1965. It is a goal which is consistent with our firm belief that no able student should be denied the opportunity for a college or university education simply because he or she lacks adequate financial resources. We continue to be concerned over the fact that financial resources play a disproportionate role in determining which students enroll, which remain, and which graduate. As teachers, our primary concern is to assure sufficient financial assistance to qualified students to enable them to enroll and carry on their studies with minimal interruption. Moreover, all students must be able to choose from among the many institutions with diversified academic programs the one institution which closely matches his or her academic needs. In order to achieve equality of opportunity, equality of access, and freedom of choice, it is essential that there be adequate financial assistance for students.

The goal of equal educational opportunity also contains the promises of hope and failure. While some speak of the impending decline in enrollments in the 1980's, we prefer to speak of the challenges and opportunities for the large numbers of students who should be entering colleges and universities in the 1980's. Our task is great, particularly if viewed in the context of the past. As Professor Howard Bowen pointed out recently, fewer than 15% of the present adult population are college graduates while over 50% are high school graduates. Professor Bowen says we could move rapidly to create "a nation of educated people" partly by increasing the percentage of youths attending and partly by enlarging the educational opportunities for adults beyond the usual college age. The seeds of failure of equal educational opportunity lie in the inability to increase the percentage of college graduates during the 1980's. We think the goal of equal educational opportunity can be fulfilled. But it requires a strong partnership between government and the academic community.

There are some fundamental principles which must be reaffirmed during current discussions about student financial assistance. First, we believe that society and the family must continue to assume the greater share of the financial costs of educating the bulk of our students. We do not believe that the costs of education should be shifted to students either through massive subsidized loan programs or tuition advance programs. The primary danger in such a proposed shift is that students will be forced to select their institutions, choose their courses, and pick their careers on the basis of what will bring the largest financial return in the shortest period of time. At the same time, institutions will be under pressure to offer only career-oriented curricula and to guarantee the graduation of all students. We prefer, therefore, a grants program, which should prove to be adequate when combined with family contributions, work-study programs, and a modest loan program.

Second, we reaffirm our continuing support for the entitlement principle established by the Higher Education Amendments of 1972. We regard the entitlement as the major factor in encouraging low-income high school graduates to enroll in colleges and universities. Enactment of the Middle Income Student Assistance Act has substantially expanded the group covered by the entitlement. We commend Congress for its support of the entitlement principle by providing the necessary funds for those students who are eligible for Basic Educational Opportunity Grants. But as we move into the 1980's, we should consider further expansion of the entitlement. A true entitlement for low and middle income students is the ideal goal. We must be certain that low-income students have the maximum benefit of the entitlement and that middle-income students become increasingly eligible for maximum grants. By eliminating the family contribution rate for low-income students and by further reducing it for middle-income students, we should be able to encourage a higher percentage of high school graduates to enter college immediately.

Third, we need to recognize that the substantial rise in the cost of living continues to have a destructive impact upon higher education. Institutional budgets, buffeted by sharply rising costs, rest on a perilous ledge. We need to recognize four areas of serious and immediate danger: (1) students who cannot afford either rising tuition rates or the costs associated with full-time residency on a campus; (2) a potentially lost generation of young teacher-scholars for whom there are a limited number of teaching positions and the prospects of unreasonably low beginning salaries for those who do find teaching positions; (3) a demoralized faculty whose real income continues to fall sharply, whose mobility within the academic community has come to almost a complete halt, and whose roles as teachers and researchers are endangered by institutional retrenchment programs; and (4) institutions whose academic programs are now measured not necessarily in terms of quality but rather in cost-benefit analyses and whose ability to innovate and experiment have been reduced sharply. Higher education is a national resource which requires attention to all of its needs. Students are at the center of higher education and therefore require the highest priority, but without qualified faculty and adequate facilities the goals established in the Higher Education Act are endangered.

Our recommendations for changes in the authorization for the Basic Educational Opportunity Grants are designed to insure that students from disadvantaged and low-income families will continue to receive maximum support. The Basic Grants program was designed primarily for these students. We have recommended increasing the maximum Basic Grant to $[illegible]00, which represents a 28% increase over the present maximum. Since January, 1977, the cost of living has increased by almost 20%. In effect, the proposed increase reflects the need to provide a Basic Grant which in real dollars equals the Basic Grant authorized by the Higher Education Amendments of 1976. To protect against further erosion of the Basic Grant, we have recommended a cost-of-living increase for each of the years that a student receives a Basic Grant. We think this is a fair and equitable resolution of a very difficult problem which confronts students and the Federal government alike.

Elimination of the one-half cost restriction serves to promote both access and choice, in that it would permit low-income students a much wider choice of institutions, including those out of State and those with programs more uniquely suited to the specific needs of students. The current restriction discriminates against the low-income student who is required by financial circumstances to enroll only in low-tuition institutions, whether or not such institutions provide the curricula which students need. One of our current and primary concerns is that as the cost of living continues to rise an increasing number of students will be limited to those low-tuition institutions close to home. This is not only unfair to students who live in areas with limited educational facilities but it is also unfair to those students who attend institutions which deliberately seek to maintain a geographic balance among their students.

The Supplemental Educational Opportunity Grants continue to play a significant role in student assistance. In 1978-79, the United States Office of Education approved 3,587 institutional Supplemental Grants programs estimated to benefit over 460,000 students. It has been our position that if there were a true entitlement under the Basic Grants the Supplemental Grants could be eliminated. We are not yet at that point, although we should make it a reality by the mid-1980's. A student aid package consisting of a maximum Basic Grant, compensation provided under the College Work-Study program, institutional, State or privately financed grants and scholarships, and a low-cost loan program should provide adequate financial assistance to low and middle-income students at the majority of our institutions. Such a proposal would require full funding of the Basic Grants, State Student Incentive Grants, College Work-Study, and a Federal or State loan program comparable to the present National Direct Student Loan program.

We continue to support our earlier proposal that Supplemental Grants be awarded directly to students. In addition, they should be available to students who enroll on a less than half-time basis and the maximum award should be increased from $1500 to $2000,

During the past two decades our Association and our State affiliates have strongly supported the State scholarship programs. The State Student Incentive Grants were designed to stimulate those States which did not have need-based scholarship programs. The success of the State Student Incentive Grants program has been unheralded, grossly underestimated, and largely unappreciated. The States have overmatched the Federal grants by as much as 15 to 1. We note recent developments that include coverage of almost all nonprofit institutions under the program, expanding the number of States which provide shcolarships to part-time students, the expansion of both portabiltity plans and reciprocity agreements among the States, and the growing interdependence of Basic Grants and the State scholarship programs. These are encouraging developments. More attention needs to be paid to the portability issue in order that students may have a choice of institutions which more adequately meet their educational requirements. One option would be to require that a percentage of the Federal State Student Incentive Grants should be set aside by the States to finance out-of-State scholarships. We also believe that the matching percentages under the program should be shifted to [illegible]ide a minimum 60% contribution by the Federal government. The distinction between initial and continuing grants should be eliminated and the maximum award should be increased from $1500 to $2000. Also, States should be encouraged to include part-time and less than half-time students.

In concluding my remarks, I urge the Subcommittee to consider seriously the growing financial strains upon institutions of higher education. The current inflation threatens the stability of our institutions, creates uncertainty among our students, and demoralizes our faculties. We urge this Subcommittee to recommend reauthorization of all those programs designed to assure students of adequate financial assistance. And we also urge you to address the issues confronting our institutions and faculties. Your actions will be a signal to society as to the level of priority you attach to higher education in the 1980's. We appreciate the fact that over the past two years Congress and the President have deliberately singled out higher education for a higher priority of funding. We want to see that high priority continue into the 1980's. We look forward to the final enactment in this session of legislation creating a separate Cabinet-level Department of Education, whose responsibilities will include administering the programs which Congress finally approves for reauthorization. We welcome the opportunity to work closely with the new Department. Similarly, we appreciate this opportunity to discuss with the Subcommittee our thoughts about the programs you are now considering.

Mr. FORD. We will call on each of the members of the panel to comment on their statement, add to it or highlight it, and reserve our questions. I will call first on Mr. Packer.

## STATEMENT OF JOEL PACKER, LEGISLATIVE DIRECTOR, UNITED STATES STUDENT ASSOCIATION

Mr. PACKER. Thank you, Chairman Ford. It is once again a pleasure to be here before this committee. We hope to be here again on the other programs, the loan programs and the work-study programs.

Mr. FORD. By the way, have you got any internal memos from over at HEW?

Mr. PACKER. Not lately, but you will be the first to get them if we do. [General laughter.]

The programs under review today, the three Federal grant programs, are of major importance to students. We have always firmly believed that grants are the preferred and most sensible method for financing higher education for low-income and lower middle-income students. The grant programs should provide for the base to insure access and, if possible, choice of institutions. Only after a student's grant aid eligibility has been exhausted should he/she be required to work or take out loans.

Higher education is vital to the well-being of a very advanced and technological society such as ours. College benefits not just those involved in education directly, but all citizens.

The current programs, basic educational opportunity grants, supplemental educational opportunity grants, and State student incentive grants have grown steadily, sometimes rapidly over the last several years. In general, we belive they have worked well. According to the Bureau of the Census in 1967, there was a 48.3 percent difference in college enrollment rates between students from those families with incomes of less than $5,000 and those from families with incomes over $15,000. However, by 1976, this gap had narrowed to 35.8 percent.

Significant progress, but a sign that there are still more steps to be taken to insure income does not remain a barrier to attendance.

USSA recommends that new language be adopted that would clearly define BEOG as a true entitlement program. In theory it is an entitlement, that is the student applies, a calculation is performed on their financial situation, and if they qualify under the formula they are supposed to receive the amount they so qualify for.

As you know, in reality the award levels are subject to the political and fiscal whims of Congress. If insufficient levels of money are appropriated then the schedule of reduction takes effect and almost every student has his/her award reduced. This situation has occurred several times, including the academic year which is just ending.

USSA and several other groups including ACE, COPUS, NASFAA and SHEEO believe that the BEOG program should become, as it is intended to be, the cornerstone of Federal student assistance.

Unless it is made a true entitlement, the cornerstone will never be firmly in place and will perhaps undermine the rest of the student aid structure.

USSA, along with ACE, COPUS, CCSSO, NAICU, NASFAA and N.J., urges that the BEOG maximum award, now authorized at $1,800 be increased. Between fiscal year 1972 and fiscal year 1980, the Consumer Price Index will have increased by 75 percent, yet the basic grant maximum will only have risen by 28.5 percent, from $1,400 to $1,800.

Clearly, the lower income students who are dependent on BEOG as an access program have been and will continue to stagger under the burden of increased college costs unless the award level increases. Raising the maximum award will also provide for award increases for the middle-income families recently made eligible by MISAA. It will also offset the problem of the number of eligible students being reduced each year due to inflation affecting incomes.

A maximum award of $2,400 in fiscal year 1981 would be necessary to maintain the value of the original grant. Since this might prove expensive, if implemented in one jump, USSA has recommended a series of step changes which would bring the maximum to $2,500 in fiscal year 1985. While we do not have detailed cost data on such an increase, a rough estimate would place the cost of every $100 increase in the maximum award at $350 million.

Our third proposal is the one we have just talked about, which is that the half-cost provision should be completely eliminated. We find it to be a completely arbitrary and inequitable rationing device which simply says, if we can't give you enough money to go to a higher cost school, we are not going to give you enough money to go to a lower cost school.

The Carnegie Council—we have a quote from them—has said in the past:

> Low-income students frequently have only one feasible option for postsecondary education: attendance at a nearby low-priced public institution . . . but the present limitation of the BEOG grant makes it impossible to cover noninstructional cost which may make their only practical choice between not attending at all, or attending on a part-time basis while working.

Only the lowest income students who attend lower cost colleges are adversely affected by the provison. A former staff person at the Brookings Institution has said the provision "punishes the poor." We think that should be completely eliminated.

I would just note in response to Mr. O'Keefe's presentation that some of the options he laid out, I think, would have very strong political implications in enacting them, because a lot of the changes there would primarily affect the lower income families by reducing their basic grant awards.

I would find it hard for this committee, or Congress, for after just last year passing MISAA to provide additional funds to middle-income families. Turning around and fiddling around with the basic grant program and taking away a lot of that money.

I will skip over some of the more minor, basic ones and pick out a few of the major ones. One of our other proposals for basic grants it to extend the total number of years that a student is eligible for the program. Currently, 4 years of eligibility is the maximum allowed except for a few very specific circumstances articulated in law.

We believe, and several other groups have also recommended that, eligibility should be extended to 5 full academic years or the equivalent for those attending on a part-time basis. We believe there are many valid reasons, in addition to the two stated in law, why students must go 5 years to obtain their degree. Transfer students invariably lose credits, thereby forcing them to attend at least an additional semester beyond the normal eight. We see no reason why these people should be penalized.

Our other recommendation for basic grants would treat independent students with dependents the same as the family of a dependent student in calculating their basic grant award. MISAA did that for these students in regards to their assets. There is now equal treatment in consideration of assets between all categories of students except for the single, independent student.

We think that the same treatment should be extended to income, because right now, a married student with her own dependents who is going to a school has to contribute between 40 and 50 percent of their income, while a dependent students' family has only to contribute about 10.5 percent of their income and we see no reason why a given family's income should be treated radically different if the student is a child or the student is a parent. Particularly with an increasing number of older students going to school, many of them being heads of households, we think this change would simply reflect the current realities of college enrollments.

A couple of other recommendations we have for basic grants—I will skip over these in the interests of time and turn to supplemental grants.

There is no question that SEOG continues to be a vitally needed program, particularly for higher cost institutions. With average costs about $3,000 at public colleges and almost $5,500 at private institutions, it is clear that a basic grant of $1,800 or even $2,100 is not sufficient to assure choice of institutions, and for very low-income students perhaps not even access to public colleges.

USSA, as set forth below, believes that SEOG needs to be expanded, more closely tied with BEOG, and made to serve additional populations.

USSA believes that the title IV program needs to be placed in a broad conceptual framework. We believe that to the extent feasible, student's need should be met through a combination of family contributions and Federal/State grant programs first, through work-study and/or other employment second, and by loans as a last resort. We have advocated for some time placing a statutory limit on the percent of need—cost minus family contribution—that can be met through loans.

We recommend that 33 percent be this limit. Conversely, USSA proposes that a statement be added to section 401 of the act which would clarify the intent of the grant programs—which would be to meet 70 percent of student need. Our amendment would do this by setting this as a goal, thereby not creating undue restrictions on the campus financial aid office. Such a goal will help students to better plan the financing of their education, if they can make rough estimates based on this guideline of how much they may receive in grant aid.

This goal is in line with the new campus allocation formula OE has implemented for distribution of campus-based funds, which states that SEOG should provide, in conjunction with family contributions and other grant aid. 70 percent of student cost. In fall 1975, on the aggregate. 74.6 percent of college costs were met by grant aid and family contributions. Our second proposal for coordination for SEOG with BEOG, by setting the minimum funding threshold for SEOG at 20 percent of the basic grant appropriation. This will insure that SEOG keeps pace with increases in college costs and increases in BEOG and thus remains a viable program. Several groups have recommended this type of linkage, including COPUS, COFHE, NAICU, and N.J.

We see absolutely no purpose for the distinction between initial year and continuing year grants and I think such a distinction creates additional burdens on the institutions and has been, in effect, ignored by Congress and the appropriations process.

Looking at the maximum SEOG award, we would increase that from the current $1,500 to $2,000. The cumulative maximum a student can receive for the full time they are in school is $4,000. We would remove that and simply make it $2,000, in effect, times 4 years in school, $8,000.

Again, according to the American Council on Education, average college costs will be $5,800 by 1985. Therefore, under the expanded levels, we recommend the most grant aid a student could possibly receive would be $4,500 basic grants and supplemental grants, which would still be less than the average college costs for all colleges by 1985.

Looking at the minimum SEOG award, the other side of the picture, current law mandates that that be no less than $200. If a student has need lower than that, they simply get nothing. Again, we think that is an arbitrary figure, particularly for SEOG. We would like to see that lowered to $100 which we think can be administered on a cost-effective basis that can provide some meaningful help to lower income students, or students attending in certain situations.

Other things have already been brought up to the committee for extending aid to less than half-time students. We spoke on that last week, so I will not dwell on that again.

Two other major things we recommend for SEOG I wanted to touch on a little bit. The whole area of graduate student financing is an area which I think has been very largely ignored by Congress, the administration, and by a lot of the higher education groups in recent years. We would recommend taking some small steps to help solve this problem.

Currently, graduate students are totally excluded from any of the Federal grant programs. Except for loans, the only program that they are eligible for under title IV is CWS.

The Federal Government has sharply curtailed its commitments to graduate education in recent years, and has even tried to zero out several existing fellowship programs. Something needs to be done.

In many cases, graduate degrees are required to enter certain professions. Without adequate assurances of financial aid, low-income students, many of whom are minorities will be forced to incur tremendous debt burdens or not attend at all.

USSA proposed that institutions be allowed, if they so desire, to utilize up to 15 percent of their SEOG allocation to give grants to graduate students.

This will not entail any additional appropriations, and we think it will help to start solving this problem.

Our last proposal with supplemental grants would revise the allocation formulas in law that allocate different funds among the States. The current formulas for supplemental grants as well as the other campus-based programs are all based on enrollment, or other factors, that we feel are particularly relevant to the programs.

SEOG is a need-based program, yet the money goes to States based on enrollment. We don't think this makes any sense, since funds go to students based on financial need. Because of the current formulas different States receive differing percentages of their approved funding request for SEOG. Thus, a student may get vastly different amounts of SEOG, not because of differing needs, but because of how their State fared under the formula.

USAA recommends that the formula become need-based. Specifically we would set SEOG apportionment as 70 percent of the aggregate state need for financial aid. The specific formula would be set by the Commissioner based on such factors as the aggregate cost of education in the State, the aggregate family contribution and the amount of BEOG funds received by the State. This would follow the principles established in the new campus allocation formulas based on the Huff panel recommendations. Any new formula should probably be phased in and include save harmless provisions to prevent major abrupt shifts of funds between States.

One last point about any new formula based on need. In order to insure that institutions and States do not raise tuition and fees simply to increase need and thereby capture increased Federal dollars at the expense of students, we propose that institutional cost increases which rise at a faster rate than some set indicator perhaps the CPI, would not be counted in the new need of the institution, unless the institution can justify to the Commissioner why such extraordinary costs should be covered.

Similarly, the formulas should set some maintenance of effort to prevent States and institutions from drastically reducing their share of financial assistance.

Looking briefly at the State student incentive program, a couple of major proposals we have there. The first one would be besides some things that pertain to other programs, to establish what we call a rolling base year. Supplemental grants now requires a maintenance of effort on the State's part, but it is based on the year that they first ever got money under the program. For large States like New York, Pennsylvania, Illinois, et cetera, they are vastly overmatched in State dollars to Federal dollars.

As Federal dollars increase, they do not have to increase their State's share, because the maintenance of effort provision dates from several years back.

We would like to see, as Federal dollars increase, that States increase their share also, which is what the intent of the program is. This could simply be changed by changing some language to establish a rolling base year for a maintenance of effort which would continually update the level that a State had to maintain for their program.

Our other basic change with SSIG would be to establish a set of new incentives. Currently, programs from State to State vary widely in what type of students are covered. Only 13 States give awards to part-time students, while only 7 provide portability of grants. USSA believes that it is in the best interest of students for these programs to more broadly cover different types of students. To require as a condition of participation that all States do these things is not feasible, since in many States the State shares far exceed the Federal share.

If additional mandates were placed on the States, they would probably drop out altogether. New York would be a good example. Their State share is over $200 million and they get $5 or $6 million from the Federal Government. They would not be willing if the Federal Government said you have to include part-time students to do that, because it would cost them about $20 million to $30 million in additional State money.

So we propose that once appropriations rise above $100 million, portions of such funds should be earmarked only for those States which do specific things, in our proposal: (a) include part-time students; (b) graduate students; or (c) allow for portability of grants. In this way, no State is penalized for not expanding their program, while those States which do respond to the new incentives will be rewarded. COPUS has proposed similar amendments.

Let me stop here. We have some other proposals in our official recommendation here that I submitted to you, but I will skip over those for now. I just want to mention one last area on grants programs, which is the processing of applications for all these Federal aid programs, an issue of current, hot controversy, so to speak.

We think this whole process is vitally important to the whole program, because you can have all the money in the world available, but if people cannot get it because they do not understand the application process or the application process is not working, that is not going to make any difference.

We believe that we need to simplify the whole system, not just the form as is currently being worked on, but the whole system of who processes the forms and what services are provided by the processors.

We realize there are certain problems with legislating the outline of the processing system, but we think it is important to recommend certain specific items which we hope will put some certain degree of rationality into a very irrational system.

The proposal that we recommend would do several things.

First, it authorizes the Commissioner to establish a common form for all need-based Federal student aid programs. We hope and urge that this form will be simplified from the current forms. As you know, OE is already moving in this direction.

Second, it authorizes the Commissioner to contract with private processors, as well as States, to process this form. We strongly feel that one way to simplify the system is to allow all processors complete edit, correction, and printing of output document functions. This would reduce the number of agencies a student must deal with to one.

Currently, a student applies. Their application goes through the basic grant program, the national processor, or a supplemental satellite processor. If they use a satellite processor and they have a correction, they have to deal with both the satellite processor and the national processor and it creates a very confusing situation for the students.

The electronic tape exchange across country we think is a very confusing system.

Our third part of our proposal would mandate that this form, which we hope will be the only one necessary for the large majority of students, be processed at no charge to the student. USASA has consistently opposed charging needy students a fee to tell them how much money they will get from the Government.

Currently, basic grant programs do not cost the student anything, but if you apply for campus funds you have to pay a fee of $5 or so to find out how much money the Federal Government is going to give you. We think it is rather strange, to say the least, asking needy students to pay a private agency money so that the private agency can tell them how much money the Federal Government is going to give them. I know of no other Federal aid program that causes someone to pay a fee to be told whether they are needy or not.

The fourth part of our proposal would provide that reimbursement to the processors include reasonable costs for monitoring of the quality of financial aid services, information dissemination, training and counseling, and research and development activities to keep pace with technological advances in the field.

The fifth part of our proposal would allow for a supplemental form. As already noted, we believe that the core form can be the sole document for most students. However, we must recognize that there are certain institutions which will require more data. The supplement should be coordinated with the core form.

Lastly, our proposal would mandate consumer input in the design, implementation and evaluation of the system.

In closing I want to once again thank you for the opportunity to be here today. I would be happy to answer any questions you may have.

Mr. FORD. Thank you, Mr. Packer.

Mr. Kocian?

## STATEMENT OF PATRICK W. KOCIAN, NATIONAL DIRECTOR, COALITION OF INDEPENDENT COLLEGE AND UNIVERSITY STUDENTS

Mr. KOCIAN. Thank you, Mr. Chairman. My name is Pat Kocian. I am the national director of the Coalition of Independent College and University Students, called COPUS. COPUS is in its fifth year now, and is honored to work with you and Mr. Buchanan in supporting your advocacy of the best of educational opportunity.

I should add that this is my first time before your subcommittee. I am appropriately honored and nervous. I have already appeared before the appropriations subcommittees and it is nice to know that I have a friendly audience today.

I feel much more assured knowing that Joel Packer agrees with most of what I say. I may be able to cut this short.

Before going into our recommendations, I would like to lay out the two premises on which our recommendations have been developed and are offered here. First, we believe that the structure in which the Federal grant programs are contained is fundamentally sound and should be retained.

If we desire a system of grant aid that is rational, relatively integrated, correspondent to the structure of American higher education and consistent with the principle of equal opportunity, then we should all be delighted to know that our predecessors have already developed such a model and, roughly, enacted it into law.

The current grant programs represent a surprising, maybe even inadvertant wisdom—the kind of wisdom that inexplicably but regularly and fortunately, results from the American political process.

BEOG, SSIG and SEOG exemplify the widely—if not universally held principle of a shared Federal, State, and institutional partnership in realizing equal educational opportunity.

On the other hand, the coupling of a standardized student entitlement—BEOG—with a locally based, individually sensitive program—SEOG—represents a fundamentally important recognition that the diverse needs of millions of students attending thousands of institutions are better addressed by decentralized decisions, rather than by a single, presumptuous nameless bureaucracy in Washington.

Let me jump into basic grants. Like Joel of the U.S. Students Association and many other associations, we strongly urge the establishment of entitlement in the basic grant program. We think that this shows that a half-entitlement demonstrates the inconsistency between the operational design of the program and the funding design of the program.

If we want a rational system of financial aid, we cannot allow the cornerstone of that to be threatened every year by appropriations. We must found our financial policy on one absolute, and if we cannot guarantee that absolute, we might as well toss in the towel in trying to have a rational system of financial aid.

In addition, we propose to raise the national award. Joel laid out the reasons pretty well. We found that I believe, with inflation, dealing with the Consumer Price Index since the founding of the program, the basic grant award probably would be $2,400 maximum award for fiscal year 1981.

I say if we want to have a rational system, if we want the program to meet the needs it was designed to meet, then we should raise the maximum award to the same level that it was originally. If this is politically difficult, and I suspect that it may be, we would urge that perhaps we could postpone the $2,400 maximum until 1983, but functionally it would be better to do it sooner.

We also suggest marginal step increases in the BEOG maximum awards: small, perhaps $100 to $200 a year. These are small increases and are not likely to have big, inflationary impacts. But, at the same time, they can be a lot of help to students who are getting $300 to $600 annual tuition increases a year. It may help offset that.

We have something to say about half-cost. Why do I not come back to that?

Other concerns in BEOG, we agree with many other associations again relating to the irrational distinction between dependent students and independent students with dependents and assessing eligibility for basic grants. We think we should eliminate that distinction.

We also—I cannot say this officially, but I cannot see any reason why we would not be amenable to lowering the minimum BEOG award if people like Dallas Martin and NASFAA tell us we can do it without any undue administrative hassle.

Moving onto supplemental grants, we think this program very well represents the coordination that was built into the grants section of title IV. It provides supplemental aid to students who, by virtue of a basic grant or a family contribution, already have a hope of a college education but still need financial aid to obtain it.

It is institutionally based, and thereby sensitive to costs as was intended in determining eligibility. So SEOG has two constituencies: first, the lowest income students for whom a BEOG alone is not enough to make it, and then there is the moderate income student who will be eligible for no more than a token basic grant but is facing the kind of college costs that the students that I represent face of upwards of $7,000 and more.

The problem, then, if SEOG is the logical program, the funding mechanism is inconsistent with that logic. Basic grants tend to grow by leaps and bounds, and SEOG has grown very eratically.

Largely, I would imagine, because of the [illegible] Congressman who has other things to think of, BEOG and SEOG look alike. Change the first letter and they look duplicative. They throw their money into basic grants and as far as we are concerned, they have done their bit for financial aid.

We all know that SEOG and BEOG are not duplicative. Congress has tried to deal with this problem by instituting the thresholds. While I would think there are some problems with thresholds, I could pick one of them. I hardly need to remind you that there are some people in Washington who do not respect the threshold concept.

Every year we have got to fight to protect this program. It does not seem to make sense.

Another problem with the thresholds is they are inflexible. You have to wait every 3 or 4 years before we can adjust them as what ~~is~~ evidenced as to what is a new need. If we do want a rational system of student aid grants, we have to assure absolute funding relationships.

So we agree with what Joel has proposed—or Joel agrees with what we have proposed. [General laughter.]

In a sort of double threshold for SEOG, the first one would be the floating threshold which would be the SEOG appropriation, but would be related to the BEOG appropriation by percentage. We have proposed 25 percent.

The second threshold would be a dollar minimum which we propose at $500 million. I believe it corresponds to the most recent institutional requests for an SEOG.

The second threshold will more or less—it is a safety. We figure with this sort of double-threshold concept, we may be able to feel secure about the problem in the appropriations process. Elsewhere in SEOG, we agreed that the State allotments should be based on aggregate need. It seems that the State allotment formula for SEOG is probably one of the most irrational pieces in title IV.

Perhaps I do not understand the program well enough, but I cannot imagine why there would be substantial disagreement among us about basic SEOG allotments on aggregate need.

We would also urge an increase in the maximum SEOG award for reasons that Joel laid out pretty well. We also think that the cumulative SEOG award is kind of redundant and if you have a yearly limit, also a limit of 4 years or 5.

I have noticed about 30 typos in the last half hour, and the chief one of which is the last page is missing. [General laughter.]

But I will try to ad lib that. [General laughter.]

That is dealing with SSIG. We believe that SSIG has been, as far as appropriations, the weaking of Federal student aid and is logically—and, we would think, politically—the most compelling and appealing of Federal student aid programs because we are pulling in a lot of State money from all of those obscene surpluses that they have down there. [General laughter.]

The problems with it have been primarily it has been underfunded and there is so much variations of the programs. So, in general, we propose an increase in the authorization to $150 million.

We agree with the rolling base-year concept that was given earlier.

We also have proposed in our own legislative language we submitted a two-tier concept, an additional incentive concept. Now, the criteria that you want to use for the second tier of allocations, while it is up for grabs, there are two of them. One, we would like to see the institution of portability much more widely among the State programs. I think that is probably one of the chief complaints.

There are two kinds of portability. I think you could offer the States either one on that, but it is allowing nonresidents studying in the State to receive SSIG grants, or allowing State residents to take their grants to other States.

The other concern we would have is trying to expand the program to, as Joel mentioned, part-time students, graduate students. Of the new, emerging constituencies, SSIG is going to blossom one of these years and it is going to be the program of the future.

It will probably be quite wise for our Federal policy to try to direct our program towards its constituencies.

Let me roll back to half-cost a little bit. COPUS strongly supports a retention of the half-cost provision within the current framework of student grant aid. Despite its controversy, we believe that the half-cost provision is clearly logical in a student aid structure which seeks to encourage the widest opportunity of educational choice for all students.

Now, as far as I have been able to understand it, from looking at the files and talking to people, there are two kinds of arguments about the half-cost.

One of them, on which our recommendation is founded, is based on incentives for student choice; the other is based on institutional recruitment and revenue. Unfortunately, the latter argument has obscured the former over the years.

In the institutional brawl, we find on one side the high-cost colleges, usually independent, fearing that the removal of the half-cost provision will seriously impair their ability to compete for student enrollments with lower cost, usually public, institutions.

This lost enrollment, they assert, and the lost revenues it represents, constitutes a grave threat to independent institutions which must rely substantially on tuition and student aid revenues for operating expenses.

Some high-cost institutions, however, particularly highly prestigious ones, doubt that their recruitment is significantly affected by Federal grant policy, and are not too concerned about half-cost. Thus, there is some division in those ranks.

On the other side of the institutional debate are the lower cost institutions, who for all practical purposes are not too concerned about the potential for increased enrollment with the removal of the half-cost but instead can foresee substantially increased BEOG revenues from currently enrolled students now affected by half-cost.

I have looked at some figures for community colleges which were mentioned here particularly. They stand to receive almost windfall gains, should half cost revenues be eliminated. We have no problems with that, but I think it is important to know where the two institutional combatants are coming from.

Given today's economy, and the projected decrease in nationwide college applicant pool, one can understand and genuinely sympathize with the institutional concerns. But we feel that both sides, both pro and con, are arguing from concerns that are divorced from the real question that half cost represents: Do we want a student aid policy that limits or encourages a student's choice of educational program?'

One of the groups that COPUS represents, we believe, in the future, would be college students. It is for them that we support the half cost college provision.

We cannot help but wonder and worry what the impact on these students would be if the Federal Government offered them a full or substantially full subsidy to live at home and attend the community college around the corner.

How does an entitled, full Federal subsidy to attend the local branch State college affect a low-income high school student's perception of educational opportunity in the big wide world? I wonder how many low-income students can resist that kind of incentive, and how many low-income families would not pressure their kids to take the sure thing, and not the unknown away from home?

The problem is, do we want a financial aid system after all these years that tends to encourage students to choose their education on the basis of dollars rather than academic need?

But it would by no means be amusing for Federal financial aid policy to facilitate tracing low-income students into low-cost colleges. The removal of half cost is an inadvertent but effective discrimination in educational opportunity.

Don't get me wrong. COPUS has no penchant for self-help. Personally, I would be happy to see every student get a free ride. Nor do we want low-income students, or any student, unable to obtain the financial aid necessary to attend any college chosen. But the answer to this need is in the same system of which half cost is a calculated part: full and balanced funding for the campus-based programs. Any student denied needed financial aid by half cost should be able to obtain that aid from campus-administered and State funds; this is the promise of the Federal, State institutional partnership of the current grant programs, if they are appropriately funded. The idea of half cost is not to withhold needed assistance from any student, but to provide that aid in the most neutral manner, in order to enhance the opportunity of all students to shop in the educational market.

The half cost provision exists, we believe, in a comprehensive system intended to make available the full offerings of American higher education to all students. We think that is a worthy objective of Federal student aid policy.

Opponents to half cost—one particularly on my left—oftentimes quote the Carnegie Council on Policy Studies in Higher Education, in its 1975 report proposing the elimination of the provision: "Low-income students frequently have only one feasible option for postsecondary education: attendance at a nearby, low-priced public institution."[3]

Mr. FORD. May I interrupt you for just a moment?

We have some guests in the back of the room who are educators representing, in part, higher education and, in part, elementary and secondary education, from the People's Republic of China. This committee very recently had the pleasure of responding to an invitation to visit Peking, and we spent 3 very productive days in meetings with representatives of education there who gave the Chairman of the committee at least a very valuable education in terms of what they perceive to be not only their goals, but their immediate problems in education.

I would like them to notice something that would be a little bit unusual in their country, I think, because we have at the table a representative of a student group, a second representative of a student group, and a representative of faculty members representing the Association of University Professors.

The point that was just made was that the two student groups are probably more in disagreement about half cost with each other than they are with the institutional people or with anyone in the Government.

But the important difference that you might note is that one of the student groups speaking here represents students who are in nongovernmental higher education institutions which we refer to as private schools here, a phenomenon that I do not think you have to be concerned with. [General laughter.]

I hope that someone back there will convey to our guests our feeling of appreciation that you returned our visit and are here in the United States observing, not only the way we work here in Washington, but the way in which our very complex educational system operates in the country.

We are looking forward to future exchanges, because we feel we have much to learn from our friends in China and we hope to be of help to them.

For the benefit of the people at the table, one of the most difficult thing for our friends in China to understand with respect to student exchange programs is the fact that we charge people to go to school. They wonder why the Federal Government, as a practical matter, does not pay for people to go to college. They are not alone in that concern. [General laughter.]

But it is one of the serious problems with respect to developing a student exchange program in that our students can go there for educational opportunities virtually free of charge but it is not possible to do it the other way, because we have not figured out how to get Harvard and MIT away from tuition and housing costs. [General laughter.]

Thank you very much for paying us a visit.

Mr. PACKER. I wanted to add for the record that one of the interpreters for this group is a fellow named Jay Henderson who is one of my predecessors as legislative director of the National Student Lobby who testified on reauthorization of the Higher Educational Act in 1975.

Mr. FORD. Then, Jay, you are prepared to describe who these radicals are at the table. [General laughter.]

Thank you very much for coming.

VOICE. We do not wish to disturb your discussions.

Mr. FORD. Go right ahead. I am sorry, but they only had a moment.

Mr. KOCIAN. Thanks. I needed that. [General laughter.]

I am actually about through. In sum, I was just saying that the idea that if the elimination of half cost is necessary because low-income students often do not have any other place to go but to the low-cost community college down the street is not very compelling to me. I think, on the other hand, our objective is to make sure that those students are not trapped into going to the low-cost community colleges down the street. I would like to have them have that opportunity. I think that is a goal that all of us have, and I will quit while I am ahead.

Mr. FORD. Thank you very much.

Prof. Henry T. Yost, speaking on behalf of the Committee on Governmental Relations of the National Association of University Professors.

## STATEMENT OF HENRY T. YOST, CHAIRMAN, COMMITTEE ON GOVERNMENT RELATIONS, AMERICAN ASSOCIATION OF UNIVERSITY PROFESSORS

Mr. YOST. Thank you, Mr. Chairman, and Congressman Buchanan. I appreciate this opportunity to appear before the subcommittee.

Since there is so much testimony that is overlapping this morning, I will make a very brief summary of my prepared statement which you already have.

We support the reauthorization of the basic grants, the supplemental grants and the State student incentive grants, but we hope the subcommittee will consider some options for improving their effectiveness in assisting low-income and middle-income students.

What we are going to recommend is based on a central concern that fewer than 15 percent of the present adult population are college graduates, while over 50 percent are high school graduates.

The goal of equal educational opportunity, which our association endorsed prior to the enactment of the Higher Education Act of 1965 requires that in the 1980's we make a major effort to increase the percentage of college graduates. We think that such a goal can be fulfilled, but only if we have a strong partnership between the Government and the academic community.

We have made three recommendations for changes which we think will improve the basic grants program.

First, it is necessary to increase the maximum basic grant from $1,800 to $2,300 simply to keep up with the rise in the cost of living.

Second, it is necessary to protect the basic grant from further erosion against inflation by providing a cost of living increase to those who receive continuing grants.

Finally, it is essential that the one-half cost be eliminated in order to allow low-income students a much greater choice of institutions.

A major first step would be the elimination of a family contribution rate for low-income students and its reduction for middle-income students. At a very minimum, I think we will support H.R. 272 which Congressman Drinan testified about this morning already.

Our eventual goal for the supplemental grants is to eliminate them whenever the basic grants become a true entitlement. Until that time, however, we believe that the supplemental grants should be increased from a maximum of $1,500 to $2,000. We think they should be made available to students who enroll on a less than half-time basis and we believe that they should be awarded directly by the Federal Government to the students rather than, as presently, through the intervention of the institutions themselves.

We strongly support the reauthorization of the State student incentive grants, because they continue to be so successful in carrying out their purpose. The States, in many cases, have overmatched the Federal grants by as much as 15 to 1. While the development has been uneven, we think that recent developments in the program are encouraging.

We have suggested in our statement that, in order to encourage the States to improve portability of State scholarships, the law should require that a percentage of the Federal money required under the SSIG program be set aside by the State to finance out-of-State scholarships. In addition, the maximum should be increased from $1,500 to $2,000.

The distinction between initial and continuing grants should be eliminated and the States should be encouraged to include part-time and less than half-time students.

In our conclusion, we ask the subcommittee to consider the impact of the current financial crisis upon the academic community. The present situation throttles the institutions, creates uncertainties among our students and demoralizes our faculties.

While our primary concern today is the reauthorization of the student assistant program, we urge the subcommittee to address the issues confronting our institutions, faculties, and students. We are looking forward to a continuation of the high priority for the funding of major higher education programs. We are also looking forward to working closely with the new Department of Education, which we hope this Congress will create, and which we hope will be responsible for administering the programs that you recommend for reauthorization.

I appreciate this opportunity to discuss these issues with the committee.

Thank you very much.

Mr. FORD. Thank you, Mr. Yost.

I will start off with Mr. Packer. First of all, I am pleased to see that it is possible for the faculty and students to agree basically on principles in this legislation. I do not think you ought to be any different than anyone else in disagreeing on half costs.

It demonstrates that even idealistic young people tend to view issues from the perspective of their own position, which is a nice way of saying that you are presently prejudiced in favor of the constituents you are serving and that is what you are supposed to be doing.

It is not very helpful to us, however, in trying to balance which of these constituencies are going to make the most on loans.

I know all of you talk about making the basic grants program a true entitlement. I think that is what we really thought was going to happen. It does not operate that way. That has been pointed out. So I do not think we need to get into that.

But I am interested in what both student organizations have to say about the independent students, because I have recently discovered that, while we have made some progress with respect to independent students, somewhat to my embarrassment, I found that progress has not reached a former constituent who is quite upset.

He points out to me that the distinction we make between the single, or unmarried, independent student and the married independent student does not seem to make much sense.

It is a distinction that literally cuts the married, independent student out of consideration of changes that we made in the Middle Income Student Assistance Act.

Both of you are suggesting a method of changing that. In the case of Mr. Packer, you suggest that we deal with the percentages on the assessment rate which range from 10.5 percent for dependents, 75 percent for single independents, 50 percent for independent students with dependents, and 40 percent for students with two or more dependents.

We corrected the problem with respect to the independent students with dependents but left hanging the independent student who has dependents, but is not necessarily unmarried. We start on the assumption that a family of four with an income of $15,000 or $20,000 needs help, if there is not a husband and wife situation. But if there is, in fact, a husband and wife situation, and the wife who wants to attend school and the husband is the breadwinner, we ignore their true situation and assume that they can pay for her college.

For some reason we believe that was either an oversight or lack of sensitivity on our part.

I hope the staff is going to be able to come up with a solution that will not cause OMB to line the tanks up in front of the building. [General laughter.]

But clearly has been brought up enough times now to indicate very forcefully to me that that is the case.

May I ask the student representatives about another issue that was raised on the BEOG program Monday by a panel of students. A student pointed out that, if you interrupt the process by which you go to college and go out and work for a couple of years first before entering college, or interrupt college and go back and work and return to college, the present system of considering your previous year's income for the purpose of eligibility presupposes that you are going to continue earning at that level after giving up your job to go back to college.

The suggestion, I believe, that was made by the students was that the student aid officer of the institution be given the ability to determine whether, in fact, the previous year's earnings was related to what the present year's earning expectation would be.

Now, the reason that the Office of Education has developed the use of the previous year is because it is something that you can measure. You have a tax return, or something else like that, to deal with.

Recognizing the reluctance that has been expressed in the past by students to accept the efficiency of the administration in these programs, we expect that, if that kind of discretion were given to a student aid officer to make a detemination, they would recognize circumstances indicating a drastic reduction. Presumably if a student is making $15,000 or $18,000 a year before returning to school, the assets acquired during that time are still being taken into account.

But, if you use last year's income and you have a student who is making $18,000 a year on a 2-year contract to dig ditches in Alaska or whatever and now returns to school, the presumption is that he continues to make $18,000.

Would you, as representatives of the student associations, be willing to see the student aid officials have authority to waive the previous year requirement and make that a subjective determination on eligibility on the basis of their own observation of the current status of the student?

Mr. KOCIAN. I will let Joel answer this; I have not studied the question. My gut reaction is anytime you can employ the campus concept, the financial aid officer, you are bound to get a much more accurate assessment of student need. So I do not have any particular problem with that.

Mr. PACKER. It is an interesting problem. A couple of different factors.

Basic grants does allow, under very specific circumstances, the student to file a subsequent application to have their award based on current year income but, because there are very limited circumstances, such as complete loss of employment, most actions apply to the disability of a parent, or death, for most independent students it does not solve the problem that you refer to where there is a severe loss, but the person may still be working part time. For the campus-based programs, the analysis that is performed does utilize, for independent students, current year information which is something we have always strongly supported.

There have been, unfortunately, some attempts by the Office of Education in the redesign of the current form to change the system in the change of the form, so that for the campus-based programs, also it would shift to what is called prior year, or base year, data, so that even in that program, independent students would have their awards calculated, initially at least, off of previous year income, with the financial aid officer option to change it.

We strongly oppose the campus-based programs, any shift from prior year to current year income as in the basic grant program——

Mr. FORD. Do you not have that the other way around?

Mr. PACKER. Excuse me? Yes; from current year to prior year. Excuse me. For the basic grant program. I guess there are two ways to deal with the problem. One would be what you suggested, which I do not think we have a major problem with, although that does somewhat deviate from the overall nature of the program, which is, in its entitlement formula program. The campus financial aid officer does not change it around.

You have to take a look at how much flexibility you have, and how that might affect things.

The other thing is to amend the basic grant programs so that that analysis of independent student situations is performed off of current-year income.

I realize when you get into the question of is it verifiable or measurable, but if what you are measuring has no relevance, than you can measure it and it can be nice and precise, but what is the sense?

It is like somebody going in for a pair of shoes and asking what is your hat size? We can measure that, but if it does not have any relation to what the purpose is, then fine and good.

An even broader solution is to have it based off initially perhaps the current year data and perhaps offer the flexibility to change it back, if they feel that that might be too liberal or lenient or whatever.

I agree with you, though, that it is a problem and we need to find some way of solving it.

Mr. FORD. Well, the Internal Revenue Service has been collecting an estimated tax for years on the basis of a form filed with your tax return estimating for self-employed people, or business people, what their income for the current year will be. That is the basis by which you make your quarterly payments in anticipation of a tax comparable to the withholding that occurs for wage earners.

There is a limit on the tolerance for error, which is only imposed when there is the feeling there is fraud involved. That seems to work very well. They never ask for a change in that. It does back to the fifties, I think, 1954.

It has worked all that time without any request for a change. I suppose you might be able to suggest that students are taxpayers, too. I suspect that politically that is the most difficult problem in trying to get flexibility so that there is residual concern that students in institutions are looking for ways to rip off easy Federal money without providing or achieving the goal that the Federal money is spent for.

Mr. PACKER. Mr. Ford, if I could just comment on that a little bit. I do not think, and I hope you do not think so either, that the majority of students, or even a significant minority, are trying to rip off the system. I think—I would think even the Office of Education would agree.

I know Leo Kornfeld has stated that most of the problems in terms of people getting larger awards than they are entitled to is not due to deliberate fraud but more confusion. People are not understanding the application, or making simple mistakes, or what have you. I just wanted to mention that for the record, that we strongly feel that it is very little, a very minimal amount of direct fraud among students.

I think they are generally fairly honest about their financial situations for this program.

Mr. FORD. You mention here the portability of SSIG. I think, Joel, you were here in 1976 during the 1976 conference.

Mr. PACKER. Actually, my predecessor.

Mr. FORD. The discussion was mostly of the alternative that was suggested by COPUS this morning; that is providing for portability by giving money to a student to leave the State for his or her education.

We came to the conclusion that it could not be done then because so many of the States had programs wherein the Federal money was just a small portion of the total money expended, and it was pretty hard to use that very little club to go after the dinosaur.

I am looking at a table showing percentages of Federal money in State grant programs. In New York, it is only 2.6 percent. In Pennsylvania, it is 3.5, and it ranges up to some 16 States where apparently matching has achieved its purpose, because they come up to 50 percent and stop there.

There are a couple of others. Virginia stops at 49.5; Maryland at 48.9—because they have all of these impoverished suburbs. [General laughter.]

North Carolina, 48.7.

Tom suggested a bad computer. They were shooting for 50, and could not stop.

When you get over on the other side, you find in Kentucky, which we like to look at for obvious reasons, only 20 percent of the program is Federal money. In my State of Michigan only 8.9 percent.

It would be very, very difficult to get the legislatures in those States to let their money go out of State, but that raises a question that maybe you can help us with.

I was concerned at that time about spending money on nonresidential students or spending money on a resident of the State in an institution outside of the State, aside from the political considerations. I wonder whether most of the States could legally do this?

Mr. PACKER. Let me attempt to answer. I agree with you completely that to mandate the States have portability is not very realistic politically, financially, or for other reasons. What COPUS has recommended, and our group has recommended, is that there not be a mandate but that a certain percentage of funds above a certain level, in our proposal, we are saying funds above $100 million; that those funds be set aside and distributed among those States which do have portability, so no State would lose any money than they now have, but would not be eligible to get the allocation of this new funding, in that the new funding would serve as an additional incentive to perhaps encourage those States who feel they can have portability.

So we are recommending it sort of as an award for States that want to do that.

Regarding the legal question, I am really not that familiar with all 50 State constitutions. I believe probably the greater legal barrier would be for students who are coming out of State into the new State, counting them as residents, because I think most States have some type of residency provision, as to whether you are considered a resident or not of that State for purpose of receiving State scholarship programs; in some cases a year, sometimes less.

That whole area has always been a subject of litigation about whether those are constitutional or impermissible barriers, so it does get into a complex area.

Mr. FORD. Is there any State that does not charge nonresident students additional tuition?

Mr. Packer. Not that I am aware of.

Mr. Ford. You also are the first ones to raise, during this reauthorization, the question of the formulas, a subject that always interests Mr. Buchanan and me.

In 1976, they were completely neglected; nobody wanted to talk about them. But when one looks at the formulas, it is hard to understand how you can continue justifying some of these that are very clearly dislocations.

The college work study, for example, which we inherited from the poverty program and transferred over into higher education, has three parts. Each State's proportionate share of the full-time enrollment in postsecondary institutions; the second, each State's proportionate share of the number of high school graduates; and then third, each State's proportionate share of related children living in families with incomes under $3,000. That last part made sense when this was part of the poverty program and it made sense up until about 1973 when SEOG took over and the BEOG program came into existence, but what we discovered last year when we looked at this program was that practically no one from this income level was participating from the college work study program.

I should not say practically no one, because a very low percentage of the participants were from the very bottom of the income level because of the advent of BEOG and SEOG money.

It seems that we are continuing to target the money on the basis of a population that is not the population. It has become the work recipient population.

Then, over here in SEOG, we see 90 percent of the SEOG funds are allotted to States and other eligible jurisdictions, and that is after the 10-percent set-aside. According to the proportional share of the national full-time equivalent enrollment in post-secondary institutions, and for that purpose, we counted everybody in graduate school, even though we do not give them any money.

This sounds like a real good deal for Massachusetts. [General laughter.]

Mr. Yost. Don't knock it. [General laughter.]

Mr. Ford. But it leaves the question, again, of a formula that counts people for distributing money but doesn't give any money to the people that you count. We have cleaned up some of that in elementary and secondary formulas.

We would like you to look at these characteristics.

I can see that the word must have gotten to the chairman now. Mr. Gaul is back here watching me play with formulas. [General laughter.]

Then I wonder about the count of high school graduates as a development measure of the proper allocation of these moneys and recognize that a member of this committee is from New Jersey but, for interesting reasons, they have a large number of high school graduates and a small number of college students.

In short, I think that you put your finger on one of the things that is bothering a lot of people that nobody wants to talk about. Nobody wants to get into a formula fight.

Both of you are careful enough to suggest that any formula changes should have grant funded charges. But maybe we will be able to at least take a look at the relevance of the formulas to the real world, and we hope you will back up your recommendations this morning by doing some independent research on them because the research around here is not trustworthy.

I get the figures I want, and others who disagree with me on what the element of objective would be get the figures they want. We ask the Office of Education and the Assistant Secretary for Education and the Congressional Research Department of the Library of Congress and we get three different sets of figures. [General laughter.]

So maybe——

Mr. KOCIAN. You can trust us, Mr. Chairman. [General laughter.]

Mr. FORD. Mr. Buchanan?

Mr. BUCHANAN. Thank you, Mr. Chairman.

I will tell you, if we have to get into other formula considerations, I am going to be very happily reliant on the statesmanship of the Chair. [General laughter.]

Because the Chair has such statesmanship and because the composition of this committee is Michigan, Indiana, New Jersey, New York, Illinois, New York, Pennsylvania and Pennsylvania, Vermont, Iowa and Ohio and one Alabama and one Oklahoma and, thank God, Kentucky. [General laughter.]

Mr. FORD. We may consider a second 10-percent set-aside. [General laughter.]

For Alabama and Kentucky.

Mr. BUCHANAN. This may not follow exactly along those lines; I am inclined to agree with something you said in your statement about which I have puzzled. Someone has said anyone who likes sausage and loves law should never watch either one being made. [General laughter.]

Having been an observer and participant in that process for some 15 years, I really appreciate what you say: "The current grant programs represent a surprising, maybe even inadvertent wisdom, the kind of wisdom that inexplicably but regularly results in the American political process." I think that tends to be the case, but I cannot understand something else you said—in short, "our problem is not the program but the appropriation."

So much of both the conflict and testimony, and so much of the essence of the problems we have to face in this committee is vested in inadequate funding. I do not know why this wisdom hasn't inadvertently hit the Appropriations Committee. [General laughter.]

I do think that funding is at the heart of the problem, so there is not any choice. For example, if you had adequate funding of SEOG, as you recommend, and you had greater participation of 2-year colleges in the SEOG program, I wonder if that would not have the same result as the elimination of half cost.

Mr. KOCIAN. I think that would be preferable in that you would still be addressing the same need, but you wouldn't be putting it all in one hand. I think that is very important.

We were talking about low-income students trying to realize what kind of college choice they may have. If you can address the need and put in different areas like that, make sure that that money is available but not so tempting as to preclude a student from looking elsewhere and expanding one's horizons.

Mr. PACKER. I think that would help. It would be an improvement over the current situation, but we would still have, as one of our top priorities, removal of the half cost. The basic grant program is supposed to be the cornerstone program to build up this. If you only give them half a cornerstone, the whole system is going to topple over.

So we feel very strongly, it has always been one of our major priorities from the time the program was first set up, it is just an arbitrary device.

I think, in Mr. O'Keefe's testimony, he reached the conclusion—I think it showed that the major argument against it is that it would cost more money. That is an argument that we have never bought as reasons for not doing things.

So I would say that would be helpful, but not the preferable solution.

Mr. BUCHANAN. Would you care to comment further on that?

Mr. YOST. On that?

Mr. BUCHANAN. Yes.

Mr. YOST. I would say, first of all, Mr. Kocian, the page he left off is not the problem. It is the page he left in——

[General laughter.]

Mr. YOST. About the half cost provision that is going to get him the "C". We feel very strongly—I think we are in agreement with Joel Packer about this—that if we are going to build a true entitlement in this country and we want to use an existing mechanism, then we want to strengthen the BEOG program at every point. Instead of trading off with SEOG's and beefing them up, it seems to me much better to pare them down a little bit and beef up the basic grant program.

The HEW testimony is clear. It would cost you $250 million to knock out the half cost provision. I think it would be a reasonable thing for us to sit around and negotiate where we could find that $250 million and not necessarily look at title IV. There are a lot of other places where we could find $250 million.

I could also suggest some places away from the funding of higher education where you could find $250 million but do not get me started on that.

Mr. BUCHANAN. Thank you, sir.

I know the SSIG program is not on less than half time, but I wonder if it is a possibility for providing eligibility for less than half-time students?

Mr. FORD. If you would yield, I think, as a matter of fact, some of the States did provide grants for less than half time, do they not?

Mr. PACKER. I think there are two or three, possibly, that do it. It is very limited. Yes. I think that is another area where less than half-time students can potentially be served.

In fact, in our recommendations, we recommend changes that would allow States to do that. There is some technical language in the law now that would prevent a State, technically, at least, from using the Federal share to give that to less than half-time students. It is the definition of "in attendance," which means you have to be going at least halftime.

You could change those words, which would allow them to do so. We would have no objection to using that as one of perhaps several peripheral mechanisms to give aid to less than half-time students, but the reality is, I do not think every State will do that. We may have the majority of States not even giving aid to less than full-time students. The larger States do not even give aid to less than full-time students, so I think it would be unlikely in the near future that we would take two steps when we have not even taken the first one yet.

Mr. KOCIAN. Our earlier set of recommendations included, as one of the primary criterion for allotting an additional tier of money in the second tier, that the State programs included either less than half-time students or graduate students, which is emerging as another need.

Giving money to this program has just been realized, and we are all kind of hoping that it is going to boom. I think that is the best place to look right now, for meeting the needs of these students.

Mr. BUCHANAN. Mr. Chairman, I have no further questions. I am sure you all appreciate that while I am confident there are ways to define these programs, the funding problem does make it a very different problem for us. We could authorize, based on the presumption that what we authorize would be funded. That would be one route. But we have to authorize with the awareness, and design programs to the awareness, that what we will authorize will probably not be funded within a country mile of that which we intend and desire.

That is quite a different set of problems. You are going to have to benefit one kind of an institution, to some extent, if you beef up the assistance to other kinds, and you have to weigh low-income needs against middle-income needs.

I do not know how to escape those problems.

Mr. KOCIAN. I guess it is an age-old problem, but I would say the threshold concept is a good example of the authorizing committee in trying to assert its muscle, and I will encourage you to keep fighting.

We will be right behind you. [General laughter.]

Mr. FORD. Just one comment with respect to Professor Yost's suggestion. Tom did a quick calculation on the rest of the Higher Education Act other than title IV. You have only $240 million in appropriations for all of the other programs, so we are not really going to get much fat out of those.

Mr. YOST. I guess we will have to look elsewhere. [General laughter.]

Mr. FORD. Thank you very much, gentlemen.

Don Holec, chairman of the Title IV Committee, the National Association of Student Financial Aid Administrators and director of financial aid at Purdue University.

## STATEMENT OF DONALD HOLEC, CHAIRMAN, TITLE IV COMMITTEE, NATIONAL ASSOCIATION OF STUDENT FINANCIAL AID ADMINISTRATORS AND DIRECTOR OF FINANCIAL AID, PURDUE UNIVERSITY

Mr. HOLEC. It is a pleasure to be here, Mr. Chairman, to have this opportunity to testify and discuss some of the student aid issues relative to the Federal grant programs. I want to commend you on, not only holding these hearings but also for inviting the higher education associations to submit proposals on their recommendations for changes to the student aid legislation. I think this is the first time that has been done, and it is certainly very helpful to see where everyone is coming from and what agreements we have, and where there are issues that still need further discussion.

What I would like to discuss this morning are some of our specific recommendations relating to the supplemental grant program and the basic grant program. They really center around three very basic goals which we are trying to accomplish with the reauthorization process.

The first goal is to provide a reasonable and continuing financial base for the existing grant and self-help programs to assure current and future students that their goal of obtaining postsecondary education will not be thwarted due to insufficient financial resources.

There is a need for a period of stability in the Federal student aid programs. A number of changes, some legislative, some administrative, have occurred. The press is picking up different recommendations, particularly regarding budgets. There has caused uncertainty on the part of students and parents regarding the future funding of student aid programs. Students, parents and institutions need to know what funds will be available to pay for a college education.

To reach our first goal, we recommend the following:

First, make the basic grant program a true entitlement program, which we know is this committee's intent.

Second, extend the basic grant and supplemental grant programs through June 30, 1986. This would give the programs time to stabilize and mature.

Third, increase the basic grant award by $100 annually to take into consideration inflation, which is causing the cost of education to rise each year.

Fourth, increase the maximum annual supplemental grant to $2,000. This level would provide reasonable choice for many students without them incurring unreasonable debt burdens.

Fifth, increase the threshold levels for the supplemental grant, the national direct student loan and college work-study programs to insure a continued balance between the grant and self-help programs available for students.

Our second goal is to try to provide more flexibility in the grant programs to adequately address the unique needs and circumstances of individual students. The Federal grant programs are doing a good job of serving most students. At the same time, we must be sensitive to individual circumstances.

We recommend that the basic grant and supplemental grant programs both be extended to allow participation for a full 5 years of eligibility or until such time as the student actually receives their first undergraduate degree. Many students, for various reasons such as illness or personal circumstances, changes in degree objectives, or transfer from one school to another, find it necessary to attend college for 5 years in order to get their degrees. Expanding their eligibility for the grant programs to 5 years would help them maximize their educational potential.

Second, there are sections in the laws dealing with the definition of good standing or showing evidence of academic or creative promise that are obsolete. The educational amendments of 1976 added a requirement that students be making satisfactory academic progress in their course of study, as determined by the institution. This provision itself is sufficient to prevent any abuse or misuse of the program.

The third goal that we want to achieve is to modify the burdensome and costly requirements of the programs while retaining the necessary safeguards to provide and insure program accountability and integrity. We also, as I mentioned earlier, are looking for flexibility to meet the needs of individual students. We should strive toward removing unnecessary administrative burdens that do not add to meeting program intent or objectives. We should provide the most effective and efficient delivery which will promote the purposes of the programs.

There are three areas which I would like to discuss here. The first is the removal of the use of actual cost of education in determining a student's eligibility under the basic grant program and replacing it with a new definition of cost of attendance.

I would like to share with you a typical case as to how this provision affects a student on a campus. Many institutions, such as Purdue and others, will attempt to announce awards to students in March and April.

At that time, we generally need to use standard housing allowances, because we do not know what the student's actual housing costs will be on the campus. As I am sure you well know, there are a variety of plans for students who live on campus, a variety of meal plans, different costs depending on the dormitory a student might be in, whether they are in a single room, a double room or a triple room, and what have you.

Housing assignments are not made until summer, so at the time we make the award to the student, it is necessary for us to estimate a standard housing allowance to determine the estimated basic grant for the student.

Then, later in the year, at many institutions it will be in June or July, we have to determine what that actual student's housing costs will be. At that time, it is necessary to go back and revise the student's basic grant award.

If that student is receiving other aid, it is also necessary to revise the other aid, because if the basic grant award goes up and the student's need has been fully met, it means that the other aid the student receives must go down.

Then, we get into a third cycle at the time the student enrolls in school where, again, we must check to see whether or not the student is enrolled as a full-time, three-quarter or half-time student. At an institution like Purdue, that is not a problem, because students either pay one fee, whether they carry 12 hours or 15 hours or 18 hours. On the other hand, many of our institutions charge on a per-credit basis, so if the institution estimated the award based on the assumption that the student would enroll for 15 hours but then only enrolls for 12, it is necessary for the institution to, once again, revise the student's award for that particular semester. If the student enrolls for more than 15 hours, it is revised upward.

You have potentially two, three or more revisions going on with the student's eligibility for basic grant and their eligibility for other programs.

Looking at the impact of all of this, the administrative costs for institutions is high in terms of having to redetermine the student's eligibility at least two or three times before a final award can be made to the student.

Students get confused in the process. They have difficulty understanding why the award today $1,400, tomorrow $1,500, and the day after $1,600. It is because the circumstances are changing, which affects their eligibility. They have a difficult time planning their finances. Other aid programs are also affected, not just the basic grant, because if the basic grant increases, something else will decrease.

Sometimes that decrease is going to be in the work-study program. The student may already have started on a work-study job and, as a result, find that while they intended to work say 10 or 12 hours a week for the whole semester, the employer expected them to be there and they now find their eligibility for that program decreased. As a result, the student is not able to work the amount of time, or the employer is not able to have the student there for as much as they expected when they hired the student.

All of this is caused by the use of actual costs to determine a student basic grant eligibility.

Another aspect to look at is who benefits from this kind of provision? The student who chooses the most expensive kind of accommodations on the campus is going to get the largest grant. That can vary by as much as $200 or $300 depending on the difference in the room and board accomodations at an institution.

On the other hand, the student who is most frugal and is trying to keep their expenses down, perhaps by choosing the lower cost housing ends up by being penalized by having the smaller grant. So, in essence, their attempt to keep their costs down is rewarded by the smaller basic grant.

Students living off campus are affected by this significantly. As you know, in the current program we have a standard $1,100 allowance for room and board for students who reside off campus. That figure has been in place almost since the inception of the program. Inflation alone would say that the cost of a student living off campus is significantly higher today than it was 5 or 6 years ago.

Just as a comparison, for your information, under the current rules for the basic grant program, our costs at Purdue for the next year will be $2,430. The real cost for that student, when you figure in what it really costs for room and board and miscellaneous personal books and tuition fees is about $3,550. So the basic grant is actually only recognizing about two-thirds of the real cost of a student attending Purdue University.

In summary, we recommend that you replace the use of the actual cost with a new definition of cost of education that would recognize what the true costs are for students attending a particular campus and where they are living.

Another concern is the matching provision of the supplemental grant program. The current statute provides that the students must be of exceptional financial need in order to qualify for a supplemental educational opportunity grant. That has been defined to mean that the student's family contribution be less than, or equal to, one-half of the student's cost of education as determined by the institution. While that, in itself, for the majority of students poses no real significant problem, it does pose some problems for individual cases.

Let me cite some of them for you. First of all, the definition of what constitutes a match is restricted. Not all resources qualify for matching funds in order for a student to receive their supplemental grant. A student may have resources to meet their need after receiving their supplemental grant, but are not considered matching.

For example, if a student borrows under the guaranteed student loan program from a commercial lending institution, those funds do not constitute a match for a supplemental grant. A student, if their only other resource was a guaranteed student loan, could not have a supplemental grant, even though their need might be exceptionally high.

If a student who works off campus, the earnings for that job cannot be counted as a match. If the student works on campus or under the work-study program, that is fine. It is difficult for a student to understand if they already have a job and are working off campus that they have to quit that job and work on campus, or under work study in order to match the grant and in order to receive it. There are other government benefits, such as vocational rehabilitation and others that do not constitute match for the supplemental grant program. For the group of students that do not receive other title IV assistance or State assistance or institutional, this does pose a problem for them.

There is another group of students that have their supplemental grant matched by a work-study award. An institution will make that award for the year and the process is run like this. The supplemental grant will normally be dispersed at the beginning of each semester, half of it each semester, or a third of it each quarter, depending on the institution. On the other hand, a student's earnings from employment under the work-study program will be paid generally on a biweekly basis or a monthly basis. An award may be made to a student assuming that they are going to earn enough money under the work-study program to match their grant.

If, at the end of the semester you find that the student has not earned all of his work-study allocation, the institution must bill that student for part of the supplemental grant that was dispersed to them. In essence, the student is the loser. They have not been able to earn all of the work-study and, as a result, they lose part of their grant because of the matching provisions.

There are also students that, because of their own living arrangements are able to live on a smaller budget. They are able to cut corners. Not everyone is going to spend the $3,550 average resident student cost at Purdue University. Some students are going to find ways of cutting that cost, and as such, they may decide they do not need as much aid as is offered to them.

Some of those students are being forced to accept that loan in order for them to receive their supplemental grant, whereas, they might be able to do without the loan.

Others are being forced into multiple loan programs. The student has a guaranteed loan program for a part of their need or to replace the parental contribution that is expected. They want to use that same program to borrow whatever other funds are needed. If a supplemental grant is included with their aid package, it might not be possible, again, because of the matching provisions.

So these are all problems that come up. Not every student has a problem with these, but they come up and they restrict the aid officer's ability to work with that student and put together the best aid package to meet the particular student's financial need.

It also has an impact in terms of the administrative burden on institutions to continuously monitor that process, checking every single payroll to see that students are, in fact, earning the money that they need in order to meet the matching requirements of the program. So we would recommend that the statutory requirement, the exceptional financial need clause, be retained, but that the provision which requires the matching provision be eliminated.

I think when you look at the time when the SEOG program was created, that provision was important. I think it is less important today, since we have expanded Federal programs. We have had the basic grant program created since then. We have also had expansion of a number of State programs.

Another idea which we would hope the subcommittee would carefully consider during the reauthorization process is the current basic grant delivery system. As the system is currently structured, the Federal Government contracts with an independent processor to receive and process financial data from students and their families in order to produce an official student eligibility report for each applicant.

Originally, the system was designed to insure that each student's award would be calculated in a consistent and equitable manner and subsequently notified of their program eligibility, thus insuring that the entitlement feature of the program was clearly identified.

Since the program was enacted in 1972, there have been many changes to that process. We now have a system where various servicers participating in multiple data entry can process the application and forward the data onto the central processor in order for them to produce the student eligibility report. Dr. Martin testified earlier of the interrelationship between the programs and illustrated that the Federal basic grant process is still a distinct and separate entity in a rather complex delivery system.

We would therefore propose that the operational functions being performed by the Government's grant processor could more efficiently be folded into the existing need analysis services while retaining all the consistent eligibility entitlement features which are essential to the basic grant program. In addition, this change would greatly reduce the confusion for parents and students would substantially reduce the paperwork generated by a separate function, and would provide for a more efficient and timely coordination of our student aid awards.

Under the model we propose, the students and/or their parents would simply complete the regular need-analysis document and submit it to one of the existing need-analysis services. The service would in turn carefully edit and analyze the primary data elements used in calculating the student's eligibility for the basic grant program, and print the results on the output documents which they provide to the student, the institutions, and the State agencies. The current use of the official student eligibility report would be eliminated, thereby enabling the institution to disburse funds to students based on the results of the output documents.

Magnetic tapes and/or rosters could be provided directly to State agencies by the existing need-analysis services as is currently done. Since more than 80 percent of the students currently receiving basic grants identify the institution at which they plan to enroll at the time they submit their basic grant applications, timely and efficient announcements of all student aid funding, including the basic grant award, would be greatly facilitated.

Those students not identifying the institution at which they plan to enroll would simply take the student's copy of the output document received from the need-analysis service to the aid administrator at the institution in which they enroll. The aid administrator would use this document to make a preliminary award and request an official copy of the output document from the need-analysis service.

Funds for the program would continue to be disbursed to institutions through the DFAFS system in the same manner as they are currently. The institutions would simply complete an annual disbursement for submission to the Office of Education. Complete disbursement records would be maintained at the institution and audited according to the existing procedures used for the campus-based programs. Summary statistics and program management information could then be prepared by the Office of Education.

This model would retain the primary features of the basic grant program which assure a consistent calculation of the student's award and a timely notification of eligibility. In addition to preserving the basic grant entitlement features, this model would also enhance the coordination of all student aid programs and eliminate many of the operational procedures currently being duplicated between the basic grant and campus-based programs.

While we realize that the administrative and operational details would need to be carefully coordinated during the initial implementation of this model, it would, in the long run, be a desirable change and an improvement to the overall delivery system.

There are other remarks, but in the interest of time I refer you to the written testimony that we have. I do want to thank you for the opportunity to testify here this morning and I would be pleased to answer any questions that you might have.

[The prepared statement of Don Holec follows:]

# STATEMENT BY THE
# NATIONAL ASSOCIATION OF STUDENT FINANCIAL AID ADMINISTRATORS

before the

SUBCOMMITTEE ON POSTSECONDARY EDUCATION
U.S. HOUSE OF REPRESENTATIVES

May 16, 1979

presented by

DONALD E. HOLEC
Chairman
Committee on Title IV Student Assistance Programs

Mr. Holec is accompanied by:
A. Dallas Martin, Jr., Executive Director

Mr. Chairman and Members of the Subcommittee, it is indeed a pleasure to have the opportunity to appear before you to discuss the Title IV Student Assistance grant programs. I am Donald Holec, Director of Financial Aid at Purdue University, and current chairman of NASFAA's Title IV Committee. Accompanying me today is Dr. Dallas Martin, Executive Director of the Association.

Before beginning our testimony today, allow me to take this opportunity to commend the Chairman for initiating a systematic approach in preparing everyone for these hearings. To my knowledge this is the first time all of the associations in the higher education community have been invited to prepare detailed legislative recommendations in advance of the actual hearings, and the first time each of the members of the Subcommittee and their staff have had the opportunity to review all these recommendations in advance. In addition, we also applaud you for conducting three days of overview hearings to help acquaint the Subcommittee with some of the critical issues which must be carefully reviewed in the next few months. These activities, coupled with the full set of witnesses scheduled to appear before this Subcommittee, dramatically illustrate your sincere commitment to insuring that each and every issue receives full consideration.

Today we would like to briefly discuss some of the specific recommendations which we previously presented to you concerning the BEOG and SEOG programs and to identify additional issues for which we have not been able to find complete solutions.

We have carefully reviewed the existing legislation governing the Basic Grant and SEOG programs, and have compared these to the actual administrative and operational experiences we have had with these programs for the past few years at our institutions. Most of our grant recommendations are designed to meet three goals. The first goal is to provide a reasonable and continuing financial base for the existing grant and self-help programs to assure current and future students that their goals of obtaining a postsecondary education will not be thwarted due to insufficient financial resources.

To achieve this first goal we would recommend a modification to section 411(a)(1)(A) to extend the Basic Grant program through June 30, 1986 and the adoption of language to clearly establish the program as a true entitlement. Likewise, we recommend that section 413A(b)(1) be changed to extend the SEOG program until June 30, 1986. These changes will help to provide program stability and assure continuation of these vital programs.

Other changes we have recommended to achieve this first goal are:

1. To provide for a modest, annual $100 step increase in the Basic Grant maximum award to help parents and students keep pace with rising educational costs. This will also minimize the number of students who will become ineligible from year to year due to increases in their family income.
2. To increase the threshold levels for the three campus-based programs (SEOG, NDSL, CWSP) to insure that students will continue to have a proper balance between grant and self-help funds in their aid packages. As you know, the threshold levels were initially established in 197[illegible]. The decision by the Congress to enact this section has proven to be a very wise decision in spite of attempts

by various administrations to eliminate or ignore these provisions. If institutions are to be able to provide equitable aid packages to needy students, the continuance of threshold levels is essential. In addition, the levels must be increased to insure balanced funding for all aid programs.

3. To increase the annual SEOG maximum award from $1500 to $2000. With total costs already exceeding $6000 at many institutions, it is essential that the SEOG maximum award be increased. This would provide low and middle-income students the opportunity to attend institutions of their choice without incurring unreasonably high debt burdents.

The second goal we addressed in our recommendations is to provide more flexibility in the grant programs to adequately address the unique needs and circumstances of individual students. While the programs have successfully served the majority of students, financial aid administrators continually are prevented from effectively meeting an individual student's unique circumstances due to specific program restrictions.

A frequent example of these restrictions is the current limitation on the number of years a student is eligible to participate in the grant programs. The Basic Grant program currently states that a student may not receive an award for more than four years unless 1) he/she is pursuing a course of study leading to a first degree which is designated by the institution to extend over five years, or 2) the student is unable to complete a course of study within four academic years because of an institutional requirement that the student enroll in remedial courses for which no credit is given toward the academic degree.

Likewise, the current SEOG statutes indicate that a student may not receive supplemental grants for a period of more than four academic years except where 1) the student pursues a course of study leading to a first degree which is designated by the institution to extend over five academic years, or 2) the institution determines that a student's particular circumstances necessitate an additional year of work in order to complete the course of study. While the current statute does provide some flexibility, studies have shown that many students require five years in order to complete their academic degree. This is particularly true of many needy students who come from severely disadvantaged environments and need remedial work to prepare them for a regular course load. In addition, students frequently experience a delay in receiving their degree because of illness or other personal problems.

Therefore, we recommend that the current restriction be removed by changing the statute to permit a student to receive Basic or Supplemental Grants during the period required to complete his or her first undergraduate course of study at the institution, except that this period may not exceed five academic years as a full-time student. This change will provide institutions with more flexibility to respond to the unique needs of individual students without placing undue restrictions on the student.

Still another change we recommended to meet this particular goal is the elimination of those sections in the grant programs which refer to the student being in good standing or showing evidence of academic or creative promise. The Educational Amendments of 1976 require each student attending an institution to maintain satisfactory progress according to the standards and practices of the institution.

We feel that the satisfactory progress language incorporated in the Amendments is sufficient to guard against potential abuses. At the same time it provides a more realistic standard upon which to judge other academic-related progress. We have, therefore, suggested that the satisfactory progress standard be used consistently throughout all the programs and eliminate all of the other academic standard requirements.

The third goal which our recommendations address is the modification of burdensome and costly requirements while retaining the necessary safeguards to provide and insure program accountability and integrity. Currently in the Basic Grant program actual costs are required in calculating a student's grant, which makes it nearly impossible to establish the grant amount prior to enrollment. Even then, many institutions will have several cost figures to use because of multiple room and board options and/or tuition and fees charged by the credit hour. At the present time the Office of Education is interpreting actual costs literally for the students who pay room and board to the institution, while using estimates for those who live and/or eat outside the confines of the school. In addition, students living off-campus are frequently faced with higher actual living costs than the $1,100 the Basic Grant program now permits. These procedures are unfair to many students and are administratively cumbersome for all institutions.

In order to resolve this problem and provide realistic criteria for all students we recommend the elimination of the word "actual" from the Basic Grant program and a new definition for the term "cost of attendance." The costs of attendance should provide reasonable allowances for all students which more accurately reflect their real educational expenses based upon their living arrangements and the nature of the institution in which they enroll. For the purposes of section 411(a)(2)(B), we recommend that the term "cost of attendance" be defined as: 1) tuition and fees normally assessed a full-time student at the institution at which the student is in attendance; plus 2) in academic year 1980-81, an allowance of $600 for books, supplies and miscellaneous personal expenses. In subsequent academic years this allowance shall be adjusted annually by the Commissioner based upon the Consumer Price Index; plus 3) an allowance for room and board costs incurred by the student (not to include the student's dependents or spouse) as follows: (a) in the academic year 1980-81, an allowance of $1,150 for a student residing at home with his parents (commuter). In subsequent academic years this allowance would be adjusted annually by the Commissioner based upon the Consumer Price Index; (b) for students residing at institutionally owned or operated housing, a standard allowance determined by the institution based on the amount normally assessed most of its residents for room and board; or (c) for all other students, a standard allowance determined by the institution based on the expenses reasonably incurred by such students for room and board.

In essence, the intent of this change is to simply modify the procedures for determining a student's cost of attendance for the Basic Grant program and to simplify the administrative procedures thus enabling the institution to notify the student of the actual amount of his or her award in a more timely fashion. In addition, we would also redefine the student's eligible costs for the Basic Grant program and modify the procedures used to determine the family's effective income in order to exclude the student's basic living expenses for the nine-month in-school period from the amount to be exempt from assessment. Together, these two changes provide for a more equitable distribution of Basic Grant funds to all students regardless of the type of institution in which they are enrolled.

Other changes we are recommending to achieve the third goal include eliminating the matching requirement in the current SEOG legislation. The existing statute specifies that a student must be of exceptional financial need and would not, but for a supplemental grant, be financially able to pursue a course of study at such an institution. In addition, the Commissioner defines the student with exceptional financial need as one whose family contribution does not exceed 50% of the cost of attendance. These two provisions continue to insure that only the most needy students will be eligible for supplemental grants, therefore, the matching requirement in the current statute and the regulatory definition as to what is an acceptable match for an SEOG are an unnecessary administrative burden. Elimination of this provision will help to reduce paperwork within the institution. Likewise, we have inserted a clause in section 413B(a)(2)(B) to clarify the $200 minimum academic year award in SEOG. We feel that $200 minimum award is reasonable. However, we would propose that a statement be added which states: "For a student enrolled for less than a full academic year, the minimum payment required may be reduced proportionately." This addition is designed to clarify those situations in which a student may withdraw after one term, or enroll for a period of less than a full academic year. The addition of this language will help to distinguish between a minimum award for an academic year and an actual minimum disbursement for an enrollment period. Also, this change will help to eliminate some of the audit exceptions that are currently being cited in program reviews.

Another area which we hope the subcommittee will carefully consider during the reauthorization process is the current Basic Grant delivery system. As the system is currently structured, the federal government contracts with an independent processor to receive and process financial data from students and their families in order to produce an official Student Eligibility Report (SER) for each Basic Grant applicant. Originally, the system was designed to insure that each student's award would be calculated in a consistent and equitable manner, and subsequently notified of their program eligibility, thus ensuring that the entitlement feature of the program was clearly identified.

However, since the program was enacted in 1972, many changes have occurred which now make this process less desirable and efficient. Many people believe that the Basic Grant program is primarily administered by the Office of Education as a simple, separate entity in the total delivery system. Unfortunately, such is not the case. In fact, at the vast majority of participating institutions, the required separation of this function from the regular student aid delivery system has created enormous administrative burdens and extreme difficulties in the proper coordination of the student aid programs. As the testimony which Dr. Martin presented before this Subcommittee on May 3rd illustrated, the federal Basic Grant process is still another distinct and separate entity in a rather complex delivery system. We therefore propose that the operational functions currently being performed by the government's Basic Grant processor could more efficiently be folded into the existing need analysis services while retaining all of the consistent eligibility entitlement features which are essential to the Basic Grant program. In addition this change would greatly reduce the confusion for parents and students, would substantially reduce the paperwork generated by a separate function, and would provide more efficient and timely coordination of all student aid awards.

Under the model we propose, the students and/or their parents would simply complete the regular need analysis document and submit it to one of the existing need analysis services. The service would in turn carefully edit and analyze the primary data elements used in calculating the student's eligibility for the Basic Grant program, and print the results on the output documents which they provide to the student, the institutions, and the state agencies. The current use of the official Student Eligibility Report would be eliminated, thereby enabling the institution to disburse funds to students based on the results on the output documents.

Magnetic tapes and/or rosters could be provided directly to state agencies by the existing need analysis services as is currently done. Since more than 80% of the students currently receiving Basic Grants identify the institution at which they plan to enroll at the time they submit their Basic Grant applications, timely and efficient announcements of all student aid funding (including the Basic Grant award) would be greatly facilitated. Those students not identifying the institution at which they plan to enroll would simply take the student's copy of the output document received from the need analysis service to the aid administrator at the institution in which they enroll. The aid administrator would use this document to make a preliminary award and request an official copy of the output document from the need analysis service.

Funds for the program would continue to be disbursed to institutions through the DFAFS system in the same manner as they are currently. The institutions would simply complete an annual disbursement for submission to the Office of Education. Complete disbursement records would be maintained at the institution and audited according to the existing procedures used for the campus-based programs. Summary statistics and program management information could then be prepared by the Office of Education.

This model would retain the primary features of the Basic Grant program which assure a consistent calculation of the student's award and a timely notification of eligibility. In addition to preserving the Basic Grant entitlement features, this model would also enhance the coordination of all student aid programs and eliminate many of the operational procedures currently being duplicated between the Basic Grant and campus-based programs. While we realize that the administrative and operational details would need to be carefully coordinated during the initial implementation of this model, it would, in the long run, be a desirable change and an improvement to the overall delivery system.

While this concludes our general recommendations, allow me to take a moment to address several additional issues for which we have not been able to find complete solutions. While we have recommended increasing Basic Grant maximum awards by $100 annual increments, we have not addressed the modification of the half-cost provisions of the Basic Grant program. Increasing the Basic Grant maximum award certainly helps to minimize the number of students dropped from eligibility each year due to increases in family income and provides financial stability for students facing increased educational costs. However, the step increases will not benefit the neediest students who are enrolled at the lowest cost institutions. Unfortunately, many of the students affected by the half-cost provisions are those who need substantial support since their families can contribute very little to the cost of their education. On the other hand, our members feel that if the half-cost provisions are removed, some students will receive Basic Grant awards which exceed their overall costs of attendance.

Originally, the half cost provisions were included to ensure that all students would contribute to the cost of their education, and that no student would receive more than half of their educational costs from a Basic Grant award. In actuality, the provision only affects about 700,000 of the neediest students attending lower-cost institutions. A low-income student eligible for the current maximum grant of $1800 receives a reduced award of $1500 if he/she enrolls in an institution with a $3,000 cost of attendance. If the same student enrolls in an institution with a cost of $4,000, their award will be the full $1800.

While our members realize that there are current financial inequities with the half-cost provisions, they also fear that removal of the provisions will have a major impact upon the existing federal campus-based and state grant programs. In an attempt to address this issue, we have presented recommendations to adjust the cost of attendance allowances in the Basic Grant program to insure that student's awards are based on realistic expenditure budgets.

Still another issue which our Association has carefully reviewed is the concept of providing grant assistance to students who are enrolled less than half-time. NASFAA has endorsed the concept that aid to all students should be based upon need without regard to the number of hours that a student is taking. However, we also believe that a detailed study must be conducted to carefully review the administrative and cost efficiency of such an approach before it is implemented.

This concludes our recommendations on the student grant programs, however, again allow me to thank you for providing us the opportunity to share our views. If you have any questions we will be happy to respond to them at this time.

Mr. FORD. Thank you. We are going to have to leave. We are on a 5-minute rule on the floor now, which makes us a little bit illegal here.

I am going to ask the committee counsel to direct a letter to the Office of Education with the listing of the procedural recommendations for their comment on the record as to what they are doing to implement that and which ones they think can be implemented and which ones cannot.

NASFAA has already given us suggestions of this kind, but unfortunately they have not told us whether they want this enacted as a statute or, if they do, what specific language they would like to employ.

I would ask you, having read these suggestions on behalf of NASFAA for the change, to give us something more specific of what you would write into the law, how much you would write and specifically how much you would put into language, expecting a predictable reaction from the Department in writing regulations and how much of it should be left in regulations.

We are impressed with the recommendations. You show us how to do it now.

Mr. HOLEC. Mr. Chairman, we will certainly comply with that and get you the information you requested.

Mr. FORD. Mr. Buchanan?

Mr. BUCHANAN. Thank you, Mr. Chairman. I will not ask a question under the circumstances, but I will associate myself with the remarks of the chairman.

Mr. FORD. Thank you very much. I am sorry we have to cut this short.

The committee will stand in recess.

[Whereupon, at 12:30 the subcommittee adjourned.]

[Material submitted for inclusion in the record follows:]

# PRICES OF NEW AND EXISTING HOUSES: CURRENT DATA

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## ISSUE DEFINITION

The sharp increases in the prices of houses in recent years have caused serious concerns over the basic affordability of home ownership. On the one hand, families whose incomes have not kept pace with fast-rising housing prices are being "priced out" of the housing market. This seems to be particularly true of young families attempting to purchase their first house. On the other hand, many current homeowners, whose property assessments have risen along with market prices, now experience sharply rising property taxes which they cannot pay without some reduction in living standards. In many areas, most notably California, this rising tax burden has led or is leading to local "tax revolts," and a refusal to shoulder further taxes on property. As a result of these, and other concerns, the regular measurement of price changes for both new and previously occupied housing has taken on added significance.

This Mini Brief contains information and data on house prices from the following four regularly published series:

(1) Median sales price of newly constructed houses, for the U.S. and geographic regions from 1965 annually to the present, and for the most recent 14 months;

(2) Median sales price of existing houses, for the U.S. and geographic regions from 1968 annually to the present, and for the most recent 14 months;
(3) The "constant house" sales price index of new houses, for the U.S. and regions from 1965 annually to the present, and for the most recent 7 quarters;

(4) Average sales prices of new and existing conventionally financed houses by selected major metropolitan areas, for the most recent month.

A more extensive description of each of the series is supplied under the background portion of this Brief.

## BACKGROUND AND POLICY ANALYSIS

The first series (TABLES I and II New Houses – Median) is compiled by the Bureau of the Census and is the most commonly used series for analysts and others when discussing house prices versus family incomes. The median price is the middle price: that is, one-half of all new houses sold were priced below this median and one-half were priced above this median. The series measures prices for new, privately owned, one-family houses actually sold in any given period; it does not include mobile homes, or contractor or owner-built houses that do not include the price of land in the sales price. Changes in the median sales price reflect not only changes in building costs, but also changing proportions of houses of different sizes, in different locations, containing different amenities, and having other differing characteristics. Thus, the series is not only an indicator of inflation, but also of changing size and quality. Current updates on this series may be obtained by contacting the Construction Statistics Division of the Bureau of the Census at (301) 763-5731.

The second series (TABLES III and IV, existing houses – median) is compiled by the National Association of Realtors from a survey of 140 Multiple Listing Services in the country. It reports median (middle) prices, refers to single-family houses that were previously occupied, and is generally similar to the Census series for new houses. Changes in the median sales price reflect not only changes in building costs, but also changing proportions of houses of different sizes, etc. Current updates on this series may be obtained by contacting the Department of Economics and Research of the National Association of Realtors at (202) 637-6866.

The third series (TABLES V and VI, New Houses - Index) is compiled by the Bureau of the Census and is the only major attempt to correct for changes in the characteristics of houses sold. It is designed to measure changes in sales prices of new houses that are similar in 10 physical characteristics to houses sold in the base year 1974. The 10 characteristics are floor area, number of stories, number of bathrooms, air conditioning, parking facilities, foundation type, geographic division within region, metropolitan area location, presence of fireplace, and lot size. Thus, the index for 1977 shows the average (not median) price of a new house sold in 1977 that is like a new house sold in 1974 with respect to these 10 characteristics. This index is probably the best available measure of house price inflation. Note, however, that no attempt is made to correct for differences in any characteristics other than the 10 listed here. Differences in materials used, mechanical equipment installed, quality of workmanship, and interior or exterior design are not considered. Data for regions show price changes in each region but not levels; regional comparisons should only be made to show differences in rates of price change. Current updates on this series may ~~be~~ obtained by contacting the Construction Statistics Division of the Bureau of the Census of the number listed above, or at (301) 763-7842.

The fourth series (TABLES VII and VIII, Houses sold by metropolitan area) is compiled by the Federal Home Loan Bank Board, in cooperation with the Federal Deposit Insurance Corporation, from individual loan statistics reported by a sample of major mortgage lenders. The series covers fully-amortized conventional (not FHA or VA) first mortgage loans for purchasing single family houses, which were origi[illegible]d by savings and loan associations, mortgage bankers, commercial banks, [illegible] mutual savings banks. Such lenders generally account for 90% of all conventional home mortgage originations. Figures given are average (not median) prices. Because of the nature of the distribution of home sales prices, the average sales price is nearly always higher than the associated median price. Data on this table is given for information on current markets only. Specific Metro-area prices often fluctuate widely from month to month and therefore too much significance should not be put on their changes.

One should be cautioned against using any of the data for 1970 as a base from which to compute percent increases in prices. The sudden sharp increase in federally subsidized housing in 1970 created a downward bias in the price data for that year which tends to be misleading. The data do tend to indicate that prices after 1972 have risen more rapidly than in earlier periods, but the anomaly in the data, which is pronounced for median priced new houses in 1970, makes it difficult to characterize the changes from about 1969 to 1972. The new house price index partially corrects for this phenomenon.

Updates of the data in this Brief may also be obtained from the Housing section of the Economics Division of CRS at (202) 426-5750. It should be noted that none of these series is available for states, or for any other geographic area not shown on the attached tables.

**TABLE I MEDIAN SALES PRICE OF NEW HOUSES SOLD IN THE U.S.**

| Yearly | | |
|---|---|---|
| | $ | % Change |
| 1965 | 20,000 | +5.8 |
| 66 | 21,400 | +7.0 |
| 67 | 22,700 | +6.1 |
| 68 | 24,700 | +8.8 |
| 69 | 25,600 | +3.6 |
| 70 | 23,400 | -8.6 |
| 71 | 25,200 | +7.7 |
| 72 | 27,600 | +9.5 |
| 73 | 32,500 | +17.8 |
| 74 | 35,900 | +10.5 |
| 75 | 39,300 | +9.5 |
| 76 | 44,200 | +12.5 |
| 77 | 48,800 | +10.4 |
| 78 | 55,700 | +14.1 |

| Monthly | | |
|---|---|---|
| | $ | % Change |
| (1978) | | |
| Jan. | 52,300 | -0.8 |
| Feb. | 53,200 | +1.7 |
| Mar. | 53,200 | +1.7 |
| Apr. | 53,300 | +0.2 |
| May | 55,700 | +4.5 |
| June | 56,700 | 1.8 |
| July | 54,800 | -3.4 |
| Aug. | 56,300 | +2.7 |
| Sept. | 57,300 | +1.8 |
| Oct. | 58,300 | 1.8 |
| Nov. | 58,700 | +0.7 |
| Dec. | 59,800 | +1.9 |
| (1979) | | |
| Jan. | 60,200 | +0.7 |
| Feb. | 61,100 | +1.5 |

Source: Bureau of the Census

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TABLE II MEDIAN SALES PRICE OF NEW HOUSES SOLD — BY REGION.

| | Northeast | | North Central | | South | | West | |
|---|---|---|---|---|---|---|---|---|
| | $ | % Change | $ | % Change | $ | % Change | $ | % Change |
| Annual | | | | | | | | |
| 1965 | 21,500 | +5.9 | 21,600 | +11.3 | 17,500 | +4.8 | 21,600 | +5.9 |
| 66 | 23,500 | +9.3 | 23,000 | +7.4 | 18,200 | +4.0 | 23,200 | +7.4 |
| 67 | 25,400 | +8.1 | 25,100 | +8.2 | 19,400 | +6.6 | 24,100 | +3.9 |
| 68 | 27,700 | +9.1 | 27,400 | +9.2 | 21,500 | +10.8 | 25,100 | +4.1 |
| 69 | 31,600 | +14.1 | 27,600 | +0.7 | 22,800 | +6.0 | 25,300 | +0.8 |
| 70 | 30,300 | -4.1 | 24,400 | -11.6 | 20,300 | -11.0 | 24,000 | -5.1 |
| 71 | 30,600 | +1.0 | 27,200 | +11.5 | 22,500 | +10.8 | 25,500 | +6.3 |
| 72 | 31,400 | +2.6 | 29,300 | +7.7 | 25,800 | +14.7 | 27,500 | +7.8 |
| 73 | 37,100 | +18.2 | 32,900 | +12.3 | 30,900 | +19.8 | 32,400 | +17.8 |
| 74 | 40,100 | +8.1 | 36,100 | +9.7 | 34,500 | +11.7 | 35,800 | +10.5 |
| 75 | 44,000 | +9.7 | 39,600 | +9.7 | 37,300 | +8.1 | 40,600 | +13.4 |
| 76 | 47,300 | +7.5 | 44,800 | +13.1 | 40,500 | +8.6 | 47,200 | +16.3 |
| 77 | 51,600 | +9.1 | 51,500 | +15.0 | 44,100 | +8.9 | 53,500 | +13.3 |
| 78 | 58,300 | +13.0 | 59,200 | +15.0 | 50,300 | +14.1 | 61,300 | +14.6 |
| Monthly (not seasonally adjusted) | | | | | | | | |
| (1978) | | | | | | | | |
| Jan. | 61,500 | +12.4 | 58,300 | +0.3 | 46,200 | -2.5 | 58,100 | +1.4 |
| Feb. | 58,700 | -4.6 | 55,100 | -5.5 | 47,800 | -3.5 | 58,000 | -0.2 |
| Mar. | 54,100 | -7.8 | 53,600 | -2.7 | 48,600 | -1.7 | 60,000 | +3.4 |
| Apr. | 53,400 | -1.3 | 56,800 | +5.6 | 47,900 | -1.5 | 60,200 | +0.3 |
| May | 55,800 | +4.5 | 58,800 | +3.4 | 49,600 | +3.5 | 63,500 | +5.5 |
| June | 56,700 | 1.7 | 59,000 | 0.3 | 51,900 | 4.6 | 62,000 | -2.4 |
| July | 54,800 | -3.4 | 62,600 | 6.1 | 50,000 | -3.7 | 60,400 | -2.6 |
| Aug. | 56,300 | 2.7 | 53,700 | -14.2 | 52,500 | 5.0 | 60,300 | -0.2 |
| Sept. | 58,100 | +3.2 | 64,200 | +12.9 | 52,200 | -0.6 | 63,200 | +4.1 |
| Oct. | 55,500 | -4.5 | 62,400 | - 2.8 | 52,600 | +0.8 | 63,900 | +1.1 |
| Nov. | 63,900 | +15.1 | 60,800 | -2.6 | 52,400 | -0.4 | 65,000 | +1.7 |
| Dec. | 62,100 | -2.8 | 68,000 | 11.8 | 53,700 | +2.5 | 71,600 | +10.2 |
| (1979) | NE | | NC | | S | | W | |
| Jan. | 63,600 | +2.4 | 55,400 | -18.5 | 53,800 | +0.2 | 66,700 | -6.8 |
| Feb. | 59,200 | -6.9 | 59,800 | +7.9 | 56,900 | +5.8 | 68,300 | +2.4 |

Source: Bureau of the Census

TABLE III MEDIAN SALES PRICE OF EXISTING HOUSES SOLD IN THE U.S.

| Yearly | | | Monthly (not seasonally adjusted) | | |
|---|---|---|---|---|---|
| | $ | % Change | | $ | % Change |
| 1968 | 20,100 | na | | | |
| 1969 | 21,800 | +8.5 | Jan. | 45,500 | +2.9 |
| 1970 | 23,000 | +5.5 | Feb. | 46,300 | +1.8 |
| 1971 | 24,800 | +7.8 | Mar. | 46,500 | +0.4 |
| 1972 | 26,700 | +7.7 | Apr. | 48,200 | +3.7 |
| 1973 | 28,900 | +8.2 | May | 47,800 | -0.8 |
| 1974 | 32,000 | +10.7 | June | 48,400 | +1.3 |
| 1975 | 35,300 | +10.3 | July | 49,400 | +2.0 |
| 1976 | 38,100 | +7.9 | Aug. | 50,300 | +1.8 |
| 1977 | 42,900 | +12.6 | Sept. | 50,200 | -0.2 |
| 1978 | 48,700 | +13.5 | Oct. | 50,100 | -0.2 |
| | | | Nov. | 50,700 | +1.2 |
| | | | Dec. | 50,900 | -0.4 |
| | | | (1979) | | |
| | | | Jan. | 52,000 | +2.2 |
| | | | Feb. | 51,900 | -0.2 |

Source: National Association of Realtors

TABLE IV MEDIAN SALES PRICE OF EXISTING HOUSES SOLD -- BY REGION.

| | Northeast | | North Central | | South | | West | |
|---|---|---|---|---|---|---|---|---|
| | $ | % Change | $ | % Change | $ | % Change | $ | % Change |
| Annual | | | | | | | | |
| 1968 | 21,400 | na | 18,200 | na | 19,000 | na | 22,900 | na |
| 1969 | 23,700 | +10.5 | 19,000 | +4.4 | 20,300 | +6.8 | 23,900 | +4.4 |
| 1970 | 25,200 | +6.3 | 20,100 | +5.8 | 22,200 | +9.4 | 24,300 | +1.7 |
| 1971 | 27,100 | +7.5 | 22,100 | +10.0 | 24,300 | +9.5 | 26,500 | +9.1 |
| 1972 | 29,800 | +10.0 | 23,900 | +8.1 | 26,400 | +8.6 | 28,400 | +7.2 |
| 1973 | 32,800 | +10.1 | 25,300 | +5.9 | 29,000 | +9.8 | 31,000 | +9.2 |
| 1974 | 35,800 | +9.1 | 27,700 | +9.5 | 32,300 | +11.4 | 34,800 | +12.3 |
| 1975 | 39,300 | +9.8 | 30,100 | +8.7 | 34,800 | +7.7 | 39,600 | +13.8 |
| 1976 | 41,800 | +6.4 | 32,900 | +9.3 | 36,500 | +4.9 | 46,100 | +16.4 |
| 1977 | 44,400 | +6.2 | 36,700 | +11.6 | 39,800 | +9.0 | 57,300 | +24.3 |
| 1978 | 47,900 | +7.9 | 42,200 | +15.0 | 45,100 | +13.3 | 66,700 | +16.4 |
| Monthly (not seasonally adjusted) | | | | | | | | |
| 1978 | | | | | | | | |
| Jan. | 44,400 | -2.2 | 39,400 | +3.4 | 42,000 | +4.7 | 61,900 | +3.0 |
| Feb. | 46,000 | +3.6 | 39,900 | +1.3 | 42,000 | 0.0 | 64,800 | +4.7 |
| Mar. | 45,900 | -0.2 | 40,800 | +2.3 | 42,900 | +2.1 | 63,200 | -2.5 |
| Apr. | 46,700 | +1.7 | 41,200 | +1.0 | 45,000 | +4.9 | 65,300 | +3.3 |
| MAY | 46,000 | -1.5 | 41,400 | +0.5 | 44,700 | -0.7 | 66,600 | +2.0 |
| June | 46,300 | +0.1 | 42,600 | +2.9 | 45,100 | +0.9 | 65,900 | -1.1 |
| July | 47,600 | +2.7 | 42,800 | +0.5 | 46,100 | +2.2 | 67,700 | +2.7 |
| Aug. | 49,600 | +4.2 | 43,100 | +0.7 | 46,900 | +1.7 | 68,300 | +0.9 |
| Sept. | 50,800 | +2.4 | 43,700 | +1.4 | 45,700 | -2.6 | 68,900 | +0.9 |
| Oct. | 49,900 | -1.8 | 43,400 | -0.7 | 45,600 | -0.2 | 68,900 | 0 |
| Nov. | 50,900 | +2.0 | 43,900 | +1.2 | 46,200 | +1.3 | 69,100 | +0.3 |
| Dec. | 50,600 | -0.6 | 44,400 | +1.1 | 46,800 | +1.3 | 67,500 | -2.3 |
| 1979 | | | | | | | | |
| Jan. | 51,800 | +2.4 | 44,600 | +0.5 | 47,500 | +1.5 | 71,500 | +5.9 |
| Feb. | 48,300 | -6.7 | 46,000 | +3.1 | 46,800 | -1.5 | 72,600 | +1.5 |

Source: National Association of Realtors

TABLE V PRICE INDEX OF NEW ONE-FAMILY HOUSES SOLD IN THE U.S.
1972=100

| Annual | Index | % Change | Implied Price |
|---|---|---|---|
| 1965 | 71.2 | +2.3 | 23,300 |
| 1966 | 74.2 | +4.2 | 24,200 |
| 1967 | 76.4 | +3.0 | 25,000 |
| 1968 | 80.3 | +5.1 | 26,200 |
| 1969 | 86.5 | +7.7 | 28,300 |
| 1970 | 89.1 | +3.0 | 29,100 |
| 1971 | 93.4 | +5.4 | 30,700 |
| 1972 | 100.0 | +6.5 | 32,700 |
| 1973 | 108.9 | +8.9 | 35,600 |
| 1974 | 119.1 | +9.4 | 38,900 |
| 1975 | 131.0 | +10.0 | 42,800 |
| 1976 | 142.0 | +8.4 | 46,400 |
| 1977 | 159.6 | +12.4 | 52,000 |
| Quarter | | | |
| 1977 | | | |
| I | 152.6 | +3.7 | 49,800 |
| II | 158.3 | +3.7 | 51,700 |
| III | 160.8 | +1.6 | 52,500 |
| IV | 170.0 | +5.7 | 55,500 |
| 1978 | | | |
| I | 171.7 | +1.0 | 56,100 |
| II | 178.7 | +4.1 | 58,400 |
| III | 186.6 | 4.4 | 60,900 |
| IV | 192.7 | +3.3 | 62,900 |

Source: Bureau of the Census

TABLE VI PRICE INDEX OF NEW ONE FAMILY HOUSES SOLD BY REGION
1972= 100

| | NORTH EAST | | NORTH CENTRAL | | SOUTH | | WEST | |
|---|---|---|---|---|---|---|---|---|
| Annual | Index | % Change | Index | % Change | Index | % Change | Index | % Change |
| 1965 | 62.2 | +4.2 | 70.6 | +3.4 | 71.1 | +1.6 | 75.9 | +1.7 |
| 1966 | 66.8 | +7.4 | 74.7 | +5.8 | 74.3 | +4.3 | 78.2 | +3.0 |
| 1967 | 69.1 | +3.4 | 77.7 | +4.0 | 75.8 | +2.0 | 79.4 | +1.5 |
| 1968 | 75.8 | +9.7 | 82.4 | +6.0 | 79.0 | +4.2 | 81.7 | +2.9 |
| 1969 | 82.7 | +9.1 | 90.5 | +9.8 | 84.5 | +7.0 | 88.9 | +8.8 |
| 1970 | 88.2 | +6.7 | 90.7 | +0.2 | 87.5 | +3.6 | 90.3 | +1.6 |
| 1971 | 93.8 | +6.3 | 94.1 | +3.7 | 94.2 | +7.7 | 93.3 | +3.3 |
| 1972 | 100.0 | +6.6 | 100.0 | +6.3 | 100.0 | +6.2 | 100.0 | +7.2 |
| 1973 | 108.4 | +8.4 | 107.7 | +7.7 | 106.9 | +6.9 | 112.7 | +12.7 |
| 1974 | 118.3 | +9.1 | 115.8 | +7.5 | 115.2 | +7.8 | 126.3 | +12.1 |
| 1975 | 128.3 | +8.5 | 126.8 | +9.5 | 125.7 | +9.1 | 141.7 | +12.2 |
| 1976 | 138.5 | +8.0 | 138.1 | +8.9 | 134.6 | +7.1 | 157.3 | +11.0 |
| 1977 | 142.1 | +2.7 | 153.8 | +11.4 | 147.7 | +9.7 | 186.7 | +18.7 |
| 1978 | 156.9 | +10.4 | 175.4 | +14.0 | 164.9 | +11.6 | 221.4 | +18.9 |

## TABLE VII AVERAGE SALE PRICES OF EXISTING HOUSES SOLD IN SELECTED METROPOLITAN AREAS: JANUARY 1979

| AREA | $ | Rank | % Change From Year Ago |
|---|---|---|---|
| Atlanta, GA | 54,700 | 20 | +11.2 |
| Baltimore, MD | 54,900 | 19 | +25.6 |
| Boston-Lawrence-Lowell, MA-NH | 54,000 | 21 | + 2.3 |
| Chicago-Gary, IL-IN | 60,800 | 15 | + 2.7 |
| Cleveland-Akron-Lorain, OH | 52,700 | 23 | +10.3 |
| Columbus, OH | 5[illegible],900 | 18 | +10.5 |
| Dallas-Fort Worth, TX | 65,000 | 11 | +45.4 |
| Denver-Boulder, CO | 67,900 | 9 | +21.0 |
| Detroit-Ann Arbor, MI | 49,400 | 27 | + 7.6 |
| Greensboro-Winston-Salem-High Point, NC | 49,800 | 25 | +15.5 |
| Honolulu, HI | 84,000 | 2 | +15.2 |
| Houston-Galveston, TX | 62,900 | 13 | + 2.4 |
| Indianapolis, IN | 42,300 | 30 | -15.1 |
| Kansas City, MO-KS | 57,100 | 17 | +27.7 |
| Los Angeles-Long Beach-Anaheim, CA | 80,800 | 5 | +10.5 |
| Louisville, KY-IN | 40,900 | 31 | - 9.5 |
| Miami-Fort Lauderdale, FL | 55,900 | 18 | + 3.7 |
| Milwaukee-Racine, WI | 75,300 | 6 | +28.9 |
| Minneapolis-St. Paul, MN-WI | 70,200 | 7 | +24.9 |
| New York-Newark-Jersey City, NY-NJ-CT | 68,300 | 8 | + 9.5 |
| Philadelphia-Wilmington-Trenton, PA-DE-NJ-MD | 53,400 | 22 | +25.4 |
| Phoenix, AZ | 59,600 | 16 | +14.8 |
| Pittsburgh, PA | 46,500 | 28 | + 8.9 |
| Portland, OR-WA | 61,300 | 14 | +24.1 |
| Rochester, NY | 49,700 | 26 | +22.4 |
| St. Louis, MO-IL | 49,900 | 24 | +40.2 |
| Salt Lake City-Ogden, UT | 64,000 | 12 | - 5.9 |
| San Diego, CA | 83,700 | 3 | +21.1 |
| San Francisco-Oakland-San Jose, CA | 94,100 | 1 | +15.2 |
| Seattle-Tacoma, WA | 65,900 | 10 | +26.0 |
| Tampa-St. Petersburg, FL | 43,800 | [illegible] | - 3.5 |
| Washington, DC-MD-VA | 83,600 | 4 | +13.0 |

Source: Federal Home Loan Board

### TABLE VIII AVERAGE SALE PRICES OF NEWLY BUILT HOUSES SOLD IN SELECTED METROPOLITAN AREAS: JANUARY 1979

| AREA | $ | Rank | % Change From Year Ago |
|---|---|---|---|
| Atlanta, GA | 65,700 | 18 | +24.4 |
| Baltimore, MD | 87,600 | 3 | +46.0 |
| Boston-Lawrence-Lowell, MA-NH | 60,300 | 24 | -20.3 |
| Chicago-Gary, IL-IN | 83,300 | 4 | +14.4 |
| Cleveland-Akron-Lorain, OH | 74,900 | 10 | + 8.9 |
| Columbus, OH | 79,900 | 7 | +22.7 |
| Dallas-Fort Worth, TX | 75,100 | 9 | +34.6 |
| Denver-Boulder, CO | 78,200 | 8 | +20.0 |
| Detroit-Ann Arbor, MI | 68,300 | 17 | +22.4 |
| Greensboro-Winston-Salem-High Point, NC | 62,900 | 23 | +17.6 |
| Honolulu, HI | NA | NA | NA |
| Houston-Galveston, TX | 64,400 | 20 | +13.9 |
| Indianapolis, IN | 70,700 | 16 | + 0.3 |
| Kansas City, MO-KS | 72,100 | 12 | +23.0 |
| Los Angeles-Long Beach-Anaheim, CA | 83,100 | 5 | + 7.9 |
| Louisville, KY-IN | 63,000 | 22 | +27.5 |
| Miami-Fort Lauderdale, FL | 53,300 | 27 | +15.6 |
| Milwaukee-Racine, WI | NA | NA | NA |
| Minneapolis-St. Paul, MN-WI | 71,000 | 14 | + 3.2 |
| New York-Newark-Jersey City, NY-NJ-CT | 80,600 | 6 | + 0.4 |
| Philadelphia-Wilmington-Trenton, PA-DE-NJ-MD | 54,800 | 26 | + 1.9 |
| Phoenix, AZ | 72,500 | 11 | +21.0 |
| Pittsburgh, PA | NA | NA | NA |
| Portland, OR-WA | 71,200 | 13 | +21.5 |
| Rochester, NY | NA | NA | NA |
| St. Louis, MO-IL | 64,200 | 21 | 17.6 |
| Salt Lake City-Ogden, UT | 51,500 | 28 | - 6.7 |
| San Diego, CA | 65,100 | 19 | -11.7 |
| San Francisco-Oakland-San Jose, CA | 97,200 | 2 | + 9.6 |
| Seattle-Tacoma, WA | 70,800 | 15 | +40.2 |
| Tampa-St. Petersburg, FL | 57,100 | 25 | +24.9 |
| Washington, DC-MD-VA | 105,700 | 1 | 54.6 |

Source: Federal Home Loan Board

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# REAUTHORIZATION OF THE HIGHER EDUCATION ACT AND RELATED MEASURES

## Part 4—Student Financial Assistance: Grants

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TUESDAY, MAY 22, 1979

House of Representatives,
Subcommittee on Postsecondary Education,
Committee on Education and Labor,
*Washington, D.C.*

The subcommittee met, pursuant to notice, at 9:30 a.m., in room 2261, Rayburn House Office Building, Hon. William D. Ford (chairman of the subcommittee) presiding.

Members present: Representatives Ford, Buchanan and Petri.

Staff present: Thomas Wolanin, staff director; Patricia F. Rissler, deputy staff director; William Clohan, minority assistant education counsel; and Jennifer Vance, minority legislative associate.

Mr. Ford. The Subcommittee on Postsecondary Education will come to order this morning for the purpose of continuing hearings on the reauthorization of the Higher Education Act and related measures.

I want to begin the hearing by apologizing in advance to the witnesses who are scheduled this morning. We were informed, just yesterday, that the Democratic Caucus is convening in the House at 10 o'clock, and under the rules of the House we cannot meet or conduct business while a caucus is taking place on the floor.

However, I discussed this with the ranking minority member, Mr. Buchanan, and at the appropriate time we will see that all of the prepared testimony submitted to the committee is put in the record before we reach the magic hour.

At 10 o'clock or shortly thereafter when I have to leave, by agreement with the minority, we can continue the discussion between the witnesses and Dr. Wolanin and Mr. Clohan. So that while it will all take place in 20 minutes, it may take a little longer to fill it out and the legal 20 minutes will cover the record.

We don't want to miss the opportunity to get the statements of the people who are scheduled for this morning into this record.

We also are very conscious of the fact that we are beginning to feel the crunch of time in trying to repeat any of these hearings because to repeat the hearing means we have to displace some other part of it.

I hope that the witnesses will understand that this is a set of circumstances not of our making, certainly not on our time schedule, and we will do the very best we can to accommodate it.

Our hearings today and again this Thursday will focus on the programs of grant assistance—the basic educational opportunity grant, the supplemental educational opportunity grant, and the State student incentive grant.

Our witnesses this morning will include representatives of the associations of postsecondary education institutions as well as others with unique experience in the area of grant assistance.

Without objection, the statements of all of the witnesses scheduled for this morning's hearing that have been submitted to the committee will be inserted in full at the proper point in the record and we will proceed to discuss those statements and accept further comment and illumination from the witnesses.

[The prepared statement of Mr. Saunders follows:]

# ACE RECOMMENDATIONS ON TITLE IV HEA GRANT PROGRAMS

Presented to

SUBCOMMITTEE ON POSTSECONDARY EDUCATION

COMMITTEE ON EDUCATION AND LABOR

U.S. HOUSE OF REPRESENTATIVES

by

Charles B. Saunders, Jr.
Vice President for Governmental Relations
American Council on Education

May 22, 1979

Mr. Chairman and Members of the Subcommittee:

I appreciate this opportunity to present the views of the American Council on Education on changes which are needed in the student grant programs of Title IV HEA. We have already provided the Subcommittee with legislative recommendations for all Title IV programs, which appear in Part 2 of the Committee Print.

Since most of our recommendations were developed jointly with other associations and have broad support within the community, I do not intend to discuss them in detail. Rather, I would like to focus on the major current issues in the grant programs of Title IV—those issues where there is general agreement on the need for change, and those where no real consensus has emerged.

A. Basic Grants

As this Subcommittee charts the course of student aid in the years immediately ahead, it is vital to make certain that the Basic Grant does not suffer further erosion as the foundation of all other grant assistance. Some erosion has already taken place: when the BEOG program was established in 1972 with a maximum award of $1,400, this represented the approximate cost of tuition, room and board in public institutions. The current maximum of $1,800 will meet only 80 perc[illegible] of these costs in AY 79-80, only 70 percent by AY 81-82, and only 52 percent by AY 8[illegible]-86.

Although Congress increased the authorized maximum in 1976, this increase has not been sufficient to maintain the value of the award: while the BEOG maximum will have risen 29 percent between 1972 and 1981, the rise in the Consumer Price Index over the same period will be about 85 percent. Since college costs have been increasing only slightly less than the CPI, it is apparent that further action is needed to protect the value of the Basic Grant in meeting the costs of education in future years. (We estimate that by 1985 the average total cost of attendance may approach $4,900 for public two-year colleges, $5,400 for public four-year colleges, and $8,800 for private four-year institutions.)

Therefore we recommend that the maximum grant be raised from $1,800 to $2,000 in FY 81, and that it be increased in $100 annual increments thereafter to $2,400 in FY 85. Annual increments would serve to minimize the number of middle-income students dropped from eligibility each year because of the way the BEOG formula penalizes families for any increase in income.

It is important to emphasize that this proposal would have two substantial benefits beyond sustaining the value of the Basic Grant against future inflation:

1. The initial increase from $1,800 to $2,000 would make a large number of additional students at all types of postsecondary institutions eligible for Basic Grant aid. Specifically, we estimate that this would add 237,000 students who are presently ineligible for the program: primarily students from families with incomes around $25,000 who are now on the margin of eligibility for a maximum grant.

2. It would increase grants to current recipients at all family income levels and at all types of institutions, without significantly changing the distribution of recipients by cost of attendance. We estimate that at a $2,000 maximum in AY 81-82, students attending institutions costing $0-$2,550 would receive 11.4 percent of the total BEOG distribution, as compared to 12 percent of the total they would receive if the maximum remained at $1,800. Students attending institutions costing $2,551-$3,850 would receive 54 percent of the total, compared to 54.7 percent at $1,800. Students at institutions costing over $3,851 would receive 34.7 percent of the total, compared to 33.4 percent at $1,800.

### INCREASING BEOG MAXIMUM TO $2,000: DISTRIBUTION OF FUNDS AND RECIPIENTS BY COST OF ATTENDANCE*

(72% Participation)

| Cost of Attendance | $1,800 | | $2,000 | |
|---|---|---|---|---|
| | Students | $ | Students | $ |
| $0-2,550 | 382,000 (15.6%) | $ 270M (11.95%) | 418,000 (15.57%) | $ 302M (11.43%) |
| $2,551-3,850 | 1,303,000 (53.15%) | $1,236M (54.68%) | 1,425,000 (53%) | $1,425M (53.9%) |
| $3,851-up | 766,000 (31.25%) | $ 754M (33.37%) | 844,000 (31.4%) | $ 916M (34.67%) |
| TOTAL | 2,451,000 (100%) | $2,261M (100%) | 2,688,000 (100%) | $2,643M (100%) |

Half-Cost Issue

At the same time the Subcommittee should be aware that, while aggregate dollars to students at all family income levels would be increased by raising the BEOG maximum, recipients with family incomes under $6,500 (primarily students with zero family contribution) would receive a disproportionately small share of the increase. This raises an equity question with respect to low-income students at low-tuition institutions, because of the impact of the half-cost provision, and the unavailability or underutilization of other grant, loan, and work funds at those institutions.

### INCREASING BEOG MAXIMUM TO $2,000: DISTRIBUTION OF FUNDS AND RECIPIENTS BY FAMILY INCOME*

(72% Participation)

| | $1,800 | | $2,000 | |
|---|---|---|---|---|
| | Students | $ | Students | $ |
| $0-6,500 | 391,000 (16.2%) | $ 521M (23.2%) | 391,000 (14.7%) | $ 542M (20.7%) |
| $6,501-12,200 | 593,000 (24.2%) | 682M (30.1%) | 600,000 (22.3%) | 741M (28%) |
| $12,201-19,500 | 668,000 (27.2%) | 613M (27.1%) | 701,000 (26%) | 721M (27.2%) |
| $19,501-24,300 | 434,000 (17.6%) | 275M (12.1%) | 477,000 (17.7%) | 363M (13.7%) |
| $24,301-99,999 | 365,000 (14.8%) | 179M (7.5%) | 519,000 (19.3%) | 277M (10.4%) |
| TOTAL | 2,451,000 (100%) | $2,261M (100%) | 2,688,000 (100%) | $2,643M (100%) |

*Source ACE/PAS, May 1979, based on OE BEOG model data. (Totals not exact due to rounding.)

The half-cost issue is controversial, and there is no consensus as to how to resolve it within the higher education community. On the one hand, the 700,000 low-income students at low-tuition institutions who are affected by half-cost are precisely those who may need proportionately greater support, since their families can contribute little or nothing to the cost of their education. There is a question how many of these students are having their needs met from other grant sources. Supplementary assistance, whether SEOGs, Work-Study, or loans, has historically been less available to such students. State grant aid varies greatly among the states, yet does provide substantial benefits of some $829 million this year.

On the other hand, there is a strongly held view throughout the community that federal grant aid should not provide any student with a "free ride." There is also a concern that removal of half-cost could enable some students to receive grant aid in excess of their costs, because the allowance of $1,100 which commuter students receive under the BEOG program may exceed actual costs for those living at home in some localities. (At the same time, this allowance which has not been increased for several years is clearly inadequate for commuter students living in private housing. In reviewing the family contribution schedule, consideration should be given to establishing a separate, higher allowance for these commuter students.)

Total removal of the half-cost provision for students at low-tuition institutions would also have a substantial effect on these institutions, reducing their need for Supplemental Grants, College Work-Study, and Direct Loans. This would undercut support for campus-based aid, instead of encouraging a better balance among all the student support programs. The scholarship programs many states have developed to aid needy students would also be adversely affected as federal dollars replaced state dollars and private college students became the main beneficiaries of state programs.

In the arguments over removal or retention of the half-cost provision, alternatives have been explored which would recognize the merits of both positions. One approach would be to expand other grant and loan programs to assure that supplemental assistance would be available to students at all types of institutions. Another approach would be to modify the limitation to 60 percent or two-thirds of cost. Still another approach would replace half-cost with a requirement that a student contribute (in addition to the expected family contribution) a specific amount from other sources, whether summer or part-time earnings, work-study, loans, or nonfederal grants. As HEW Deputy Assistant Secretary Michael O'Keefe testified before you on May 16, this "corridor" concept is under active consideration by the Administration. There are several variations of this concept, the effects of which are under study at ACE.

We urge the Subcommittee to give careful thought to these options for reconsideration of the half-cost provision, so that equitable increases can be provided for students with documented need at all types of institutions.

Improving Program Stability

Much of the testimony this Subcommittee has already received has stressed the need to provide greater stability in the funding and administration of federal student assistance. To promote the stable development of all Title IV programs, we recommend extending them at least through FY 85. Assuming that reauthorization of the higher education statues will not be completed until the end of FY 80, this would provide five full years to implement the amendments—a minimal period to obtain an adequate base for evaluating experience with the program changes enacted in this Congress before they come up for renewal in the first session of the 99th Congress.

Student Information Allowance

In 1976, Congress amended the Basic Grant program to authorize an institutional allowance of $10 per BEOG recipient to help colleges provide more adequate information for current and prospective students, and to strengthen institutional administration of the student aid programs. Although this provision has never been funded, the need for it continues. Institutions are making a greater effort to improve the information they provide to students about the student aid system, and more attention is being paid by the community to the management of the aid programs. Nevertheless the demands on student aid officers—as cited in detail by Dallas Martin in his testimony to the Subcommittee on May 3—are enormous and are increasing. NASFAA's estimates of the cost of processing student aid run in excess of $100 per student.

Therefore we believe it is essential to assure that the $10 per student allowance will be funded, and we have recommended legislative language to incorporate the allowance into the BEOG award so that it would be added automatically to the awards as part of the general appropriation for the program.

At the same time, it is equally important to increase the 4 percent of each institution's total campus-based aid which is currently provided for student information and program administration. To recognize the increasing responsibility being placed on institutions for the sound administration of these programs, we recommend that the allowance be raised to 6 percent.

Family Contribution Schedule Issues

The Middle Income Student Assistance Act of 1978 made a number of improvements in the family contribution schedule which provides the formula for computing the student's expected family contribution. Besides reducing the taxation rate on discretionary family income, it also liberalized the treatment of assets for independent students with dependents by making it comparable to that of families with dependent students. In addition, the calculation of subsistence costs for single independent students was made identical with that of other students for purposes of exemption from income.

Marked differences still exist in the taxation rate applied to discretionary income for different categories of students, however. For dependent students it is 10.5 percent, for single independent students it is 75 percent, for married independent students with no dependents 50 percent, and for independent students with dependents, 40 percent. The validity of these differences should be carefully reviewed, considering the growing preponderance of older, nontraditional, and part-time students in total college enrollments. Most of these adult students have low to medium family incomes and need financial help to continue their studies, yet current law and regulations reflect an earlier bias that their needs do not have as high a priority as the education of 18-22 years olds. Agreement is needed on a better definition of equitable treatment for adult, part-time students.

Another family contribution schedule issue affecting both independent and dependent students is the treatment of home equity assets. Currently the market value of the family home must be included in assets, subject to a $25,000 exclusion. Consideration should be given to deleting the family home from assets taxable for purposes of determining the family contribution, because it is not a liquid asset which can be readily applied to a student's postsecondary education.

We find it unsatisfactory to rely on USOE's annual submission of the family contribution schedule as the sole mechanism for considering such changes. We believe that it may be desirable to establish an independent commission to make a continuing review of the various formulas used to measure the ability of students and their families to finance postsecondary education, and to recommend improvements in the equity of the family contribution schedule.

Eligibility of Part-time Students

Half-time students are eligible for a BEOG, but the award is reduced for less-than-full-time students. A recent NIE-sponsored study by the Educational Testing Service on student aid for adult, part-time students has noted the illogic of this reduction. The BEOG formula for all students subtracts the expected family contribution from the maximum grant. The resulting award cannot exceed half-cost, nor need (cost of attendance minus expected family contribution), but for part-time students, the grant is further reduced to one-half or three-quarters. This procedure measures need but provides only part of it, if the student is part-time. Since the maximum grant is a fixed figure for all students regardless of the tuition-level of the institution attended or the student's resident or commuter status, and since the formula already prohibits a student's grant from exceeding need, it is inequitable that part-time students have their grants reduced proportionately more than other students in similar circumstances.
In 1981-82, 280,000 part-time students will be affected by this provision, and will receive an average grant of only $650 compared with the $1,000 average award received by full-time students, although their needs may be comparable.

Currently, the eligibility of part-time students for BEOGs and (SEOGs) is limited by time restrictions designed for full-time students (four years, or a fifth year if necessary for special circumstances). Thus no provision is made for part-time students working beyond this period to complete their degrees. Options are to extend the time limitations or to remove them completely. In either case, problems are presented. Some limitations are needed to discourage perpetual study, but any limitations create administrative difficulties in monitoring the extent to which a student's eligibility has expired.

B. Supplemental Grants

While the Basic Grant program with its standardized national need criteria provides the basic foundation of assistance for all students, the

Supplemental Educational Opportunity Grant program is an essential complement to BEOGs, providing flexible assistance to help low- and middle-income students attend higher-priced institutions. It is critically important to maintain an appropriate balance between the two programs in order to provide choice as well as access: over 9 out of 10 SEOG awards go to recipients of other forms of federal aid. Institutions themselves, both public and private, already provide $1.4 billion in grant and work funds to 2 million students. Over $480 million of this total is need-based grants, but the institutions are hard-pressed to sustain this level of spending, over three-quarters of which comes from their unrestricted general funds. (Further information on student aid colleges provide from their own funds is available in ACE's latest Higher Education Panel Report No. 42, "The Institutional Share of Undergraduate Financial Assistance, 1976-77.")

To assure that students have a balanced package of financial assistance, we recommend that the threshold funding level for SEOG be raised from $370 million to $450 million. This proposal, like others to change to a percentage threshold, would maintain continued growth in the program which approximately matches the growth in BEOGs. The importance of this step was recognized by the Subcommittee last year in writing the Middle Income Student Assistance Act, and the House-passed version actually incorporated this provision, but it was reduced in the final version. We feel the Subcommittee was right the first time, and urge you to reaffirm your original position. Unlike the Administration, which is asking for repeal of the threshold funding levels for all campus-based programs, we consider these thresholds as important indicators of congressional judgment as to the balance which should be maintained among all of the primary federal assistance programs.

Paralleling the increase we have proposed for Basic Grants, we recommend that the annual SEOG maximum award be raised from $1,500 to $2,000. This would reflect the increased educational costs of recent years. Total costs in many institutions already exceed $6,000, and low- and middle-income students need substantial assistance beyond Basic Grants to avoid extremely high debt burdens.

We recommend that institutions be authorized to use SEOG funds at their discretion to assist less-than-half-time students. As Jerry Roschwalb of the National Association of State Universities and Land-Grant Colleges testified on our behalf on May 9, this is a preliminary proposal, designed to recognize the fact that a growing preponderance of enrollments in higher education are older, nontraditional, part-time students whose needs are not addressed by current federal assistance programs (almost half of all degree-credit part-time undergraduates are less than half-time students). Better data on the needs of part-time students must be obtained before a more comprehensive proposal can be developed.

Under the proposal, grants would be limited to no more than 75 percent of total educational costs, and no more than the maximum SEOG for a full-time student reduced proportionate to the number of credit-hours for which the student is enrolled. Student aid administrators would also have the option of using up to 20 percent of other campus-based aid for this purpose. The proposal permits institutions to assist part-time students as funds are available, but does not assure their availability due to the demand for SEOGs by full-time students. It would be critically important to assure that the proposal would not deny assistance to currently eligible full-time and half-time students.

There are several other issues involving the SEOG program which pose difficult problems, for which we are not yet able to suggest a resolution but would call to your attention:

Inequities of State Allotment Formula

The state allotment formula for the distribution of SEOG funds raises a number of equity questions. The existing formula (like those for the CWS, NDSL, and SSIG programs), is largely enrollment driven. Thus if one state has more higher-priced institutions and/or more low-income students, that state will have more unmet need than others with more lower-priced institutions and higher-income students.

The SEOG formula has additional inequities: it is based on FTE enrollment of all part-time students, even though only those who are enrolled half-time or more are eligible, and it includes enrollment of graduate students, although they are not eligible for SEOG funds. The formula could be modified to make need the controlling principle for distribution of funds to institutions. The institutional and student data collected by USOE for AY 79-80 distribution of campus-based funds should be useful in this regard. Any new formula should take into account institutional needs for continuing year awards in the application process, to protect current recipients.

Needs of Graduate Students for Grant Assistance

The Subcommittee should seriously consider the needs of graduate students for Title IV grant assistance, for which they are currently ineligible. Although the costs of graduate education have risen as fast as any other sector in recent years, sources of support are more restricted. While federal undergraduate assistance has grown remarkably, government and private aid to graduate students has declined sharply.

The limited funds available to doctoral students are primarily reserved for the sciences, through research grants awarded to faculty. Graduate student assistance under Title IX HEA is targeted specifically to racially and ethnically underrepresented populations, and provided only 350 awards in 1978-79. Although the Administration is requesting that this program be expanded to $15 million in FY 80, this represents one-half of one percent of Title IV grant aid--yet graduate students represent 10 percent of total enrollment in colleges and universities.

With grant funds so severely restricted, and with College Work-Study funds devoted primarily to undergraduates, graduate students have increasingly turned to the loan programs as their most important source of financing their education. The National Research Council's Doctorate Record File shows that the number of students borrowing jumped from 12 percent in 1971 to 23 percent in 1976.

The resultant cumulative debt burdens which are becoming characteristic of graduate education are a source of great concern. Graduate students are being expected, even encouraged, to incur debts beyond their means. Students who have already incurred sizeable undergraduate debts can afford to borrow only a small additional amount relative to the cost of a graduate degree. And for most of those in the arts and sciences, prospective salaries in the traditional profession of teaching and scholarship are modest, and well below those of others professions.

In summary, the current system favors those who have the necessary financial resources and who do not fear borrowing, while imposing a strong disincentive for talented disadvantaged students to enter graduate study in all but the most highly-paid professions. Federal programs should provide better assurance that those who have the ability to go to graduate school, and wish to do so despite uncertain employment prospects, are not obliged to forsake their aspirations because they lack financial resources. Consideration should be given to extending the SEOG program at least to the first year of graduate study to provide access for low-income students.

C. State Student Incentive Grants

This program, although funded at modest levels, has been successful in stimulating the creation of many new state need-based student grant programs. Its future as a major partner to BEOGs and SEOGs in providing federal grant aid to students is clouded by several problems.

It, too, has a state allotment formula which is largely enrollment driven, and which controls the distribution of any appropriation increases in such a way as to provide no incentive for individual states to increase their effort. To improve their incentive, one option is to provide a "rolling base" year for computation of state matching. This would require the states to increase their SSIG funds annually in order to participate in the program.

Another issue is whether SSIG funds should be made portable across state lines to eliminate geographical barriers to student choice. It should be noted that portability could mean either award of SSIGs to students leaving the home state, or eligibility for SSIGs expanded to all students attending college in the state regardless of their home state. Proposals for portability are controversial, depending on whether states are importers or exporters of students, and whether colleges have national or local student bodies. Incentives for portability could be provided on a voluntary basis through a two-tiered authorization, maintaining the existing formula for the current program and establishing a new basis of allocation for appropriations in excess of the current level, restricting eligibility for this allocation to states which provide portability.

We must report no consensus on resolving these SSIG issues in the higher education community. However, we do recommend that the $50 million authorization for Initial Year grants and the "such sums" authorization for Continuing Year grants be combined into a single "such sums" authorization, to simplify administration of the program. Currently SSIG appropriations are divided into initial and continuing grant allotments by USOE regulations, and continuously adjusted as state needs for initial versus continuing year awards change. This creates a burden on states with new aid programs, and limits their flexibility in using SSIG funds. USOE must keep running accounts on IY funds to make sure the ceiling on IY grants is not exceeded, and states seeking to shift surplus CY funds to IY students often must wait until another state chooses to shift some of its IY funds to CY students.

Mr. FORD. The first panel will be Charles Saunders, vice president for government affairs, American Council on Education; Dr. John P. Mallan, assistant executive director for governmental relations, American Association of State Colleges and Universities, and Dr. Bette Hamilton, American Association of Community and Junior Colleges.

Charlie, would you like to start.

## STATEMENT OF CHARLES SAUNDERS, VICE PRESIDENT FOR GOVERNMENT AFFAIRS, AMERICAN COUNCIL ON EDUCATION

Mr. SAUNDERS. Certainly, Mr. Chairman. It is a pleasure to be here. I regret as we all do the need to be so brief.

My written statement identifies a number of serious problems that still remain in the grant programs, despite the fact that, after the leadership of this committee last year in the passage of the Middle Income Student Assistance Act, it is difficult to conceive of what might be done for an encore.

But the statement does highlight several remaining problems. First the need to make sure that the basic grant doesn't suffer erosion. We have cited a number of facts to indicate that it already has undergone some significant erosion since the original passage of the act in 1972, and we make the point that further action is needed to protect the value of the basic grant in the years to come.

We are recommending, as a matter of helping to stabilize the student assistance programs, that they all be extended until fiscal 1985. By that time the average total cost of attendance at all colleges is expected to rise very substantially. We estimate that it may approach $4,900 for public 4-year colleges and $8,800 for private 4-year institutions.

So we conclude that the maximum grant should be increased to $2,000 in fiscal 1981 and thereafter in $100 annual increments up to $2,400 in fiscal 1985.

We note that this increase would also have substantial benefits in that it would make some 230,000 students who are not now eligible for basic grants eligible. It would also increase grants to current recipients roughly proportionate to their attendance at the different sectors of higher education currently.

This raising of the maximum, however, would create a problem for recipients with family incomes under $6,500 primarily, students with a zero family contribution who would receive a disproportionately smaller share of the increase.

So, for these students at low tuition institutions, there is an equity question raised which gets us into the half-cost issue.

I have to say that there is no concensus in the community on this very controversial issue. But some of the pros and cons are stated in the testimony, and we simply ask the committee to give careful thought to the options for reconsideration of the half-cost provision and to try to resolve this question of how increases can equitably be provided for students with documented need at all types of institutions.

Mr. FORD. Can I interrupt you for just a moment?

Mr. SAUNDERS. Yes, Mr. Chairman.

Mr. FORD. I think that you will recall the very fruitful discussions we had before we finalized the form of the Middle Income

Student Assistance Act. After we are forced to break up here this morning, while we can still keep the reporter and get it on record, I wonder if you would help generate a discussion with the staff here of possible alternatives that are being suggested by people on half cost?

It would appear that we can't go on indefinitely simply saying it is an insoluble dilemma. There has to be some attempt at some stage to respond to the concerns that are expressed from both ends of the spectrum on half cost. Some people have a deep feeling that leaving it alone is perpetuating inequity and others believe that making a change develops a new inequity.

We ought to be able to develop something. I know the difficult position you are in with your organization in trying to balance the membership of the organization which represents people on both ends of the spectrum with respect to that.

Go ahead.

Mr. SAUNDERS. I appreciate that, Mr. Chairman. I would be glad to participate. Although I understand the issue of student information allowances is not technically a subject of this hearing, I did want to call attention to the importance of those allowances and our recommendations that expansion of those allowances be written into the law in ways which we have already proposed to the committee in our legislative recommendations.

The statement also identifies a number of family contribution schedule issues. Again, here there simply is not sufficient agreement to make specific recommendations. There is no agreement on the basic principle of what constitutes the definition of equitable treatment for adult part-time students. So this is one of the very serious issues that needs further consideration.

In passing, as we discuss these kinds of issues, I would like to note that we find it unsatisfactory to rely on the Office of Education's annual submission of the family contribution schedule as a sole mechanism for considering these kind of changes.

We think it may be desirable to establish an independent commission to make a continuing review of the various formulas used to measure the ability of the students and their families to finance postsecondary education and make contributions in the schedule.

Such a commission could take up, among the other issues I have already identified, the question of eligibility of part-time students—another area where general definitions of equitable treatment are lacking.

The testimony emphasizes the importance of the supplemental grant program and, Mr. Chairman, our recommendation here is simply that this committee reaffirm what it did last year in the passage of the Middle Income Student Assistance Act when you increased the minimal threshold funding for SEOG's to $450 million. Although this was later reduced when the bill was later enacted, we think you were right the first time, and we would like to urge you to restore that threshold funding consistent with what we understand to be the purpose of your action in the first place; namely, to recognize the very critical importance of the supplemental grant program and to maintain a balance of support among all the grant programs.

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I think I will just stop there, Mr. Chairman, with one further comment.

We do emphasize very strongly the important problem of dealing with the needs of graduate students. We don't feel this has received adequate attention and we urge you to explore very carefully the problems of graduate students.

I note, for example, that the fellowship assistance graduate students receive under title IX, the only authority they are currently eligible for as far as grant assistance goes, represents one-half of 1 percent of all title IV grant aid now being distributed and yet graduate students represent 10 percent of total enrollment.

So simply flagging that problem, I would like to conclude my remarks at this time and proceed to the rest of the panel.

## STATEMENT OF DR. JOHN P. MALLAN, ASSISTANT EXECUTIVE DIRECTOR FOR GOVERNMENTAL RELATIONS, AMERICAN ASSOCIATION OF STATE COLLEGES AND UNIVERSITIES

Dr. MALLAN. Mr. Chairman, I am John Mallan, assistant executive director for governmental relations for the American Association of State Colleges and Universities. I am here in place of Chancellor Robert Kibbee of the City University of New York who will also submit an additional statement of his own.

I think because of the limits of time I will enter my statement for the record and pass the microphone to Dr. Hamilton.

## STATEMENT OF DR. BETTE HAMILTON, AMERICAN ASSOCIATION OF COMMUNITY AND JUNIOR COLLEGES

Dr. HAMILTON. Thank you. I am Bette Hamilton from the American Association of Community and Junior Colleges. Mr. Parrish went back to Tennessee because we were led to believe there would be no hearing this morning. I would be happy to summarize the statement for the record.

The most important issue to us is the one Chairman Ford mentioned earlier, the half cost issue. We are joined in asking for the removal of half cost by some 17 organizations. We feel that this is an inequity which is against students; and we really are talking about apples and oranges when we talk about educational products.

People come to community and junior colleges, for instance, because the institutions are near home, they may want a part-time program so they can still work, or they may want technical education. Over 55 percent of our students are enrolled in technical vocational programs which are not offered in other kinds of institutions. Our institutions enroll a large percentage of low-income people who are penalized by the half-cost rule.

The half-cost rule is an inequity against people who go to public institutions and have varying incomes. The issue is really not about public and private institutions but about students who have various income levels. The poorest students get the same amount of student aid as wealthier students who attend the same school because of the half-cost rule.

I don't want to belabor this point, but I think our testimony highlights some of the problems with keeping the half-cost provision. We would certainly welcome any participation with staff to work out a favorable solution to this.

We are also concerned about inequities for independent students. Our student body is much older than the traditional-aged college student, and only about 12 percent of community and junior college students receive any student aid money. This must be compared to the fact that we enroll about 40 percent of all undergraduates and about 50 percent of the college freshmen. Our students tend to be poorer than their counterparts at 4-year colleges. The needs analysis formulae discriminate considerably against the students who attend 2-year colleges—because they tend to be independent and part-time.

I would like to submit the rest of our testimony for the record and answer any questions you might have.

Thank you.

Mr. FORD. Let me ask you a quick question. We can consider this for the later discussion. We have talked to people informally about the possibility of recognizing that for your type of institution the principal need, although it is a very small amount compared to other institutions, is for cash for the tuition payments because the majority of the students are not living in dormitory-type settings. The majority are living in some kind of a home setting where they are getting some sort of family support, either housing and food, or both.

One possible approach would be to figure out some sort of a minimum payment that would cover tuition and be a minimum even if the regular formula for the BEOG grant did not generate that amount of money, $250 or $300, whatever is worked out as an average.

That presents the immediate problem of encouraging those of your institutions that are below the average to increase tuition to that level. That could be taken care of by simply making the $250 a floor but making whatever was being charged in 1978–79, the second factor. The floor could not exceed what the 1978–79 charge was.

We would not start a run on the bank. I don't suggest this as the solution, but everybody has talked about playing percentages with the half cost and we have gotten nowhere for several years in getting any kind of consensus on that type of approach.

So we are now looking for a wholly different way to try to find a measure of equity for particularly your type of institutions. We wish when this discussion takes place later with the staff and the other representatives here that we would consider that as one of the possible ways with no magic involved in any of the figures or dates that I have given you.

It is a different kind of a concept than we have discussed previously with respect to adjusting half cost. I have talked to student aid administrators and others who tell me this kind of approach could be administered. I have had no success at all in getting student aid administrators to take a position on what the numbers ought to be.

Mr. Buchanan?

Mr. BUCHANAN. I think I will just keep listening, Mr. Chairman, since time is of the essence.

Mr. FORD. Thank you very much.

We have a panel of George Rainsford, president, Kalamazoo (Michigan) College; chairman of the board of directors, National Association of Independent Colleges and Universities; Father Timothy Healy, president, Georgetown University, vice chairman of the board of directors, National Association of Independent Colleges and Universities; John Phillips, president, National Association of Independent Colleges and Universities; Harvey Stegemoeller, executive director, Minnesota Private College Council.

Your statement will appear in the record, George, and you may comment on it if you wish.

## STATEMENT OF GEORGE RAINSFORD, PRESIDENT, KALAMAZOO COLLEGE, CHAIRMAN OF THE BOARD OF DIRECTORS, NATIONAL ASSOCIATION OF INDEPENDENT COLLEGES AND UNIVERSITIES

Mr. RAINSFORD. Thank you very much, Mr. Chairman. I am glad to acknowledge the fact that those who agreed to be here are here.

I am George Rainsford, former president of the National Association of Independent Colleges and Universities. In addition to Father Healy and Harvey Stegemoeller, John Phillips, president of the association, is on the right of the table.

We have divided up our testimony to you in three parts. My responsibility is to discuss the basic grant program. Father Healy will talk about the basic grants programs. Mr. Stegemoeller will describe the proposal we have submitted to you as part of our recommendations that has already been adopted by the State of Minnesota and he will give you some sense of how that will work, and John Phillips will answer whatever questions we cannot.

Our basic proposal is that the committee in its wisdom and the Congress and the Senate in their wisdom have created a program that is sound and works, that the proposal, most importantly, involves a balanced relationship between Federal programs and State and institutional programs.

Our suggestion is for a rationalization of those elements of meeting student need so that reasonable parental contribution, Federal basic grants, supplemental grants, State matching and institutional matching funds, will equal 75 percent of student need with the balance being provided by self-help efforts either in the form of earnings or through some of the Federal programs, college work study and the two loan programs.

Our recommendation is that the basic grant program remain essentially as it is. We do not feel that the half cost problem is insoluble. We feel that the committee and the Congress has already solved that problem in ways that make considerable sense.

We are suggesting only that the basic grants be increased to reflect the increase in the inflationary cost of education, $100 per grant per year, that the half-cost provision be retained for several reasons.

First, because we find it difficult to understand why the Federal Government should be asked to do something that neither the States nor ~~the~~ institutions have been asked to do which is to provide the full meeting of a student need from the basic grant program.

We are very much concerned that the federalizing of the entire support program for low-income students will destroy the very carefully developed initiatives of States like Michigan that have developed strong State support programs.

So what we are asking for is a retention of that balance between Federal and State and institutional programs.

We also, in reviewing the data, have not seen evidence that there are a large number of students whose needs are not being met. The students are in fact in institutions. They are receiving part of their support from basic grants and the rest of it from other parts of the balanced program.

Let me turn the microphone to Father Healy to discuss the ways in which we would hope that the supplemental grant programs would work.

[Prepared statement of Father Healy follows:]

### STATEMENT BEFORE THE
### HOUSE SUBCOMMITTEE ON POSTSECONDARY EDUCATION
May 22, 1979

By

Fr. Timothy Healy
President, Georgetown University
Representing The
National Association of Independent Colleges and Universities

Mr. Chairman and Members of the Subcommittee:

I am Timothy Healy, President of Georgetown University and Vice Chairman of the Board of Directors of the National Association of Independent Colleges and Universities.

As George Rainsford already has told you, the core of our proposals for reauthorization of the Higher Education Act lies in the student grants area, and the establishment of a new federal policy goal of providing sufficient grant aid to every student to equal 75% of total student expenses. In order to have any possibility of reaching that goal, however, we must assure that all three federal grant programs continue to grow in a balanced fashion. We recommend a modest, gradual growth of Basic Grants to reach a maximum grant of $2,400 by 1986-87.

The basis for our proposals for the two major supplemental grant programs, SEOG and SSIG, is an attempt to assure access for all students to all types of postsecondary education by tying appropriations for SEOG and SSIG to the appropriation for Basic Grants. In 1972, when the three programs were established, the appropriation for SEOG equaled approximately one-fifth of the Basic Grants appropriation and the SSIG appropriation equaled approximately one-twentieth of the Basic Grants appropriation. Since that time, however, various Administrations and appropriations committees have contended with each other over funding levels for these programs, resulting in severe limitations on the growth of the two supplemental grant programs. For example, although the SSIG appropriation has grown from $19 million in FY 1973 to $76 million in FY 1980, it has not yet begun to approach its authorized level. SEOG, on the other hand, has grown to become an important supplemental grants program only because of the threshold mechanism, but has received only one funding increase as a result of the MISAA legislation last year. We believe it is time to return to the authorization/appropriations mix established in the 1972 Amendments. We have, therefore, proposed to change the threshold provision for Basic Grants to require SEOG appropriations to equal at least 20% of the Basic Grants appropriation. We believe that the use of percentage figures in the thres-hold provision will serve to avoid a recurrence of the historical differences between the Congress and the Administration over what funding levels should be set for these programs during the appropriations process, and assure a balanced pattern of funding to serve the 75-percent federal policy goal.

Another change recommended for the SEOG program would actually affect all of the campus-based programs and the SSIG program. That proposal prohibits regulatory action which reduces eligibility for federal funding by virtue of institutional and/or state efforts which exceed federal matching requirements. Specifically, Mr. Chairman, this provision is designed to overcome an inequity in the current regulations governing the allocation of SEOG funds, the so-called "Huff Panel" regulations. Those regulations reduce eligibility for campus-based funds by counting 100% of state grants and scholarships and 10% of institutional grants and scholarships as available resources and substracting those amounts from an institution's need for SEOG funds. This counting of institutional and state funds unfairly penalizes those institutions and states which have made the greatest effort to develop and finance their own supplemental grant programs, and unfairly rewards those states and institutions which have not done so.

Although the entire formula did not apply for 1979-80 allocations because of a temporary "hold harmless" provision, we now are seeing some hard evidence that those institutions and states which have made major efforts to develop their own programs will be adversely affected if the formula comes into full force next year. We are doing our own analysis of the "fair share" amounts for our institutions and have asked the Office of Education to provide us with the effects on allocations if state and institutional grants and scholarships were not counted, and we will provide you with the results of this analysis as soon as it is available.

Supplemental Educational Opportunity Grants (SEOG)

A proposal relating to SEOG only establishes in the legislation a percentage distribution of funds between initial-year and continuing-year awards. It is intended to strike a proper balance between initial-year and continuing-year awards. Mr. Chairman, this issue came to our attention last year when we discovered some troubling facts about the administration of the SEOG program.

The existing legislation obligates both the Commissioner of Education and participating postsecondary institutions to include in their agreements covering administration of the program provisions designed to make SEOGs "reasonably available, to the extent of available funds, to all eligible students in attendance at the institution." Since all undergraduate students in good standing who have "exceptional financial need" are eligible to receive SEOG funds, and since 76% of total undergraduate enrollment is represented by continuing-year students, we were surprised to learn that the Office of Education does not apply 76% of the SEOG appropriation to continuing-year awards.

In fact, for the last two funding cycles, OE has divided the funds 54% for initial-year and 46% for continuing-year awards. We were especially surprised to find that 54/46 distribution applied to the 1979-80 allocations, given the facts that the SEOG appropriation included an addition $70 million over the previous year and that this year's funding cycle involved an entirely new process for determining institutional awards. OE officials claim that the percentage distributions are based on institutional requests. But it appears rather odd, to say the least, that the exact percentage should be applied two years in a row when significant appropriations and regulatory changes occurred during those years.

Because we believe there is greater need for continuing-year than for initial-year awards, we have proposed that a 40% initial-year/60% continuing-year distribution be established in the legislation to assure that OE discretionary decisions do not adversely affect the needs of continuing-year students.

Other proposals affecting SEOG include:

-- An increase in the maximum SEOG award from $1,500 to $2,000, to reflect increased costs of education and the need for ~~SEOG to~~ help meet those increased costs.

-- A change in the matching requirement for SEOG so that the institution is required to provide dollar-for-dollar matching payments from any combination of institutional and state funds, exclusive of any federal grant, work, or loan funds. This amendment will correct the current situation whereby federal funds are double-counted when used to match other federal payments, and provide ongoing incentives for institutions to continue building their own contributions to support supplemental grants, rather than relying totally on federal funds.

-- Replacement language for the current cumulative maximum in order to provide authority for a student to receive a full SEOG for five academic years in order to assure that recipients have adequate time to complete a baccalaureate degree.

- -- Conforming language to exclude home equity assets from consideration in calculating the ability of a family to contribute to a student's postsecondary education, as also proposed for Basic Grants.
- -- A clarification of the authority for the Commissioner to make intrastate reallocations of SEOG funds carried over from the preceding fiscal year, and a requirement that such funds be reallocated by December 15 of each succeeding fiscal year. Under existing OE procedures, reallocations, if they are made at all, are made too late in the academic year to be useful to the institutions in meeting student needs. This change will correct that practice.

<u>State Student Incentive Grants</u> (SSIG)

For the other supplemental grant program, SSIG, we have proposed language in the authorizing section for SSIG which would tie the appropriation to Basic Grants at a five-percent level or $100 million, whichever is greater. This proposal would assure that the SSIG program grows in balance with the Basic Grants program, providing steady, stable funding of supplemental grant needs, and continuing incentives to expand state effort.

A related proposal would establish a "rolling base year" for SSIG, annually advancing the base year upon which additional state expenditures are required to match federal SSIG allocations. Currently some states with large, well-established student grant programs greatly overmatch the federal payment. Some observers actually have come to view the SSIG program as a disincentive for continued growth of their programs. The effect of our proposal will be to provide an incentive for states to expand their student assistance aprograms, and to provide recognition to them for their efforts as partners with the federal government. This partnership has developed fairly well since 1973-74, the first year of SSIG operations, when only 31 states provided $364.2 million in need-based scholarship and grant programs assisting 733,300 students. Today, stimulated by federal SSIG funding, 57 states and territories sponsor such programs, providing supplemental grant aid in the aggregate of $828.9 million to 1,242,000 students. Mr. Chairman, we believe the establishment of a "rolling base year" is particularly critical today, in a time of tightening federal budget constraints, to provide ongoing incentives for states to increase their levels of student grant support.

We also propose increasing the maximum SSIG award from $1,500 to $2,000, to reflect increased costs of education and the need for SSIG funds to meet those increased costs.

As you are well aware, the continued viability and growth of the SEOG and SSIG programs is of critical importance to the continuing accessibility of students to independent colleges and universities. This fact has been underscored by preliminary results from our Student Aid Recipient Survey for Academic Year 1978-79. That data is showing that 45% of student aid recipients enrolled in independent colleges and universities across the nation this year received average grants of $600 under SEOG and $1,000 from state and federal funds under SSIG. Without these grants funds, many of these students would be unable to benefit from independent postsecondary education.

Mr. Chairman, that completes my presentation of our proposals for the supplemental grants programs. Thank you again for the opportunity to present our views today. At this time, I would like to turn to Dr. Stegemoeller for a description of how our proposed system already is working in the State of Minnesota, after which we would be happy to answer any questions you and Members of the Subcommittee may have.

## STATEMENT OF FATHER TIMOTHY HEALY, PRESIDENT, GEORGETOWN UNIVERSITY, VICE CHAIRMAN OF THE BOARD OF DIRECTORS, NATIONAL ASSOCIATION OF INDEPENDENT COLLEGES AND UNIVERSITIES

Father **Healy**. Mr. Chairman, I am Timothy Healy, president, Georgetown University, and vice chairman of the board of directors, National Association of Independent Colleges and Universities.

In talking about the supplemental grants and the State student incentive grants, what we are really proposing is that the balance originally established by this committee be restored. When these acts were first passed, the SEOG, supplemental grant was roughly at one-fifth of the basic grant appropriation and the State student incentive grant was at one-twentieth. During the subsequent years that relationship has eroded.

What we are really aiming at is a balance so that the supplemental grants do keep the States seriously and deeply involved. That is funny testimony coming from me representing an institution that doesn't have a State but perhaps because we don't we are responsive to the vagaries of the government and the unwillingness of an institution to rely on only one source of governmental support.

With the supplemental grants we are really puzzled by the disallowances of the Huff panel recommendations and we recommend that those be looked at very substantially by the committee.

My point is that it does not behoove me to go out and raise money for Georgetown because if I raise less, I will get more Federal dollars. I am quite sure that is not the purpose of the Commission's action and I think that ought to be looked at.

Turning directly to SEOG's, we have a problem with the distribution awarded by the Office of Education in that for 2 years in sequence now they have put 54 percent of the money into the first year and reserved the rest for the second year. That does not correspond to the distribution of any institution that I have ever seen. While OE claims that that corresponds to the demands of the financial aid officers, one finds it difficult to understand that claim in view of the fact that the exact 54 percent has been repeated 2 years in a row and they are preparing to repeat it for a third when the funding has changed. We represent at least 800 institutions which are not satisfied with the distribution.

We would recommend legislative language be created that puts 40 percent in the first year and 60 percent for subsequent years.

Passing very swiftly in summary because you do have my formal testimony, I would like to ask for changes in the State student incentive grant, particularly to get the base year on which that grant is calculated onto a rolling basis.

This program has been extraordinary. In 1973 it took care of some 700,000 students for a total of $364 million. In 1979 it looks like it is going to take care of 800,000 students for a total of $1,200,000. So properly applied it is a massive stimulus to State activity and support, and you have pulled the States into collaboration with the Federal Government.

We would like to ask that the appropriation, first of all, be tied to the basic grant appropriation, and, second, that a rolling base year be established. The purpose of both of those recommendations is to keep a stimulus for the States so that they continue this particular kind of support which is very important and enormously useful. It gives us a thoroughly balanced program.

The rest, Mr. Chairman, you have in my formal submission. I would like to say thank you for your courtesy in letting us come and talk to you.

I would like to introduce Dr. Harvey Stegemoeller who has a description of what is going on in the State of Minnesota which is also part of our formal presentation.

[Prepared statement of Mr. Stegemoeller follows:]

### Statement Before The
### House Subcommittee on Postsecondary Education

May 22, 1979

BY

Harvey Stegemoeller
Executive Director of the
Minnesota Private College Council

Mr. Chairman and Members of the Subcommittee:

I am Harvey Stegemoeller, Executive Director of the Minnesota Private College Council. The Council is an association of seventeen, four-year, fully accredited institutions. Prior to my present position I was President of one of those colleges. I am here at the Chairman's invitation to speak about the interrelationships of the federal and state programs for student assistance as you consider reauthorization of the Higher Education Act.

In Minnesota we have the University of Minnesota with five campuses, the State University System with seven institutions, the Community College System with eighteen colleges, the Area Vocational Technical Institutes with thirty-three units, the Private College Council with seventeen institutions, and nine other private colleges -- a total of eighty-nine collegiate units with an enrollment of 195,000 students for 1978-79. Minnesota has a commitment in public policy to provide access and choice in postsecondary education. The State supports this policy very generously with total appropriations for the Fiscal '78 and '79 biennium of $741.9 million dollars. In per capita spending for postsecondary education Minnesota ranks eighth in the nation with $98.96 per capita. Per $1,000 of income the State ranks fifth.

A major component of Minnesota's public policy and the supporting appropriations is that of student financial assistance. To assure access and choice the State has established assistance programs of Scholarhips, Grants, Work-Study and Loans. The 1978-79 biennium provided $47 million dollars for Scholarships and Grants; the next biennium will total $49.5 million dollars. The 1978-79 biennium provided $3.2 million dollars for Work-Study; the next biennium will total $6.2 million dollars. The State Loan program is funded by revenue bonds, with $34.4 million dollars of loans made in the past year. With the family income restrictions removed under the Middle Income Student Assistance Act, a significant increase is expected since under our State Loan program all students are guaranteed a loan. (The attached sheet gives information about the number of awards and size of awards and the distribution among systems).

The Minnesota programs are good ones and we hope to make them better with the appropriations made just yesterday for the coming biennium. But if access and choice depended on them it would be a different story. The Federal programs which you have established and supported are fundamental -- should I say "basic"? -- to the reality of access and choice for students in Minnesota. Our State programs are important as they build upon and complement the Federal programs.

Beginning in 1977 Minnesota adopted the policy that the Federal Basic Grant and the State Grant or Scholarship should be more closely related, and that the concept of self-help should be more clearly articulated. Current policy is that a student shall receive no more than 75% of need from a combination of the Basic Grant and the State award.

As we continue to study and to refine our programs we are convinced that we are on the right track. As per student costs and needs are increased by the twin pressures of immediate inflation and known decreases in revenue because of declining enrollments, the student assistance programs will be of greater importance. And the interrelationships of Federal and State programs will be of greater importance.

For this interrelationship to be healthy and productive I would propose the following:

1. Maintain the present half-cost limit for the Basic Grants. This will assure a shared partnership between Federal and State programs in assisting all students in all sectors. We do not want Federal programs meeting the total need of some students, nor State programs specially designed for certain students or certain institutions or certain sectors.
2. Increase the individual award maximum in Basic Grants sufficiently each year to assure the combination with the State awards meeting 75% of need. Right now we are close to that in Minnesota. However, any projection over the next five years will see inflated costs undoing this mutually supportive system. My estimate is that a $200 increase per year in the Basic Grant will be necessary to meet our objective.
3. Continue the importance of SEOG funds -- and that means increasing them -- to meet the needs of students in high-cost programs; to meet the needs of special, individual circumstances that somehow do not fit the pattern; to meet the needs of students who choose out-of-state institutions.
4. SSIG funds were helpful in encouraging states to initiate programs. These funds need to be increased to further encourage the states to creative, generous programs to meet student needs. These funds should not become minor subsidy items of state programs but rather increase the incentives.

Thank you, Mr. Chairman and members of the Committee.

## TABLE 5
## MINNESOTA STATE SCHOLARSHIP AND GRANT PROGRAMS
## SCHOLARSHIP AND GRANT ACTIVITY BY EDUCATIONAL INSTITUTION SYSTEMS
## FOR FISCAL YEARS 1975-1979

| System | Percent of Undergraduate Enrollment[1] | | | | | Number of Scholarships and Grants | | | | | Percentage of Scholarships and Grants | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1975 | 1976 | 1977 | 1978 | 1979 | 1975 | 1976 | 1977 | 1978 | 1979[4] | 1975 | 1976 | 1977 | 1978 | 1979[4] |
| Private Colleges | 23.1% | 22.3% | 22.4% | 22.9% | 23.2% | 5,240 | 5,202 | 6,395 | 8,263 | 9,128 | 40.1% | 36.9% | 31.7% | 32.7% | 31.0% |
| Private Vocational Schools | 1.7[2] | 2.4[2] | 3.6[2] | 3.7[2] | 3.3[2] | - | 32 | 309 | 582 | 765 | - | .2 | 1.6 | 2.3 | 2.6 |
| Private Health Professions | NA[3] | NA[3] | NA[3] | NA[3] | NA[3] | 176 | 182 | 208 | 204 | 250 | 1.4 | 1.3 | 1.0 | .8 | .9 |
| University of Minnesota | 26.5 | 26.1 | 25.5 | 24.7 | 25.1 | 2,963 | 3,243 | 4,180 | 4,997 | 5,812 | 23.2 | 22.8 | 20.7 | 19.8 | 20.1 |
| State Universities | 21.3 | 20.8 | 20.1 | 20.6 | 21.3 | 2,641 | 2,905 | 4,301 | 5,537 | 6,086 | 2[illegible].6 | 20.4 | 21.3 | 21.9 | 21.1 |
| Community Colleges | 8.4 | 8.4 | 8.1 | 8.0 | 8.0 | 1,040 | 1,068 | 1,762 | 2,549 | 2,922 | 8.1 | 7.5 | 8.7 | 10.0 | 9.8 |
| AVTIs | 19.1 | 19.8 | 20.1 | 20.1 | 19.1 | 840 | 1,548 | 2,970 | 3,106 | 4,040 | 6.6 | 10.9 | 14.7 | 12.5 | 14.0 |
| TOTAL | 100% | 100% | 100% | 100% | 100% | 12,802 | 14,240 | 20,203 | 25,298 | 28,003 | 100% | 100% | 100% | 100% | 100% |

| System | Scholarship and Grant Dollars | | | | | Percentage of Dollars | | | | | Average Scholarship & Grant Amounts | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1975 | 1976 | 1977 | 1978 | 1979[4] | 1975 | 1976 | 1977 | 1978 | 1979[4] | 1975 | 1976 | 1977 | 1978 | 1979[4] |
| Private Colleges | $4,400,286 | $6,520,000 | $6,569,620 | $7,969,407 | $8,989.575 | 49.7% | 41.8% | 36.9% | 45.6% | 43.7% | $840 | $1,049 | $1,027 | $964 | $985 |
| Private Vocational Schools | - | 31,000 | 343,000 | 436,782 | 614,099 | - | .2 | 1.9 | 2.5 | 3.0 | - | 969 | 929 | 750 | 803 |
| Private Health Professions | 117,775 | 156,000 | 170,150 | 141,375 | 171,846 | 1.3 | 1.2 | 1.0 | .8 | .8 | 669 | 857 | 818 | 693 | 687 |
| University of Minnesota | 1,932,945 | 2,979,000 | 3,774,440 | 3,396,206 | 4,131,210 | 21.8 | 22.6 | 21.1 | 19.4 | 20.1 | 651 | 919 | 901 | 679 | 711 |
| State Universities | 1,443,475 | 2,539,000 | 3,614.100 | 3,172,770 | 3,396,789 | 16.3 | 19.2 | 20.3 | 18.1 | 16.5 | 516 | 874 | 840 | 573 | 558 |
| Community Colleges | 569,450 | 908,000 | 1,416,235 | 1,271,561 | 1.405,372 | 6.4 | 6.9 | 7.9 | 7,3 | 6.8 | 547 | 850 | 803 | 499 | 498 |
| AVTIs | 395,550 | 1,075,000 | 1,916,120 | 1,110.665 | 1,843,266 | 4.5 | 8.1 | 10.8 | 6.3 | 9.0 | 471 | 694 | 643 | 351 | 456 |
| TOTAL | $8,859,480 | 13,208,000 | 17,803.765 | 17,497,775 | 20,563,086 | 100% | 100% | 100% | 100% | 100% | $692 | $928 | $881 | $692 | $711 |

[1] Full-time undergraduate and vocational students from HECB enrollment survey.

[2] Incomplete counts. Thus the percents are underestimates.

[3] Not available.

[4] As of 2/16/79. Figures include nursing grants.

Source: HECB Financial Aid 3/15/79

## STATEMENT OF HARVEY STEGEMOELLER, EXECUTIVE DIRECTOR, MINNESOTA PRIVATE COLLEGE COUNCIL

Mr. STEGEMOELLER. Mr. Chairman, I am Harvey Stegemoeller from Minnesota. I will try to be brief. I am the spokesman for how we think it can be done.

In Minnesota we have worked very hard to come up with a partnership between the Federal and State programs. We are rather excited about how well it works. A combination of Federal and State programs is meeting 75 percent of the student's needs. We see the basic grant as the basic block on which we build.

If you go into the half-cost issue, our concern there is that some State legislators quickly start looking for the Federal programs to do it all. At this particular time it makes me very nervous to think of losing that State legislative commitment.

We would like to see the basic grant kept at half cost, but we would like to see it rolled forward on some basis to keep pace with inflationary increase.

Our projections are that it would take a $200 per year increase in the basic grants to give us the possibility of our 75 percent program of a combination of Federal and State programs.

The SSIG was terribly important back when. It has somewhat lost its importance because it is such a small part of our matching now. It started out as being truly an incentive for the State and at this point it is less than 4 percent and I don't hear much about it in the legislature anymore.

With the SEOG, State financial aid officers, both private and public, emphasize the importance of the SEOG to meet all the various unique individualistic exigencies of student needs.

With that, I think I will stop. Thank you.

Mr. FORD. Thank you.

I note that in a breakdown of the current match with SSIG, of 50 States plus the District of Columbia, Minnesota is fifth from the top and overmatching with the 25 percent Federal money. This is offset by 16 States at the bottom who hit the 50 percent and apparently stopped there and 4 others that look like they thought they were hitting 50 percent when they stopped because they ended up so close to 50 percent.

So for 20 out of the 50, it looks like the matching worked until we got to the figure and then stopped, but the other 30 States continued on until New York which gets only 2.6 percent Federal money in the total package that they are using.

Congressman Buchanan added an amendment to the Middle Income Student Assistance Act, which we had to drop later because of difficulties with the Senate, that would have tried to get us back to a point where the Federal dollars would continue to be a stimulus.

Everybody on this committee was impressed with that approach and it passed unanimously with this committee and in full committee and did very well at all stages until we had to deal with the other body and the Office of Management and Budget.

But I am sure that Congressman Buchanan has not lost his enthusiasm for trying to do something in this area, nor has the committee lost its sense of support for his efforts.

Do you have any questions?

Mr. BUCHANAN. No, Mr. Chairman. I wish I could go with you once to the Democratic Caucus. I would like to vote on this subject myself.

Mr. FORD. You could have my vote if you would like.

Mr. RAINSFORD. Mr. Chairman, may I make a concluding comment very briefly?

Mr. FORD. Certainly. You stay right there. We will let you people go on. We are going to close the hearing officially, but we are not going to close it.

Mr. RAINSFORD. I appreciate that. This is only to make the distinctiveness in some senses of our presentation in that the policy represents not the thinking of the staff only but has been voted on by all of the 800 members and therefore does represent a serious institutional position of the private institutions across the Nation rather than the reverse of that.

We are pleased to be able to represent all those 800 institutions before you this morning and we thank you for your support.

Mr. FORD. I would like to, before leaving, observe on the record on behalf of the committee as chairman that we are very much indebted to President Rainsford and to John for the effort they have put into making it possible during the committee's recent visit to Japan to examine in substantial detail the very interesting system that they have for the support of private institutions with public funds.

I am not at all sure that any of us were enthusiastic after we saw the Federal strings that were attached to that aid and that maybe it looks better from a distance. We might have been more impressed if we had not seen it up close.

But I do recall President Rainsford was something less than overwhelmed when counsel reeled out two pages of little things like moving faculty and others that the Government took on to itself as a condition of giving out the money. It nevertheless was an opportunity to see a wholly different approach than we are used to; We do appreciate, not only your making the arrangements for us to meet with the private college and university people, but your participation with the committee in the discussions with the Federal education officials in Tokyo where we had an opportunity to examine what they were doing and the background of it, both in the perspective of the Federal officials administering the program and the private school interests that were intended to be the beneficiaries of the program.

We thank you very much for that and the continuing cooperation that we have had from your organization and in the efforts of this committee.

Mr. RAINSFORD. Thank you, Mr. Chairman.

Mr. BUCHANAN. Mr. Chairman, I might point out that for the first time, officially as a member of this committee, we have with us Congressman Tom Petri of Wisconsin. We very much appreciate his addition to this subcommittee and I am sure he will be a very valuable member.

Mr. FORD. Thank you, John. I suppose you have seen that Chairman Perkins has put everybody on notice that you and Mr. Bailey are coming on the committee. You have one chance to speak up or shut up forever.

Mr. PETRI. I think I will be seen and not heard.

Mr. FORD. You are perfectly welcome to sit with us. I am sure that the details will be worked out because we have absolutely nothing but support for you. We are pleased to have you join the committee.

Please excuse me. I am going to do right for the country and wrong for my President right now.

Mr. WOLANIN. If we could hear from the third panel, Mr. Charles Taylor, president, Wilberforce University, National Association for Equal Opportunity in Higher Education; Dr. Henry Ponder, president, Benedict College, United Negro College Fund; Harvey P. Grotrian, acting director of the office of financial aid, University of Michigan, Presidents' Council of State Colleges and Universities.

[Prepared statement of Dr. Ponder follows:]

# TESTIMONY PRESENTED TO THE
# HOUSE SUBCOMMITTEE ON POSTSECONDARY EDUCATION

WILLIAM D. FORD
CHAIRMAN

## STATEMENT ON

## TITLE IV (FEDERAL STUDENT ASSISTANCE PROGRAMS)

PRESENTED ON BEHALF OF THE
FORTY-ONE MEMBER COLLEGES OF THE
UNITED NEGRO COLLEGE FUND, INC.

May 22, 1979

Mr. Chairman and Members of the Subcommittee:

I am Dr. Henry Ponder, President of Bennedict College, Columbia, S.C. a United Negro College Fund school. I am privileged to represent the United Negro College Fund and the Forty-One fully accredited private four year Colleges and Universities it represents, I am grateful for the opportunity to share with you, UNCF's recommendations for the reauthorization of Title IV (Student Financial Assistance).

Today, the public strongly supports aid to students with very little concern being expressed about the financial well-being of the institution. The two are inseparable and must be dealt with equally. Because of the great desparity between federal support for the student and little support for the institutions, it is our hope that Congress will realize that the small institutions of this Country are in serious financial crisises and those conditions are increasing daily. The Federal Government must help these institutions that carry a significant burden of low income students on student aid with increased administrative allowance support.

The costs associated with enrolling federally aided students significantly exceed the tuition and fees which those students pay from that assistance. There are considerable precedents in student aid and elsewhere, for federal support of administrative costs incurred by institutions in the operation of federal programs.

The UNCF agrees with Dr. Robert L. Albright, Director of the Moton Admissions and Financial Aid program who wrote, "The administration of a student financial aid office is, perhaps, the most demanding and least appreciated task in higher education today. Beginning with the NDSL program, which was precipitated by the Sputnik "crisis" of 1957, financial aid has exploded into a multi-billion dollar industry. Long past are the days when a registrar or director of admissions could concurrently manage their respective functions while also rather comfortably administering student aid. Indeed, in the 1970's, student financial aid administration became a whole new profession in higher education.

The complexities of student financial aid administration are not well understood by the higher education community. Paradoxically, however, research demonstrates that the financial aid budget--particularly of small, developing institutions, frequently comprises one third (1/3) to one half (1/2) of the total institutional budget. Thus, the administration of a student aid office is a significant and demanding responsibility which should receive serious attention and the appropriate personnel and fiscal resources.

With the advent of the various federal aid programs (e.g., the Educational Opportunity Grant, the Supplemental Educational Opportunity Grant, the Basic Educational Opportunity Grnat, the National Direct Student Loan Program, the Guaranteed Student Loan Program and the College Work Study Program) a plethora of distinct and constantly evolving program regulations surfaced. The difficulites in administering these programs were further complicated by the absence of appropriate technical assistance resources by the federal government, and a complex system of both administering and accounting for the vast fiscal resources being poured into the various programs.

Ultimately, the boon with which many institutions viewed these programs slowly began to be perceived in an entirely different perspective. That is, while the aid programs doubtless brought massive resources to the campuses; they also created an enormous potential for disaster via the rigid accountability requisites which accompanied these monies. Moveover, many institutions quickly realized that the three (3) percent administrative costs allowances which were not totally sufficient for administering these programs (e.g., personnel, equipment, office and other necessary resource supports). This problem was further compounded by the shifting of the bulk of the aid resources into the BEOG and loan programs-- without the appropriate administrative allowance support-- thus causing precious institutional resources to be further stretched to accommodate the accountability requisites attendant to same.

Further, and perhaps more directly relevant to the focus of this paper, aid officers (and other institutional administrators) have found themselves literally swamped in the quagmire of the highly technical, constantly shifting, and always pressing management accountability demands relative to the administration of the student financial aid programs. Specifically, after a somewhat extensive period of perfunctory monitoring and lip service reviews only, the Office of Education has now instituted a series of rigid program reviews, compliance audits and other monitoring procedures (again sans the appropriate technical assistance) which have caused great anxiety and frustration. In short, the Bureau of Financial Aid has adopted a posture which insures that periodically every institution will receive a complete program review (vis-a-vis the financial aid programs) and will be held accountable for the management and administration of student aid funds".

## Basic Educational Opportunity Grant Program (BEOG)

### Definition

The BEOG is the major instrument used to provide access for students to postsecondary educational institutions. As a "foundation" for all other Federal, state, or private aid, the BEOG awards ranged from $200 to $1,400 to 1.975 million students in 1[illegible]-78 with an appropriation of $1.7 billion. The United Negro College Fund supported the passage of the Middle Income Student Assistance Act (MISSAA), P.L. 95-566, and the adjustments made to include financially independent students. The UNCF recommends that the Congress, by the intent of the legislation, make it clear that there will not be a dissipation of participation, but rather an increased participation of low-income students who are in the most need.

### UNCF Supports

-- A gradual increase of the maximum BEOG to $2,400 based upon cost-of-living increases. The absence of such increases will dangerously hamper and curtail the genuine opportunities for postsecondary education by minority students, who are unable to keep up with the escalating costs of obtaining an education.

-- BEOG administrative allowance must be increased to 5% and the Congress should ~~also~~ make fiscal provisions for the administrative cost allowance to be given to schools immediately. Validation, increased edits, rejected applications and many other demands by the Office of Education place overwhelming responsibilities on small institutions that must administer the BEOG for a majority of their students. While the Federal emphasis is on direct aid to the individual, the Congress must become sensitive to the fact that these small institutions, which are serving a vast majority of the student aid recipients, are now financially burdened.

-- Congress should consider "waiving" the restrictions that limit the carry-over of BEOG funds from the previous year to 15% of the amount appropriated. The continuing problems of processing the BEOG applications may result in a carry-over larger than this amount which would be lost to students under the current provision.

UNCF Opposes.

-- Any attempt to change the BEOG allocations from its half cost provision to a half need rule because the proposal to change to a half need rule by the Office of Education would impose a heavy penalty on low-cost institutions and low-income families and ultimately would be more restrictive than the current half cost provisions.

Example: A family's expected contributions would be deducted from the college costs and half of the difference would be the students' award. It is obvious that a low-income student would receive a smaller grant making it extremely difficult for that student to make up the difference. It would also negatively affect low-cost institutions because they would be forced to increase tiution costs.

-- A cumbersome computer program designed to catch cheaters by the Office of Education did more harm than good. Last year this computer system rejected almost 40% of the BEOG applicants; ironically, the majority of those students rejected were minority students. After a close analysis of the problem the conclusion was that those students, most of whom were low-income and the first in their families to have the opportunity to attend college, did not know how to complete the complex forms correctly. This was grossly unfair to the low-income and the minority community who are supposed to benefit most from the BEOG program. Unless this inequity is immediately eradicated, it will have a devastating affect upon the enrollments of all predominantly Black institutions in the fall of 1979.

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## Supplemental Education Opportunity Grant Program (SEOG)

### Definition

The Supplemental Education Opportunity Grant program (SEOG), a campus-based program, is a last resort grant fund for exceptionally needy students through 3,600 postsecondary institutions. In 1977-78, 58,000 students received SEOG awards averaging $500 based on an appropriation of $270 million.

UNCF Supports

- Raising the SEOG maximum from $1,500 to $2,000. SEOG has been especially meaningful and helpful to aid officers at Black colleges vis-a-vis the ability to recognize the special fiscal needs of minority and low-income students and to put together a representative aid package. The increased maximum allowance will give these aid officers more flexibility and rebound even more significantly to the benefit of low-income students.

- The establishment of Limited Grant eligibility for graduate students. The Federal government has over the last year curtailed its commitment to graduate education just as it has for institutional support. The government has even attempted to eliminate several fellowship programs.

  The Congress must surely understand that if Federal graduate assistance does not exist for low-income and minority students, the government, in effect, is closing the door on them from seeking many professions which require a graduate degree. The only recourse for low-income and minority students, would be to become tremendously burdened with large loans which is an economic threat to many for years to come. On the other hand, many minority students would not be able to even obtain loans, killing any chance of a graduate degree. This will mean increased funding for SEOG; however, it would not be astronomical.

- Lowering the minimum SEOG award from $200 to $100 at the discretion of the Financial Aid Director. Many low-income students must take remedial or special summer school courses. This smaller SEOG award might be all they would need to participate in the summer program.

UNCF Opposes

- The suggestion from some quarters that colleges be forbidden to use Federal student aid funds, e.g., BEOG, CWS and NDSL, to match an SEOG grant [illegible] student. The Congress must vehemently oppose such suggestions. UNCF's rationale for suggesting such a posture by the Federal government is because currently SEOG funds are the primary source of grant funds directly controlled by most of the colleges serving predominantly low-income students. Therefore, to impose a requirement that these schools, and others, find other sources to match these funds would not only place a severe strain on the development function of the already struggling institutions, in regard to other real needs, but also might have the adverse affect of limiting or terminating an institution's ability to continue participating in this program.

## National Direct Student Loan Program (NDSL)

### Definition

The National Direct Student Loan program was established initially as the National Defense Student Loan Program by the National Defense Education Act of 1956. It is the oldest student aid program administered by the Department of HEW. The program's purpose is to provide low interest, deferred re-payment loans to financially needy students through revolving funds held by participating schools. Loans are limited to $2,500 for the first two (2) years of postsecondary study to $5,000 for undergraduate study and to a total of $10,000 through graduate studies. Re-payment may be made over a 10-year period with deferment and cancellation for specific kinds of public service. Schools set their own re-payment schedules. Each of the over 3,000 participating schools is responsible for managing the funds, determining loan award for students' needs, as well as for servicing and collecting the loans. Federal contributions to the Capital funds are matched by school contributions equivalent to one-ninth of the Federal share. During academic year 1976-77, 831,000 students were aided with over $565.5 million in loans. The average loan of about $5 billion has been loaned to some 4.5 million students.

### UNCF Supports

-- NDSL as the back-up loan program to the Guaranteed Student Loan program (GSL), for low-income students unable to obtain a GSL. NDSL continues to be the lender when many states are not willing to "guarantee access" for all potential borrowers. Over 39% of all UNCF students are NDSL recipients.

-- Increased funding for NDSL for a 6-year period from 1981-87 or until a bona-fide lender of a second resort is available for all students requesting loan assistance.

-- Continuance of the Teacher Cancellation provisions for teachers who teach in disadvantaged school districts. This provisions continues to be an incentive for teachers to serve in areas where they are most needed, at least for a portion of their teaching career.

## College Work Study Program (CWS)

### Definition

The College Work Study Program (CWS) provides employment for needy students who require these earnings to finance their course of study. Students may apply who are enrolled at least half-time as graduates, undergraduates or vocational students in approved postsecondary institutions. The institution is responsible for student placement on-campus or off-campus with a public or private non-profit agency. Students may be employed up to 40 hours per week. The appropriation for the CWS program is divided among the states according to Federal legislative formula. Each institution receives a lump sum award which is disbursed to individual students. Individual awards cannot exceed 80% of the total student earnings. For fiscal year 1978, $435 million was appropriated by Congress for this program.

### UNCF Supports

-- Institutions to be authorized to carry forward up to 10% of an allocation for College Work Study to the succeeding fiscal year or to utilize up to 10% of the allocation for the succeeding year to meet current obligations. This recommendation of 10% is for the allowance for errors in estimates which occur despite the best efforts of the financial aid administrators.

-- Increasing the authorization levels for CWS by $50 million each year through 1986-87 because of the cost-of-living increase would be affected, in large measures, while at the same time allowing a few more eligibles to participate.

-- The expansion of the CWS over a 6-year period to $960 million.

## State Student Incentive Grant Program (SSIG)

The State Student Incentive Grant program (SSIG) encourages states to establish their own under-graduate need-based grant programs. SSIG matches state aid money with Federal funds on a dollar-for-dollar basis. In 1977-78, 240,000 students were aided with SSIG awards averaging $500 ($250 in Federal funds), based on an appropriation of $63 million. The 1979-80 appropriation for SSIG was $76.75 million. SSIG is intended to enhance reasonable "choice" for students to attend postsecondary educational institutions.

UNCF supports two (2) new provisions that should be added to the SSIG legislation.

1. Grants should be "portable", i.e., able to be carried across state lines by student recipients, and
2. Grants should be available for part-time students on a sliding scale as per enrollment status.

Again, these provisions, UNCF feels, would be beneficial to low-income and minority students who have demonstrated a rather surprising mobility factor in their search for the best available opportunity to gain a meaningful higher educational experience.

Currently there are 13 states which give awards to part-time students and only 7 states provide portability of grants.

Congress should be cautious in examining the different proposals whereby Federal action can substantively affect certain kinds of state behavior and the extent which the Federal government should influence state policy decisions for higher education. The balance between equity in the treatment of states and accuracy in the SSIG incentives and whether the Federal government has an obligation to continue supporting states it has enticed into starting or expanding grant programs through the promise of additional Federal aid.

## TRIO Programs (Title IV, Part A)

### Definition

The TRIO legislation authorizes programs designed to:

1. Identify qualified youths from low-income families,
2. Prepare the students for a program of postsecondary education,
3. Provide special services for such students who are pursuing postsecondary education.

The special programs are carried out by the Commissioner of Education through grants and contracts with institutions of higher education and other public and private agencies and organizations. Services are specifically designed to assist youths from low-income families who have academic potential, but who may lack adequate secondary school preparation or who may be physically handicapped or disadvantaged because of severe rural isolation to enter, continue or resume programs of postsecondary education. Six programs are listed in the law. Five of these are currently funded:

1. Tallent Search (TS),
2. Upward Bound (UB),
3. Special Services for Disadvantaged Students (SSDS),
4. Educational Opportunity Centers (EOC),
5. Training Authority for Special Program Staffs, and
6. Service Learning Centers (not funded).

UNCF Supports

-- The eligibility for the program (SSID) should be limited to postsecondary institutions which offer a minimum of 2 years of course work toward a baccalaureate degree.

-- The participants' eligibility in the TRIO programs to be re-defined for clarity and to assure the continued eligibility of all ethnic minorities and low-income students. Specific attention should be given to the factors listed below.

1. Exceptions for qualification guidelines. Grantees should be allowed to include a small proportion of students who do not meet the financial requirements, but who otherwise would qualify.
2. A physical handicap or geographic isolation should continue to qualify a student for services.
3. Need for services. Grantees should be allowed to provide services for a small percentage of students based solely on their need for the program.
4. The definition of terms be consistent across the programs.
5. The proposals for the consolidation of programs be evaluated on the extent to which they meet very stringent guidelines that are sensitive to the original intent of the legislation.

## STATEMENT OF DR. HENRY PONDER, PRESIDENT, BENEDICT COLLEGE, UNITED NEGRO COLLEGE FUND

Dr. PONDER. Mr. Taylor was not coming because of the changed schedule here. What I will say will more or less represent what he would probably be saying anyway.

Mr. WOLANIN. Yes, go ahead.

Dr. PONDER. My name is Henry Ponder. I am president of Benedict College of Columbia, S.C., one of the United Negro College Fund schools.

It is a pleasure to appear here, and Mr. Buchanan is from a State I hold dear. I spent several years at the Alabama State University. I moved from there to South Carolina and have enjoyed my work there.

I am sure that Mr. Taylor would be in accord with most of what I am going to say and you have his testimony anyway. We are both members of the United Negro College Fund, though he would have been representing another organization here this morning.

The United Negro College Fund supports the Middle Income Student Assistance Act. I think we ought to put that on the record. This should increase the student pool in student assistance.

Our concern is that this increased participation must lead to an increase, also, in the low-income students that are going to be participating rather than a decrease in that.

So the increase in bringing more into the pool ought to also bring more of the low-income students into it. We are concerned about the administrative allowance that is now in the program. Right now student assistance is very critical to the survival of the small private colleges. There is no question about that.

We ask you to recognize the burden the student assistance legislation places on the institution. The institutions that are doing the most to carry out the legislative mandate which is to make college available and attainable to low-income students are hurt the most by this legislation, meaning the student brings the money there, and there are so many students I just don't think that sometimes we realize the magnitude that this would have on certain schools.

There are certain schools, for example, that have at least 90 percent of their student body on financial assistance. This creates quite a burden.

We think if we could get this together, it would help out tremendously.

Now, the limited resources caused this, limited resources and personnel. We just don't have the people. If you had them, limited finances, or you can't pay them if you could find them and then equipment, the sophistication of having computers to do most of this tracking is very difficult at small schools.

When you tie this in with accountability, we certainly agree that these funds ought to be accounted for and they ought to be used as they should be.

But the absence of adequate resources may give the impression of not being accountable. That is the thing that concerns us. We feel very strongly that if we could somehow get the administrative allowance support up so that schools could employ people to do this, get the sophisticated equipment, it would help.

I would like to close with a quote from Dr. Robert L. Albright, director of the Motten admission and financial aid programs, who said, "The administration of a student financial aid office is perhaps the most demanding and least appreciated task in higher education today."

Thank you very much.

[Prepared statement of Mr. Grotrian follows:]

# Testimony
# to the
# House Subcommittee
# on
# Postsecondary Education

May 22, 1979

Harvey P. Grotrian, Ann Arbor, Michigan
Henry C. Dykema, East Lansing, Michigan

for
the Presidents Council
of
the State of Michigan

Good morning, Mr. Chairman and members of the Committee. We are pleased to have this opportunity to be here this morning.

My name is Harvey P. Grotrian, and I am presently the Acting Director of the Office of Financial Aid at The University of Michigan. Joining me in our presentation this morning is Henry C. Dykema, Director of the Office of Financial Aid at Michigan State University. We are representing the Presidents Council of the State of Michigan, which is composed of the Presidents of the thirteen state colleges and universities located in the State of Michigan.

Both Mr. Dykema and I appreciate, Mr. Chairman, the diligent effort being put forth by you and members of this Committee to obtain input from so many segments of the postsecondary educational community. It is our purpose this morning to respond specifically to desired changes in the Basic Educational Opportunity Grant (BEOG) and Supplemental Educational Opportunity Grant (SEOG) Programs.

## BEOG and SEOG - Student Eligibility

Presently, student eligibility for Basic and Supplemental grants is restricted to a maximum of four years. Several major studies have shown that many students require more than four years to complete their undergraduate degrees. This is particularly true among many needy students, and particularly those which must take basic or remedial courses. Other students may be delayed in receiving their degree because of illness or other personal or family problems.

We are also concerned about returning adults and half-time students who are unable to complete academic programs within the equivalent of four academic years. In order to recognize these problems, it is recommended that BEOG and SEOG eligibility be extended from four to five years. This would permit continued grant aid to students who have maintained a reasonable level of movement toward their degrees and yet have been unable to complete a normal program in four years. It will also have the effect of not asking these students to assume an unreasonably high level of loans at a time when many of the students have already borrowed substantial sums and at a time when there is no way to work more than they are already. We are joined by NASFAA, ACE, and many other groups in making this recommendation.

BEOG - Average Costs

At the present time, it is necessary for schools to determine each student's "actual" college costs for the academic year before the exact amount of the BEOG award can be calculated. Since the BEOG program is the foundation for all other awards, the amount of the BEOG will impact on all other components of the student's financial aid package. Some schools will not approve other aid until the final amount of the BEOG award is known. Others will estimate the BEOG award based on expected costs, award other aid, and then adjust other aid up or down, if the BEOG award changes. At schools like The University of Michigan and Michigan State University, with a combined total of over 13,000 BEOG recipients, this is not a trivial matter.

One of the primary goals of student financial aid offices is to notify students of the final decision on their aid applications in a timely manner and, hopefully, well before the start of the academic year. A technicality in the computation of the amount of the BEOG award does not allow many schools to achieve this objective, with the result that award decisions to students are often seriously delayed. If the decisions are not delayed, the decisions must often be revised, sometimes several times, as the BEOG award amount changes. This situation creates confusion for students and parents and represents an unnecessary administrative burden for financial aid offices.

We are joined by ACE and NASFAA in recommending that this problem be resolved by eliminating the necessity of computing "actual" costs for each BEOG recipient and replacing it with "average" costs. The use of average costs will result in no loss of equity and will remove an administratively cumbersome problem.

BEOG - Reduction of Awards

Each year, OE publishes a Basic Grant Payment Schedule, which allows schools to determine each student's award based upon family financial strength, cost of education, and whether the student is full-time, three-quarter-time, or half-time.

There have been some views expressed that we ought to have more of these tables -- in fact, one table for each credit hour level below normal full-time study. It seems to us, however, that this search for absolute equity which would supposedly be achieved if awards were directly proportional to the level of credit hours, would bring absolute chaos to the financial aid delivery system. We believe that the existing payment tables showing awards for students who are full-time, three-quarter-time, and half-time achieve an acceptable level of equity for students and for colleges. Hence, we believe that the Higher Education Act should specifically refer to calculating BEOG awards based on full-time, three-quarter-time, or half-time enrollment. Furthermore, since students are constantly dropping and adding courses, it should be clear that there is no obligation to reduce awards to be exactly proportional to the number of credit hours carried. As with calculating the original award, the current award payment tables are adequate and equitable for award changes based on changes in credit hours.

BEOG - A More Equitable Way of Using End-of-Year Balances

We don't need to tell this group that it is not easy to project annual BEOG expenditures on a nationwide basis. Honest people have honest differences, and the projections often vary. With the new Middle Income Student Assistance Act (MISAA) of 1978 money available for next year, there is significant legitimate concern about what the cost of the program will be.

At the end of a fiscal year, if the funds available for making BEOG awards exceed the amount needed to make payments to students by 15 percent or less, then the excess funds can remain available for BEOG awards the following year. This procedure is fine, and we have no problem with it. It provides everyone with some flexibility, and it insures that the remaining funds will be used to serve needy students in the following year.

However, if the funds remaining at the end of the year exceed the amount necessary to make payments to students by more than 15%, then the remaining funds must be used to make additional payments to students during the current fiscal year. At first glance, this provision might be thought to be a good idea -- if there will be remaining funds, everyone's BEOG award could be increased in order to spend the money. However, things are often not as they would appear at first glance -- and this is no exception. Let me give you the following scenario. An academic year has just ended, and everyone's total aid package has long since been finalized and disbursed. Most students have left the campus for the summer months. Schools are preparing fiscal reports for the year just ended and are heavily involved in processing student applications for the next year. Then, schools receive word that BEOG awards for the year just ended must be increased because more than 15% of the BEOG appropriation has not been spent. The (amount of) increased BEOG awards would mean that the aid package of many students would exceed their need. These students would, therefore, have to reimburse institutions for the amount of their overaward. In some cases, campus-based and institutional awards would have to be reduced retroactively. Students would be confused about why the BEOG was being increased retroactively, while other aid was being cut retroactively. It would not be possible to reach some students. In any case, we don't think that such activities are how you want us to spend our time. Our goal is to serve students. ~~Hence~~, we recommend that any time there are BEOG funds remaining at the end of the year that the funds remain available for awards in the following year. This is a more rational approach, and it is one that we commend to you.

BEOG - Administrative Allowance

The federal, state, and institutional financial aid partnership requires that students and their families receive good service at every step of the financial aid process. Colleges are a vital link in providing these services since we deal on a face-to-face basis with students and parents. In other words, we try to personalize and humanize the financial aid programs which you have established and funded. To do this, we need counselors who will be sensitive to unique student and family situations and who will also be aware of federal laws and regulations and can apply these rules fairly and consistently.

The partnership concept in student aid programs is contained in the current legislation through the provision of a $10 administrative allowance for each BEOG recipient. As you may know, a study by NASFAA showed that it costs institutions an average of $35 to process a BEOG application. Furthermore, we would venture a guess that the costs have increased since the survey was conducted. Indeed, schools have had to increase staff to handle both the increased volume of BEOG applications as well as the validation requirements.

In view of the current legislative provision for an administrative allowance, we believe that it is essential to fund adequately this provision. Such funding would help cover a small portion of the actual costs associated with processing a BEOG application. Institutions would continue to cover the largest amount of the institutional processing costs.

The current law provides for minimum funding levels for SEOG, NDSL, and CWS before the BEOG program is funded. We recommend that a similar minimum funding level for the BEOG administrative allowance be established to insure that the BEOG administrative allowance be funded at an appropriate level. Under such an arrangement, schools would continue to cover the majority of the costs associated with BEOG processing, and the federal government would cover a small share of the costs based upon legislation which has been on the books for some time.

Eliminate IY-CY Distinction and Increase the Transferability Provision

Most students receive a package of financial aid resources, which may include a grant, loan, or job. And, these resources may include a BEOG, funds from one or more campus-based programs, and institutional aid. One of the agreed upon objectives in building a financial aid package is that the components of the financial aid package should not vary widely from year to year unless the student's financial need changes or unless the student prefers to work one year and borrow funds the next year instead of working. In any case, we are all agreed that there is a need for stability in the components of the financial aid package so that students and parents can plan ahead and so that they don't have to contend with wide and unpredictable fluctuations in individual awards from year to year.

One of the reasons why the components of an award may fluctuate from year to year is the fact that an institution's share of the funding in each of the campus-based programs may vary from year to year. Schools may get what they need in one program but not in another program. To accommodate these fluctuations and to minimize their impact on individual students, we are making the following recommendations:

(1) Eliminate the distinction between SEOG-IY and CY awards. The distinction is an anachronism, it's a holdover from the old EOG program, and it has no place in the SEOG program for the 1980's.

(2) At the present time, schools have authority to transfer 10% of the SEOG appropriation to CWS or to transfer 10% of the CWS appropriation to SEOG. For the reasons which we have already outlined, we believe that the transferability of funds should be increased from 10% to 20%. It is also recommended that the transferability of funds be expanded to include not only SEOG and CWS but NDSL as well. Based upon prior discussions on the subject of including NDSL, we understand there may be some legal problems. But we understand that several excellent lawyers are employed by this Committee, and we have confidence in your ability to work out this problem with the aim of helping thousands and thousands of students.

SEOG - Packaging Procedures

The purpose of the SEOG program in the current legislation needs to be clarified. The current wording states that SEOG's are to be available for "qualified students who, for lack of financial means, would be unable to obtain such benefits (postsecondary education) without such a grant." The wording that says "who, for lack of financial means" is confusing and could be interpreted by some to mean that the SEOG had to be the last item in a financial aid package, after all other resources were exhausted. We do not believe that such was the intent of Congress. Therefore, it is recommended that the wording be revised to say that SEOG's should be available to "qualified, needy students."

The SEOG State Allotment Formula

The statutory state allotment formulas for each of the three campus-based programs are in need of some changes. For example, even though the SEOG program is not available to graduate students, the IY-SEOG state allotment formula contains graduate and undergraduate students. Furthermore, even though the campus-based programs are assigned to students on the basis of financial need, there is no financial need component in the current formulas.

As data on all schools becomes available from OE's new institutional application process, we believe that it will be appropriate for this Committee to examine alternatives relating to the state allotment formulas. Hopefully, this will occur well before the programs need to be reauthorized once again.

In conclusion, Mr. Chairman, we again thank you and the members of the Committee for this opportunity to present testimony as a part of the process of reauthorizing the Higher Education Act. Mr. Dykema and I would be pleased to respond to any questions which either you or the members of the Committee might have.

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OM/OFA; 6/17/79

### STATEMENT OF HARVEY P. GROTRIAN, ACTING DIRECTOR OF THE OFFICE OF FINANCIAL AID, MICHIGAN STATE UNIVERSITY, PRESIDENT'S COUNCIL OF STATE COLLEGES AND UNIVERSITIES (MICHIGAN)

Mr. GROTRIAN. I am Harvey Grotrian, acting director of the office of financial aid, the University of Michigan.

Mr. Henry Dykema, director of financial aid, Michigan State University, joins me in presenting testimony this morning for the President's Council, a council composed of the 13 colleges and universities located within the State of Michigan.

We appreciate the opportunity to present testimony before this committee, and especially the diligent effort made by this committee to obtain input from so many segments of the postsecondary educational community.

In responding to the requested testimony on the two grant programs, the basic educational opportunity grant program and the supplemental educational opportunity grant programs, we wish to make the following recommendations.

We are concerned with the 4-year limitation which is currently the restriction for student eligibility under both of the student grant programs. We feel this is of particular concern for needy students, many of whom must take basic or remedial courses.

We are also concerned that some students are delayed in receiving their degrees because of illness and other personal and family problems.

Currently, the legislation does not accept these kinds of variances in the completion of an undergraduate program.

At the present time it is also necessary for schools to determine each student's actual college cost for an academic year before the exact amount of the basic educational opportunity grant award can be calculated.

Since the basic grant program is the foundation for all other awards, the amount of the basic educational opportunity grant will impact upon all of the components of the student's financial package. Some schools will not approve the basic grant award until the award is known. Others will estimate the BEOG award based upon expected costs, award other aid and adjust other aid up or down if the BEOG award changes.

This is an administrative headache for institutions such as the member institutions of the President's Council, and especially for the University of Michigan and Michigan State University with a combined total of over 13,000 BEOG recipients. This requirement is not a trivial matter.

We are joined by ACE and the National Association of Student Financial Aid Administrators in recommending that the problem be resolved by eliminating the necessity for computing actual costs for each BEOG recipient and replacing it with average costs.

It is our feeling that the use of average costs will result in no loss of equity and will remove what is presently an administratively cumbersome problem.

Each year the Office of Education publishes a basic grant payment schedule which allows schools to determine each student's award based upon family financial strength, cost of education, and whether the student is full time, three-quarter time, or half time.

There have been some views expressed that we ought to have more of these tables—in fact, one table for each credit hour level below the normal full time.

It seems to us, however, that the search for absolute equity which would supposedly be achieved if awards were directly proportional to the level of credit hours would bring absolute chaos to the financial aid delivery system.

We believe that the existing payment tables showing awards for students who are full time, three-quarter time and half time achieve an acceptable level of equity for students and for colleges.

It is not easy to project annual BEOG expenditures on a nationwide basis. Many have tried this. Honest people have honest differences and projections often vary. With the new Middle Income Student Assistance Act of 1978 money being available, there is a significant legitimate concern about what the actual cost of the BEOG program will be.

At the end of a fiscal year if funds are available for making BEOG awards and they exceed the amount needed to make payments to students by 15 percent or less, then the excess funds can remain available for BEOG awards the following year.

This procedure is fine and we have no problem with it. It provides everyone with some flexibility and it insures that the remaining funds will be used to serve needy students in the following year.

However, if the funds which remain at the end of the year exceed the amount necessary to make payments to students by more than 15 percent, then the remaining funds must be used to make additional payments to students during the current fiscal year.

At first glance this provision might be thought to be a good idea. However, things are often not as they appear at first glance and this is no exception. The scenario could run something like this:

The academic year has ended. Everyone's total aid package has been finalized and disbursed. Most of our students have left their campuses for the summer months. We are busy preparing fiscal reports and internal reports on the prior year activity. We are heavily involved in processing student aid applications being received from incoming freshmen and transfer students, and then we receive word that BEOG awards for the year just ended must be increased because more than 15 percent of the BEOG has not been spent.

BEOG awards must be increased retroactively. This means that the aid packages of many students now exceeds their need. These students, therefore, would have to reimburse institutions for the amount of their overaward to bring them in line with their actual need.

In some cases campus-based and institutional awards would be reduced retroactively. Students would be confused about why their basic grants would be increased retroactively while the other aid is decreased retroactively.

Some students could not be found or found with substantial difficulty. Hence, we recommend that whenever there are basic grant funds remaining at the end of the fiscal year, that these funds remain available for awards the following year.

Presently the Federal, State, and institutional financial aid partnerships require that students and their families receive good service at every step of the financial aid processes. Colleges are a vital link in providing these services since we deal on a face-to-face basis day after day, week after week, month after month, with students and their parents.

In other words, we personalize and humanize the financial aid programs which you have established and funded. The partnership concept of student aid programs is contained within the current legislation which currently provides for a $10 administrative allowance for each basic grant recipient.

As you know, a study by our own national association shows that the cost for institutions to process a BEOG student eligibility report is approximately $35. Therefore, at the University of Michigan and Michigan State University, the combined estimated cost of administering the basic educational opportunity grant program this year is $455,000.

In short, we recommend that a basic grant administrative allowance be funded. Financial aid offices are very expensive operations. I presently have 59 staff members. The operating cost of just my office alone, separate and apart from the cashier office, from student loans, from student accounts, may very well reach $1 million for the 1980-81 year.

It is very helpful to have administrative allowance support to help offset some of this cost. Presently 100 percent of the costs of administering the basic grant program are being absorbed by institutions.

To summarize very quickly, we are also recommending that the distinction between the initial year and the continuing year SEOG program be eliminated and that we be allowed to transfer funds between the various programs to a greater extent than what is presently the case. Our full recommendation is contained in our prepared statement.

The 13 member institutions of the President's Council of the State of Michigan are also concerned about the package proposals for supplemental grants. This is not something we find common in testimony being presented by other groups. Our concern is with the current wording which states that SEOG's are to be available, and I quote, "for qualified students who, for lack of financial means, would be unable to obtain such benefits without such a grant."

The wording that says, "who for lack of financial means" is confusing. It could be interpreted by some that the SEOG had to be the last item in the financial package after all other resources were exhausted. We don't believe such was the intent of Congress and we are recommending that the wording be revised to say that SEOG's be available to qualified needy students.

Lastly, we are concerned that through the SEOG State allotment formula graduate students are included. It does give a very differential treatment to various areas of the country. In several States the percentage of graduate students is less than 5 percent. Within the district it is in excess of 34 percent.

Graduate students are not eligible for SEOG funds, yet they are part of the formula that determines where those funds go.

Thank you very much for the opportunity to present this testimony. We wish you the very best in your deliberations.

Mr. BUCHANAN. I think it will be more proper, under the rules for Dr. Wolanin to proceed with the hearing; but I will continue to listen which is mostly what my job is anyway.

I would suggest that we might want to get all the witnesses to the table at this point unless there are any questions.

Mr. WOLANIN. That would be fine. I am not sure what the orderly procedure is for this kind of proceeding, but why don't we begin by asking for reactions to Mr. Ford's suggestion with regard to the half-cost issue.

Just to repeat the suggestion, it is to build into the basic grant formula some minimum level of payment for tuition, not to exceed some previous year, 1978-79, and not to exceed some tuition level of $250, $300, or $350. Above that amount, half cost would remain in effect.

Dr. HAMILTON. Could I answer that?

Mr. WOLANIN. Sure.

Dr. HAMILTON. Part of the problem with that is I just came back from the west coast where as you know there is no tuition in the California community colleges. There are 105 colleges out there. Yet, I couldn't find one gasoline station open. Every single one of the stations was charging over $1 a gallon and no one could not get to them.

Today, we have problems besides paying for tuition in providing access to postsecondary education. Gasoline for transportation and child care are very real expenses. They are not figured into that $1,100 student budget figure which is what is used to compute a commuting student's need.

So there are many, many students who are handicapped by one-half cost even at a zero tuition college. I can't imagine how a concept that just took tuition into play without looking at child care, transportation, books, and the like, is going to help greatly. In fact, it may be an incentive to raise tuition to that minimal level in those States where the tuition is lower than the tuition grant amount.

I can't imagine the colleges in California being receptive to that idea at all, although I am open. I have not seen anything in writing and I am open to see what action you will take there.

Mr. WOLANIN. To take care of the problem of tuitions being raised to the level of the minimum tuition grant, the second part of the suggestion is that the tuition-related portion of the basic grants could not exceed either the tuition of some previous year which would in this case be zero, or $250, $300, or $350.

Does anybody else have any reaction?

Mr. RAINSFORD. Tom, I think it would be perhaps important to distinguish between whether the equity argument is an argument conceptually or is an argument in fact.

The evidence recently released by the Educational Commission of the States, and California is one of the States very specifically examined, seems to indicate that low income students attending both the 4-year and the 2-year public institutions are in school, are having their needs met through the kind of balanced program that exists now in the 4-year institutions.

For example, the BEOG grants at 1,014; the SEOG at 1,006; State institutional and private grants all combine to meet the needs. I think we need some data that documents the situation in terms of the equity argument.

The burden of proof, I guess I would say, is on those who want to change the current system because it does seem to work.

Mr. **Wolanin**. It is a truism that everybody in college is paying the bills or else they would not be there.

The question, then, is: Who is not in college because of the way in which those who are in college are forced to pay the bills? It is an argument about undue hardship in terms of those in college now paying the bills.

Mr. **Rainsford**. But you can argue nine other ways by saying if you put the entire burden on the Federal Government, it will expand that portion being met now by other sources and dry them up which we would be very much concerned about.

I think that balance is absolutely essential.

Mr. **Wolanin**. Just to pursue that a bit further, are those other sources now sources that are undue hardships upon the students who are providing them, that is, are students working an excessive number of hours and not getting the full benefit of an education, albeit they are coming up with the money? What source are you drying up? That is the question.

Mr. **Rainsford**. Let me answer that in a slightly different way. I think we would feel equally strongly about not having all the low income students only in one kind of institution. At this point the impact of the balanced program spreads them throughout the entire system of higher education, in the higher cost institutions as well as the lower cost institutions. That certainly is the case with our institutions.

Maybe Mr. Stegemoeller could talk about what is happening in Minnesota, but I think it is clear that the impact is not to group them, which the change in the half-cost provision, I think, surely would.

Mr. **Phillips**. To come back to your starting point, though, you are asking for reactions to a proposed compromise. I think the point that George is trying to make is that before you start looking at the need for legislative change, we have an obligation to document the need for any change or the existence of a real equity issue, not a theoretically stated equity issue but an issue that is stated in reality, in terms of people trying to go to school who might not be able to go to school on a basis which is equitable.

That is the difficulty I feel in trying to respond to this suggestion you have been pursuing today, or the corridor suggestions, or the 60-percent idea and all the other ideas that have come been floated around. The difficulty is that we still are waiting for some kind of a statement of reality based on empirical data about applicants and receipients of student aid which brings reason to the theoretical argument about the 700,000 poor who supposedly are punished by the half-cost limitation.

We have had to go out and get a systematic sample of all the financial aid applicants in the independent sector, and we have developed a data base from which we can tell exactly what is going on and what the average financial aid packages look like and what the difficulties of meeting need really are.

It seems to us that for those who assume the existence of this equity problem, it is their responsibility to provide the hard data that can assist your committee in trying to determine whether there really is a need for a change, and if so, then what reasonable compromises can be sought, based on a planned response to hard facts. Once you have a data base that shows what actually is going on in the other sectors, then it seems to me the committee is in a better position to determine whether we should have a little piece set aside for tuition or we should look at a corridor, and you can test the various options of the data base to see what would happen if.

It seems to me until those issues are resolved and we know what reality looks like, we are all engaged in a kind of theoretical argument that, I think, is quite unfortunate and not a proper basis for new legislation that is going to influence the course of this country's higher education financing for the next 5 years at least.

Mr. **WOLANIN**. My response to that is that as a social scientist I have a great appreciation for the limits of social science in ever finding out with hard data what is an undue burden and who would have otherwise behaved in some manner and gone to school if we had not had such a limitation.

I am not sure it is an argument that can be settled on the basis of hard data because I don't know what the data would look like that you would collect.

Mr. **CLOHAN**. Bette, what is the average cost of tuition at your schools and what percentage of the total cost is represented by noninstructional costs?

Dr. **HAMILTON**. It varies from zero in California to over $900 in some of the Eastern States. When you average $900 with zero, you get something like $450, although very few States have exactly a $450 tuition. It is just the numerical average. The cost varies also when you add all the other expenses.

Commuting students are limited in the student aid budget to a $1,100 cost. They can't ever claim that it cost them more to go to school than $1,100. So if you take $1,100 plus $400 for what they call miscellaneous expenses, and the amount of tuition, you get the student budget. It is $1,500 in California to roughly $2,500 in the most expensive States.

With regard to the problem John Phillips was just alleging, there is an inequity that is very demonstrative, right now. You can see it. If you take three different families, one with an income of $6,700, the average grant would be $1,000 to the student going to a community college.

Take another family with a $12,000 income, the grant to their child to go to that same college would also be $1,000.

If, you consider a third family with an income of $18,000, the grant to their child would be almost $900, only a $100 difference.

So in the latter case you have a family with an income almost three times the level of the family with the lowest income yet the students receive the same BEOG. So that is an inequity because it is a big difference for the family with an income of $6,700 to make the difference up in unmet need—since the family can contribute nothing.

Mr. PETRI. Does that assume any self-help on the part of the student?

Dr. HAMILTON. There is no self-help assumed in the BEOG formula. In community colleges almost everybody is already working full time. They have to work in order to go to school. So it is difficult to use a concept like self-help when they need self-help just to eat. It is a very difficult situation.

Many people go to community colleges, as I said before, for technical education and programs that are not offered at the higher priced institutions, so they would not choose those institutions even if income were no problem.

It is a very difficult situation.

Mr. SAUNDERS. If I could comment on that, too, I don't think it is accurate to state that the inequity is simply a theoretical matter. It is an actual inequity in the treatment among different students at the same public institution. You have a clear inequity when two students, one with zero family contribution, and another whose family can put up $500, receive identical grants, as happens under the present system.

So there is an inequity in the distribution of funds among the students at public institutions because the same awards are going to students in different circumstances of need.

Mr. PHILLIPS. Now come on, you are leaving out of account the other sources of aid which are available to that student who has the lower family contribution—including SEOG, SSIG, and other State grants as well as work study, and those things apply to them and not to the other case.

In other words, it is fine to make the equity argument if you take into account all the available resources. In the need analysis, the family situation is taken into account, the cost is taken into account, and the resources are also taken into account. It is not simply an argument of having no other resource available than the basic grant.

Dr. MALLAN. According to the survey we made of our 4-year State colleges and universities, less than 3 percent of our students at most colleges get SEOG and not a much larger percent get the national student loans. The money is not there. The students are not getting SEOG grants. That is true in most of the public sector. They are not getting NDSL or GSL.

In some instances they are getting college work study. This morning is the first time I have ever heard it said that there is enough student aid out there to meet all needs, that we have no problem of needs which need to be addressed by changing the BEOG's formula because there is no demonstrated problem of unmet need.

I don't know the ECS study. Is that the recent one that came out? I have never heard it said before. Our whole work in the last 10 years with this committee has been a constant argument that there is not enough student aid. Every testimony today says more student aid.

Mr. PHILLIPS. No one is arguing there is no unmet needs, but if only 3 percent of your students get SEOG, how do you account for the public sector getting 40 percent of the SEOG allocations?

Dr. HAMILTON. We have poorer students. In California fewer than 30 percent of our institutions participate in SEOG because that program requires a 50-percent match. The students who go to schools that don't participate in the SEOG or NDSL or CWS, don't receive a "package" to satisfy their unmet need.

Mr. PETRI. Let me raise a larger or more omnibus question of what the role of the State will be if the formula is changed, and what effect that will have on retrenchment, reallocation of resources, increasing or decreasing tuitions, or providing more State grant money.

You are saying that one of the problems is that the public doesn't use SEOG to any large extent and one reason is because of the matching. The same problem would or could occur in the SSIG.

If the half cost is removed, are State legislatures going to sit back and say, "We are going to get a lot more Federal dollars—is it necessary to continue to allocate more money to the public institutions?"

Dr. MALLAN. As we said in the draft of testimony submitted for Mr. Kibbee, is it desirable public policy to penalize poor kids to build coalitions in State legislatures? Shouldn't the merits of State student aid be judged on their own rather than getting the State's poor kids to pay?

Mr. PETRI. That ignores the Federal perspective. You just can't let the States do whatever they want outside the whole Federal perspective. If Congress takes actions to essentially reallocate or give money in a different way, the States in reality are going to make a decision, I think, in a lot of the States.

Dr. HAMILTON. I think the greatest impetus right now to increase tuition in the public sector is the one-half cost factor because that means unless student costs are over $3,600, States are not going to benefit fully from the Federal dollar.

This committee has heard testimony before that capturing more Federal aid is a great impetus for States to raise tuitions in the public sector. It certainly has affected our institutions. On the east coast where there are the highest tuitions, it is a matter of public record, that the half-cost factor in BEOG was an incentive to raise tuition—in New York and Pennsylvania especially.

Mr. WOLANIN. I see Mr. Ford's suggestion is not selling.

Dr. MALLAN. I would not give up on it.

Mr. STEGEMOELLER. I am not sure how unique we are in Minnesota, but with the community college people there and the State university people there, we are pretty much of one mind. We do not have a problem with the so-called zero parental contribution. That is our least problem almost. You give me any impoverished, disadvantaged high school graduate for next year and he will have the easiest time of any student in Minnesota.

Dr. MALLAN. I wish Robert Kibbee were here because I don't think he would say that for New York City despite all the State's generous aid.

Mr. STEGEMOELLER. I can't speak for New York City, but in Minnesota that is not a problem. We have sufficient aid—and that may be an improper thing to say here, as we are always talking about increasing student aid—we do not have a problem with the lower income student because we have a very fine mixture of aid which they are using. The SEOG's are very important in the public sector's role as well as the private.

Mr. WOLANIN. Maybe it would be helpful if you could describe for us how the Minnesota system is structured.

Mr. STEGEMOELLER. Two years ago, we decided before NAICU did that we should aim at a 75 percent of need in a combination of Federal and State programs.

So, we have——

Mr. WOLANIN. Federal and State grant programs or all programs?

Mr. STEGEMOELLER. Federal and State grant programs. Our legislature has responded very generously so that we have moved from $30 million in the 1976–77 biennium to be slightly over $50 million in the coming 1980–81 biennium.

Our concern is that we hold the interest of the Minnesota State Legislature to this program lest we lose this partnership. We don't want Federal programs to take care of one kind of student or one kind of institution and State programs having to be contrived or designed uniquely for certain kinds of institutions or programs. We think the balance across the board is very healthy and we would like to maintain that.

Mr. WOLANIN. Could I try another facet of the half-cost issue? Concern has been expressed that the budget for commuting students has been limited to $1,100 since the inception of the basic grant program. That concern disguises another issue which is the issue of what we are talking about when we talk about the commuting student. We are really talking about two very different classes of students.

One is a student who lives at home and who is getting $1,100 as a potential maximum living allowance and the other is the commuting student who lives off campus and establishes an independent residence. In the first case it is arguable that the $1,100 is adequate or, indeed, perhaps more than adequate, for the student who is living at home, generally not paying rent to the family.

On the other hand, the $1,100 for the student who establishes his own residence with all of the accoutrements of living independently, the $1,100 may be inadequate.

Would we do anything to solve some of the inequities in the program if we distinguished among those two types of students requiring, for example, that the family contribution schedule distinguish among those two types of students in setting living allowances?

Mr. PHILLIPS. This would be responsive to Bette's concern about the person with the child-care expenses who is living independently and limited to the $1,100.

Dr. HAMILTON. That is right. Very few community college students live at home with parents; most are parents themselves. Two-year colleges enroll a smaller percentage of 18-year-olds. Two-thirds of our population are independent people with child care responsibilities and the like. That is one of the reasons why half-cost hurts so much because they are limited to the $1,100 budget. It is unrealistic.

If commuting students were given a realistic budget, depending upon where they lived, it would be a step in the right direction, and we would be totally supportive of that idea.

Mr. PHILLIPS. But would that get you into these incessant problems about regional variations in living costs?

Mr. WOLANIN. Now we have the uniform national standard for two classes of students regardless of where they live. We certainly have a gross inequity. Maybe we could not refine the equities perfectly, but in making that division maybe we could improve the equity.

I am not sure if we want to go beyond distinguishing between the students living at home as opposed to the student living in the apartment by refining that further for regional variation. That would be the next level of equity.

Dr. MALLAN. But don't the campus-based programs now use real living costs for the student at home? It is not real, but estimated living costs. So it is only for BEOG that the restrictive living cost formula is applied. It seems to us that is a particular inequity.

The whole problem of half-cost would not be solved, but the $1,100 commuter payment is a major problem. Even the student living at home is supposededly coming from an extremely low-income family and may not be in a position to simply live on his mother and father which I think is the implication of some of these comments.

Mr. CLOHAN. Would this change, in combination with the Ford proposal providing a base tuition payment above which you take half-cost, be reasonable? Would those two changes together work?

Dr. HAMILTON. The problem is you would not dissolve the inequity that Charlie was talking about. If you took the basic tuition plus one half-cost, you would have the same award to people of varying incomes at the same institution and that is the inequity.

Mr. CLOHAN. That assumes that you have no self-help requirement. I realize that the independents with dependents, that is a different story, but that can be taken care of in the other part of the formula.

Dr. HAMILTON. If you use the self-help concept that is another way of going about it.

In addition to raising the $1,100, it is realistic to understand that there would be a self-help component for those students not already working full time, but not for someone working 40 hours a week.

Mr. RAINSFORD. I think there are inequities in other parts of the population that we would hope would be addressed. The whole business of the home equity and the extent to which that may disfranchise the middle-income families from the benefits that were designed for them in the Middle Income Student Assistance Act I think is a critical issue that we hope will be confronted.

If the basic grants and the supplemental grants are not also raised in terms of grant limit by authorization and appropriation, inflation will do the same thing to many families who are currently eligible who will be rendered ineligible.

That seems to be another major inequity that I hope the committee would address itself to. I guess our argument is that there is an important balance existing now in the program that tends perhaps not in 100 percent but in an effective fashion to take care of the bulk of students and the bulk of institutions.

If we are going to talk about inequities, we ought to be sure we have all the inequities on the table.

Mr. PHILLIPS. I think we didn't perhaps plan, were not quite quick enough on our feet, in adjusting to the changing schedules, and we made another commitment for an appointment at 11. Perhaps if you could excuse us, we are very grateful for the additional time that has been made available but my team has to go to another contest.

Mr. RAINSFORD. Let me say, however, before we leave, that much as our differences may be, the things that you focused on today, the higher education community in its total spectrum is very much interested in the work of the committee.

I would stoutly maintain that the areas on which we have agreement and where our interests are common are substantially larger than those, however vocal and focused they may be, where we are divided.

I would not like the committee to come to the wrong conclusion about higher education because of some of the ways in which we have poked at each other this morning.

Mr. STEGEMOELLER. I am under obligation from my financial aid officers to raise the question about the part-time student or less than full-time student. We have a part-time student grant program in Minnesota, but for the student who is taking one course in a community college or one course in a private college, we have found that a State program and a uniform application analysis is terribly difficult.

So I was urged to say a word for some campus-based approach to this, that a State grant office or a Federal BEOG office just is no way to handle this less than half-time student.

Dr. MALLAN. That is not the proposal. It would be done at the campus by campus discretion without any State or Federal formulas.

Mr. STEGEMOELLER. I wanted to get it said this morning.

Father HEALY. Let me exemplify what George was talking about. I am here talking principally on the basis of experience at CUNY. If we could get the 4 years expanded to 5, the last free moment in American higher education was in the early seventies before the city university law students had free tuition and open admission.

You had a pattern established which put no penalties on the time the student spent in school, no academic or fiscal penalties. None of that would be true now, but during those 2 years we took the best institution in the system, Queens College, and found the average pattern of students going through Queens College was 5½ years, the average. These were not principally open admission students but principally urban kids partially putting themselves through college, partially nervous about it, and partially making career changes.

At Georgetown if you want the extra fifth year, you be our guest, but the tuition is the fee. In the public institutions that 5-year pattern, particularly in the urban institutions, is really what the student wants.

On the whole I think their judgment about the pattern is probably better than ours in saying it is a 4-year straitjacket.

Mr. SAUNDERS. That is one of the recommendations that we have unanimity about.

Mr. PHILLIPS. If we are not careful, peace could break out.

Mr. CLOHAN. Would you send a copy of the summary of the Minnesota program or less-than-half-time students, specifically how you administer that program?

Mr. STEGEMOELLER. Certainly.

Dr. MALLAN. Mr. Buchanan, more panels like this where you have us talking to each other and confronting each other and providing backup data might be useful rather than just talking past each other. This was a bit unexpected for most of us.

Dr. HAMILTON. I would recommend that we have more even numbers on teams.

Mr. CLOHAN. You are not out-numbered now.

Mr. WOLANIN. It is quality versus quantity.

Dr. HAMILTON. Thanks, Tom.

Mr. BUCHANAN. I won't go that far, but I think you handled your own very well. I do think my impression generally is that those areas of disagreement tend to arise more because we face the draconian choice of distinguishing between income levels of students rather than adequately meeting the total need through adequate funding.

I continue to think that most of these problems would be resolved simply by adequate funding. I realize you have to weigh the State role. You can't just substitute Federal dollars for State dollars. But unless and until education becomes a higher priority in our society, we are going to be confronted with the most complex and difficult choices. It is very hard to achieve equity in my judgment without simply increasing the level of support and funding.

Mr. SAUNDERS. Mr. Buchanan, besides agreeing with you, I am reminded to comment that the administration is proposing elimination of the threshold levels for the campus-based programs. I did not cite that portion in my testimony where I said we all strongly oppose that. We believe those threshold levels represent the best attempt the authorizing committees have been able to make to come to grips with these problems and to say that these levels must be met, if a reasonable balance among the programs is to be achieved.

The whole community strongly opposes the administration's recommendation to eliminate those threshold ceilings.

Mr. CLOHAN. Several of the witnesses this morning recommended that the campus-based programs be funded as a percentage of the BEOG appropriation. Is there any concensus on that among the higher education community?

Some people said it ought to be kept a certain level and they don't express it in terms of a percentage.

Mr. SAUNDERS. I don't see that there is any real difference among us in our objectives on that. Different associations arrived at somewhat different solutions to the same problem. I don't see them as inconsistent.

Mr. CLOHAN. They are not.

Mr. SAUNDERS. In our case we looked at the threshold levels, looked at what this committee tried to do in the Middle Income Student Assistance Act last year, and saw the $450 million as a reasonable, healthy increase in SEOG's. So we felt that the precedent had been set by this committee and we thought that seemed the most realistic approach to the problem.

Now, the National Association of Independent Colleges and Universities, as I say, looked at exactly the same objective and they came out with a recommendation to tie SEOG's to BEOG's and a percentage.

Mr. CLOHAN. I think the student associations did, too.

Mr. SAUNDERS. Again, I don't detect any different philosophy in that.

Mr. CLOHAN. In practical terms there may be a difference though.

Mr. SAUNDERS. It is a practical judgment as to what is the most realistic approach. On the assumption that the Congress has accepted the threshold concept and has raised it from time to time, then the simple approach of saying we need a further increase in those threshold payments seems realistic.

Mr. WOLANIN. The ultimate step in that direction is to make the basic grant program an entitlement, an automatic claim on the Federal Treasury, and then fund all other programs as setasides of that basic entitlement. Therefore, all student aid becomes an entitlement. That is the end of that road, and I suppose it is a desirable objective if we can run it past the Budget Committee and OMB.

Let me ask Mr. Grotrian at this point a more specific question. You mentioned the notion of using average costs in the basic grant program. Is it your idea that there would be a single average cost at each institution. As I understand it now, there are frequently 20 or 30 actual cost figures depending upon the combination of living arrangements, meal plans, credit hours, et cetera, that a student takes.

Are you recommending a smaller subset of the costs or a single average cost for the institutions?

Mr. GROTRIAN. Basically what we envisioned was a segmenting of costs with an average cost being used within each segment. This recognizes the great range of costs, even within a single institution where you could have as many as 30 or 40 different figures for the total cost of education. Presently the financial aid administrator is required to make the BEOG award calculation based upon actual costs and that is not an easy task. If we can group students into one-half, three-quarter, and full-time, it seems that costwise, just like enrollment, we could group them into cost groupings.

Mr. WOLANIN. So it would be a series of average costs but I presume it would be a much smaller set of costs you would have to deal with.

Mr. GROTRIAN. Yes.

Mr. WOLANIN. Let me ask Mr. Saunders a question about the recommendation of some kind of national commission or public body to make recommendations about needs analysis and financial aid matters.

That has always struck me, frankly, as an expression of distrust in the wisdom of the Congress and other people who are selected to make decisions about the expenditure of public funds.

Why is student financial aid more arcane or more requiring specialized nonpublic experts than, say, veterans benefits, social security, medicare, medicaid, all the other programs in which individual benefit levels and eligibility are set by the legislative process?

Mr. SAUNDERS. It does happen to be a very complex field. It is certainly not a science. It is enormously complex.

Incidentally, we made the recommendation in the 1976 reauthorization process that such a commission be established, and obviously nothing came of it. It certainly isn't an expression of dissatisfaction with the congressional judgment. It is more a nervousness about the way in which these issues are presently considered in which the administration comes up and makes recommendations which are obviously limited by their budgetary restrictions and Congress is really faced with a take-it-or-leave-it proposition in accepting or rejecting the family contribution schedule. There is no give and take to any extent between the Congress and the administration as to what the different issues are, what the different inequities are, and how they might be better accommodated.

The time limitations are such that Congress can't really throw sand in the machinery without stalling the whole student aid process. That has seemed rather unsatisfactory.

So our recommendation is certainly not intended as a cure-all, but it is suggested that if you had a formal mechanism where a nonpartisan body had a responsibility to review the equities of the family contribution schedule on a systematic basis, not simply once a year, but providing analysis from time to time and issuing reports, the administration would be under much greater compulsion to take account of these issues and Congress would have a better basis for questioning and indicating its desires to the administration as to how to deal with those inequities.

So this is just to give the whole process greater visibility than it has now. We have an informal process. There is a coalition for coordination of student financial aid which is composed of the services and the financial aid community primarily, and we meet with the administration on a regular basis and we have been able to make some progress because the administration has been willing to listen to us and the committee composed of experts in this field has made proposals from time to time to the administration which sometimes are accepted and sometimes are rejected.

But, in the final analysis, the administration doesn't really have to pay any attention to what the community is saying, and some kind of an official body which would represent the best current thinking about the equities of the whole process I think would be a useful balance to the administration simply sending a schedule up the Hill and telling Congress you better accept this fast because if you delay it we are going to mess up the whole student aid system.

Mr. WOLANIN. I think there is a critical distinction between a body that provides studies, advice, and analysis as opposed to a body to which is adbicated public responsibility for determining the family contribution schedule and allocating public funds.

Mr. SAUNDERS. I am not suggesting the latter.

Mr. WOLANIN. Some people have.

Mr. SAUNDERS. I know, but I wouldn't go that far. I am simply throwing the idea out as something which might be considered as a further balance in helping you grapple with these equity issues.

Mr. WOLANIN. I would also point out that the Middle Income Student Assistance Act attempted by legislative means to deal with some of the inequities in the family assessment rate.

Certainly our experience with independent students earlier this spring indicated that at least on some issues the committee is willing to not accept on a take-it-or-leave-it basis the administration's family contribution schedule.

I wonder if the cure for some of the problem also doesn't lie in revising the process by which the Congress considers the family contribution schedule, either the timing of that process, the ability of the Congress to partially reject the schedule or to refine that process rather than to create a new body out there somewhere.

Mr. SAUNDERS. I think that would be desirable, but I think both could be done and an advisory body would be helpful in that that would give Congress the advice of a group which has looked at the whole system and reviewed the equities of the entire system rather than focusing for very short periods of time on one particular glaring issue.

Mr. CLOHAN. What would be the private needs analysis services' response?

How would you see their role in this task force, should it be established?

Mr. SAUNDERS. I would think they certainly ought to be represented in such a body, but I think it should represent the total community. It shouldn't be a vehicle for simply articulating the goals of the services.

Mr. WOLANIN. Who would appoint such a body?

Mr. SAUNDERS. We don't have a specific recommendation. This is going to be the subject of a conference later this summer and we hope to develop some specific recommendations, but, beyond that, I simply couldn't lay out a specific proposal.

Mr. BUCHANAN. I was thinking maybe you ought to expand your recommendation and include these other folks that Tom mentioned like social security.

Mr. CLOHAN. You said student information was important, although largely overlooked, and ACE has done quite a bit on one phase of it—tuition refund policies.

The Ann Arbor conference came up with a possible alternative to section 493 regarding student information. Have any of you looked at that recommendation. It would require specific data that the institutions would have to provide, things that they should provide, and things that it would be nice to have?

Mr. SAUNDERS. I am afraid I don't have that with me today, Bill. We have looked at that and we have some serious concerns about it. My recollection is—and this was several months ago—but, looking it over, we felt that this would present some very serious problems in terms of increasing the paperwork burden on institutions.

I think some of those recommendations may very well have been superseded by the recommendations on tuition refund policy, which I was very happy to see in the monthly bulletin published by the Bureau of Student Financial Aid, just the one that came out in the last week or so.

They report on our recommendations and they say specifically that the adoption of these kinds of recommendations by the community will make it unnecessary for the Office of Education to regulate this area. We are very pleased with that statement.

Mr. CLOHAN. Of course, that is one part of student information.

Mr. SAUNDERS. Yes, it is.

Mr. CLOHAN. Regarding administrative costs, one of the problems that occurs every year in the process of BEOG appropriations is that the institutions never get their administrative allowance.

Would there be any reason why administrative fees shouldn't be a percentage of the BEOG appropriation?

Mr. SAUNDERS. No. We have made specific legislative recommendations that have already been submitted to the committee which would tie those in automatically to the total appropriation and would be received by the institutions automatically.

Mr. CLOHAN. To what extent do you think that because there is no administrative fee funding, tuition pricing is increased just to make up for that cost of processing the BEOG application?

Dr. HAMILTON. I don't think it has had that effect on our sector yet because the student aid office has not had very careful oversight by campus decisionmakers, but I do think there has been an effect on the services the students get and don't get. When there is such a high percentage of students not being able to fill out their BEOG form, it is definitely a function, I believe, of poor management and personnel practices in the student aid offices. We were told at our conference in Chicago that the Middle Income Student Assistance Act will increase the volume that the student aid offices will have to accommodate this coming fall by three and a half times. I expect that not many of our institutions have hired any additional student aid counselors or clerks. If new personnel weren't budgeted for last year, it is just going to be terrible this year. I don't think that student aid processing is going to improve at all.

Eventually somebody will draw the conclusion between actual costs and services rendered, but you are ahead of them that costs can be accommodated through an increase.

Mr. CLOHAN. But it is tied to the BEOG appropriation. How can you be sure that the student aid office gets the money instead of the institution?

Dr. HAMILTON. The law more or less requires that now, doesn't it?

Mr. CLOHAN. Yes.

Dr. HAMILTON. After 3 percent. The first 3 can be used as free money, I believe.

Mr. SAUNDERS. I believe Dallas Martin's testimony a couple of weeks ago was very striking in detailing all the things student aid officers have to do, and obviously there are going to be enormous problems in the years ahead, and I think we feel, anyway, that the Office of Education recognizes this problem.

They have put a great deal of effort in the last year or so into training and the need to strengthen the whole administration of student aid and we understand that the Office of Education did argue very strongly for budgeting funds for those student information allowances, but it was just something that got whacked out at the Office of Management and Budget at the last minute.

So we feel that the Office of Education has been supportive of funding of the student information allowances and we would like to see that made an automatic part of the law.

Mr. GROTRIAN. One of the weaknesses in requiring that those additional allowance dollars be used in the financial aid office is that it can be a wash between the institutional support of the financial aid office and the additional administrative allowance dollars being provided.

Dr. HAMILTON. You would have to put a maintenance of effort clause in. There are ways to do that.

Mr. WOLANIN. You, along with a number of others, recommend increasing the maximum size of the basic grant and it has been recommended up to various levels and phased in at various rates. Do you have any idea what it costs to increase the size of the maximum?

Mr. SAUNDERS. Yes, Tom. If I can find my testimony, I did have a note on it.

It costs $382 million to raise the maximum grant from $1,800 to $2,000 and our estimate is that those hundred-dollar annual increments thereafter to $2,400 would not cost additional because it would be a wash from the people falling out at the top of the program.

So the total cost would be $120 million, to go from $1,800 to $2,400.

Mr. CLOHAN. You suggested that some of the SEOG funds be made available to first-year graduate students. I think some of the prior recommendations set that at the discretion of the institution not to exceed a certain percentage.

Mr. SAUNDERS. Used for graduate students and I would have to say, Bill, we did not make a specific recommendation and I was simply calling attention in my testimony to the problems of the graduate students and suggesting that that was one of the things that might be looked at.

We don't have a specific recommendation. The Association of American Universities and the graduate community are working now trying to develop some specific recommendations.

John and I met with them yesterday. They expect to make a presentation to this committee. But there isn't a specific recommendation that we can cite right now.

Mr. WOLANIN. No further questions.

Mr. BUCHANAN. Any questions?

Dr. Ponder, you have been a silent partner to much of the discussion. If you have anything to add in response or otherwise before we adjourn, we would be pleased to hear you.

I want to join Tom and Bill and Bill Ford in thanking you all for your testimony and we will continue the conversation.

I would like to echo what Bill Ford said. There surely must be some way. You do have substantial areas of agreement. There must be some way we can come up with a format of that half-cost controversy that will at least have some chance of being tolerable on both sides. There must be some way.

Perhaps we will just have to choose, but if you are not too highly pleased with Bill's trial balloon, I wish you would keep thinking whether there is some kind of compromise that might be acceptable.

Dr. MALLAN. I would like to personally think further about that trial balloon. I think others should. I think it might have possibilities.

Mr. CLOHAN. In your considerations, include transportation and noninstructional allowances in combination with the Ford proposal.

Mr. SAUNDERS. Do you have a description of that, Tom?

Mr. WOLANIN. I can describe it for you again, but it is not written down.

Mr. SAUNDERS. It would help to have something written down so we are all working from the same set of premises.

Mr. BUCHANAN. I think we have officially been adjourned for some time so Tom and Bill and I unofficially adjourn the committee and thank you all.

[Whereupon, at 11:30 a.m. the subcommittee was adjourned.]

Material submitted for inclusion in the record follows:]

# AMERICAN ASSOCIATION OF COMMUNITY AND JUNIOR COLLEGES

# ASSOCIATION OF COMMUNITY COLLEGE TRUSTEES

Testimony

on

# GRANT PROGRAMS IN TITLE IV OF THE HIGHER EDUCATION ACT

By

Dr. Jess H. Parrish
President
Shelby State Community College
Memphis, Tennessee

and

Chairman of the Board of Directors
American Association of Community and Junior Colleges

for the

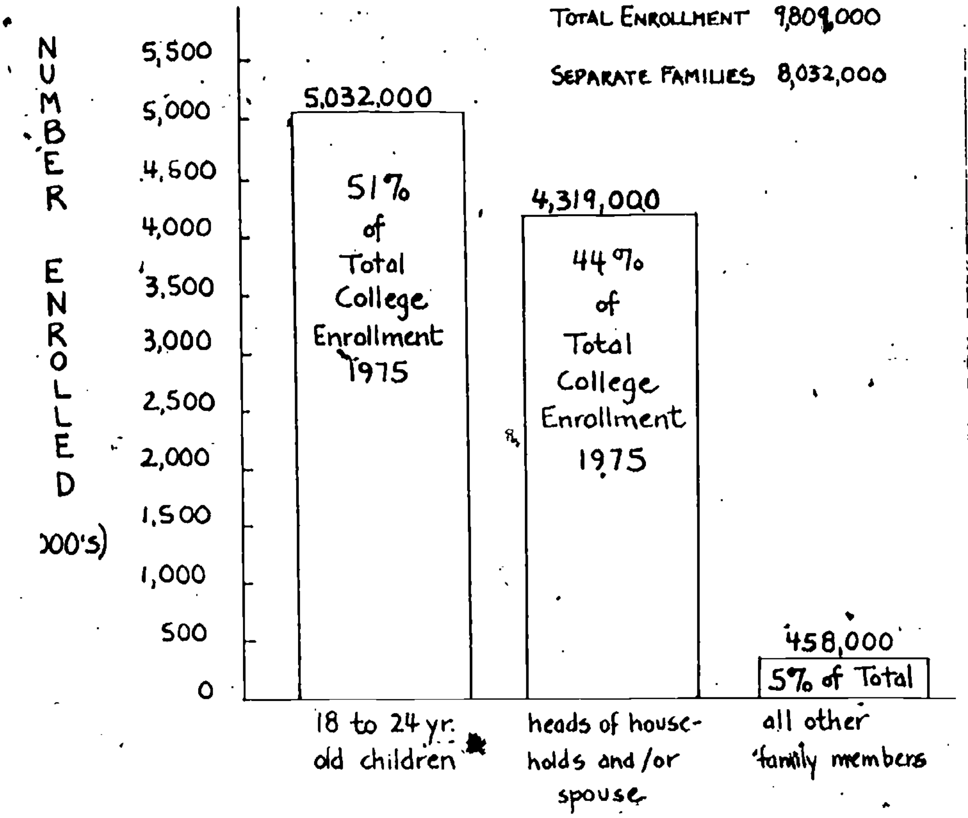
Subcommittee on Postsecondary Education
Committee on Education and Labor
U.S. HOUSE OF REPRESENTATIVES

214

May 22, 1979

Figure I

Family Members Enrolled in Postsecondary Education by Kind - Spring 1976



SOURCE: Bureau of the Census Special Run for Sen. Moynihan, 1978

Mr. Chairman and Members of the Subcommittee;

My name is Jess H. Parrish, President of Shelby State Community College and Chairman of the Board of Directors of the American Association of Community and Junior Colleges. I am pleased to represent the 1000 institutional members of AACJC today with our recommendations concerning the grant programs in Title IV of the Higher Education Act. I am accompanied by Dr. Bette Hamilton of the AACJC staff. Attachment A is an article on our topic today, authored by Dr. Hamilton, and published in the last issue of Change magazine. Although AACJC has several proposals regarding the various Titles of the Higher Education Act, clearly Title IV and, especially, the grant programs of Title IV are of highest priority to the students we serve.

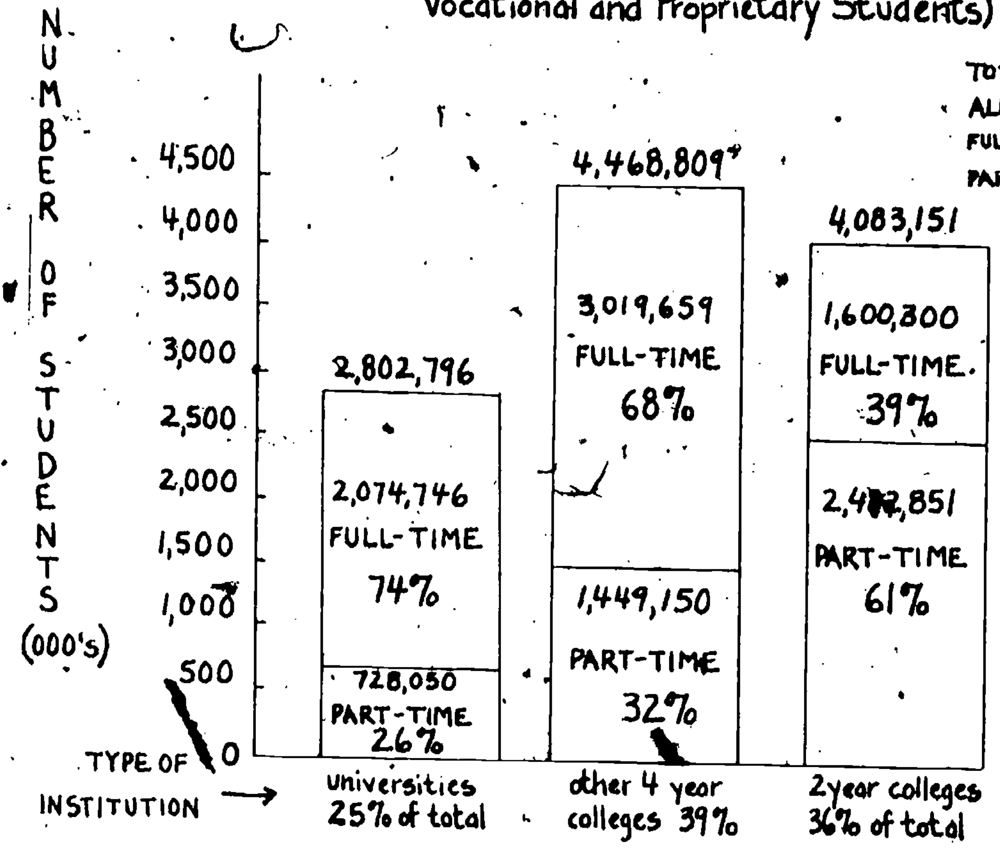
BACKGROUND

Community and junior colleges and technical institutes enrolled approximately 4.1 million credit students in the fall of 1978, 40% of all undergraduates in postsecondary education and about 55% of the total freshman class. It can be seen in Figure I that in 1976 the U.S. Census found only 51% of the total college enrollment were 18-24 year old children. Of these students, 41% were enrolled part-time and over 52% were women (See Figure II). By and large the vast majority of these students had lower family incomes than their counterparts enrolled in four-year colleges and universitites. Of the total minority students enrolled in 1978 in postsecondary education, approximately 40% of the full-time students and 91% of the part-time students were attending two-year institutions (See Attachment B).

Figure II

## Fall 1978 Enrollment in Higher Education by Student Status and Institutional Type

(Includes Graduate Enrollment; Excludes Vocational and Proprietary Students)



TOTAL ENROLLMENT
ALL INSTITUTIONS – 11,354,756
FULL TIME 6,694,705; 59%
PART TIME 4,660,051; 41%

Source: National Center for Education Statistics, Preliminary Data, January 1979.

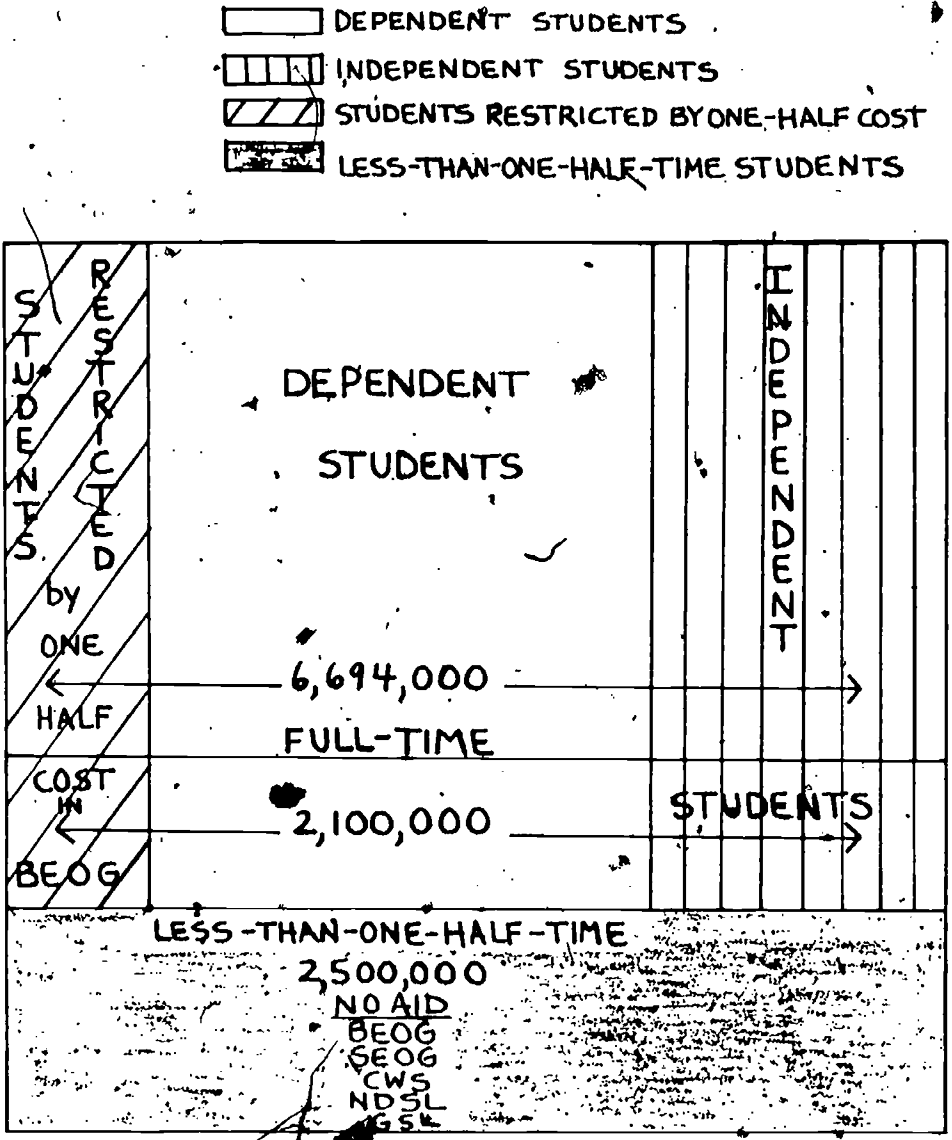
Of the funds allocated for federal student assistance programs in 1976 (latest available data), approximately 36% of the BEOG appropriations, 20% of SEOG, 24% of CWS, 9% of NDSL and 8% of GSL funds were awarded to students attending both public and independent two-year institutions. AACJC estimates, however, that fewer than 12% of the student body at community and junior colleges participate in at least one of the federal student assistance programs. This low participation rate among relatively low income people is the result of a variety of factors including:

- discrimination in program eligibility
- discrimination in award amounts
- discrimination in the "needs analysis" system
- poor information to students
- relatively low tuition
- poor administration of the aid programs, especially the campus based, at the institutional level.

While we cannot control all the factors mitigating against needy students participating more fully in the federal grant programs, it appears that eliminating the structural barriers imposed by legislation and, to some degree, regulations, would be a direct way to improve the chances for these students to enter and remain in postsecondary education and to subsequently better survive in their chosen endeavors. The rest of our testimony will concern itself with needed improvements in federal legislation to aid <u>needy</u> students to participate in the federal student assistance programs. We will focus on three groups of students shown in Figure III. First, those hindered by the one-half cost limitation in BEOG, second, equity for independent students and, third, the less-than-half-time students.

## Figure III

STUDENTS BY FOUR DIFFERENT TREATMENTS IN FEDERAL STUDENT AID



## I - THE ONE HALF COST LIMITATION IN BEOG

The number ONE priority of AACJC and the 4.1 million students they serve is the REMOVAL OF THE ONE-HALF COST LIMITATION IN THE BASIC EDUCATION OPPORTUNITY GRANT PROGRAM. We can find no justification for its continuation. The belief that the one-half cost limitation protects diversity in higher education by giving an edge to private institutions will be shown to be the myth it is. This is not a public-private issue - this in an issue of inequity AMONG STUDENTS OF VARYING DEGREES OF NEED ESPECIALLY THOSE WHO ATTEND LOW COST PUBLIC INSTITUTIONS. Various organizations and associations join with AACJC in asking Congress that the discriminatory one-half cost limitation be removed. These include:

American Association of State Colleges and Universities
American Association of Minority Veterans Program Administrators
American Federation of Teachers - Colleges and Universities Department
American Association of University Professors
American Indian Higher Education Consortium
American Vocational Association
American Association of Women in Community and Junior Colleges
Council on Black American Affairs
El Congreso National de Asuntos Colegiales
National Association for Equal Opportunity in Higher Education
National Association of State Universities and Land-Grant Colleges
National Association of Veterans Program Administrators
National Council for Community Relations
Pennsylvania Commission for Community Colleges
United Negro College Fund
United States Student Association.
National Education Association

Scholars, such as David Breneman, Chester E. Finn, Jr. and Alfred Fitt, have pointedly detailed the bizarre effects of the one-half limitation in BEOG.

Chester E. Finn stated in a 1975 issue of The Chronicle of Higher Education:

> "...Very few people understand how making some colleges less attractive to needy students actually improves access of choice or how it strengthens the pluralistic system of American higher education. Those who do understand will be increasingly hard pressed to justify the notion that PUNISHING THE POOR is desirable social policy."

David Breneman and Finn state in their book, Publid Policy and Private Higher Education (p. 435) that the one-half cost limitation in BEOG:

> "...takes a painful toll on the neediest students enrolling at the lowest priced colleges and thus IMPEDES ATTAINMENT OF THE FEDERAL GOAL OF ACCESS. The arguments to preserve it advanced by some private college spokesmen should be seen for what they are - ENTIRELY SELFISH."

In a December 1978 personal paper circulated by Alfred Fitt, the General Counsel for the Congressional Budget Office, he commented:

> "The half-cost BEOG ceiling grew out of the Congressional belief that no one should get a 100 percent free ride.
>
> "There are a couple of flaws in such an approach. In the first place, lots of students get a 100 percent free ride from their parents, and there is nothing the Congress can do about that. It is only the children of the poor who can be denied a 100 percent free ride; and when the point is put that way, it is not an attractive point.
>
> "But there is another flaw that is even more compelling. The half-cost ceiling misses most of the targets; in practice it hits only the poorest students at the least expensive institutions...That makes no public policy or other sense at all."

Serious questions of social equity arise when BEOGS are given to higher and higher income students, while the lowest income students, who attend low tuition institutions in disproportionate numbers, are still being short-changed. Data on full-time community college students indicate that they tend to be poorer than their four-year and/or private college counterparts.

Table I highlights that two-year colleges, both public and independent, tend to enroll students from families with lower incomes than four-year colleges. Public two-year colleges, especially those with tuition less than $200 per year enroll the poorest students. Data collected from other sources also substantiate the point that two-year postsecondary institutions enroll a larger proportion of low income students. Ann Stouffer Bisconti of the CPC Foundation found that full-time freshmen with parental incomes below $10,000 accounted for 26.8% of all who entered two-year colleges, but just 13% of all who entered universities. Thus a study by the Pennsylvania Higher Education Assistance Agency shows the removal of the one-half cost limitation in that state would cost about $7.7 million, with 80% going to those with incomes under $12,000, and 63% to those under $9,000 income.

The half-cost provision was incorporated into the 1972 legislation authorizing BEOG in an attempt to create a "market" for postsecondary education and give higher tuition colleges an edge in the competition. The problem arises, however, in the comparing of the products offered by community colleges and those at higher priced - especially independent colleges. In most cases these products are "apples" and "oranges". Students attend community and junior colleges and technical institutes for other reasons besides the price differential; they may want an occupational postsecondary curriculum,an institution near home and/or a flexible part-time schedule. Usually these items are not offered a four-year and private institutions;

## DISTRIBUTION OF FIRST-TIME FULL-TIME FRESHMEN BY LEVEL OF FAMILY INCOME AND TYPE, CONTROL, AND TUITION OF INSTITUTION 1976-77

| CONTROL | TYPE | TUITION | FAMILY INCOME | | | | | | | | % OF FRESHMEN IN EACH CATEGORY | MEDIAN INCOME | Aided Unduplicated Count BEOG, SEOG, CWS or NDSL |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | $6000 | $6-10,000 | $10-12,500 | $12.5-15,000 | $15-20,000 | $20-25,000 | $25,000 | TOTAL | | | |
| PUBLIC | UNIV | $500 | 5.3% | 7.4% | 9.7% | 11.3% | 17.6% | 16.1% | 32.6% | 100% | 3.6% | $19,630 | $11,403 |
| PUBLIC | UNIV | $500-700 | 7.6% | 8.7% | 9.5% | 10.7% | 16.6% | 15.5% | 31.4% | 100% | 4.3% | 19,065 | 10,859 |
| PUBLIC | UNIV | $700 | 4.6% | 6.6% | 8.0% | 10.0% | 18.2% | 16.9% | 35.7% | 100% | 6.0% | 20,769 | 12,438 |
| PUBLIC | 4-yr | $300 | 5.1% | 6.2% | 7.7% | 11.5% | 18.0% | 18.3% | 33.2% | 100% | 1.6% | 20,410 | 10,325 |
| PUBLIC | 4-yr | $300-700 | 17.9% | 14.1% | 11.1% | 11.1% | 15.3% | 12.1% | 18.4% | 100% | 15.2% | 14,053 | 8,335 |
| PUBLIC | 4-yr | $700 | 10.5% | 10.9% | 10.6% | 12.3% | 18.8% | 15.3% | 21.6% | 100% | 5.6% | 16,516 | 10,791 |
| PUBLIC | 2-yr | $200 | 16.0% | 13.6% | 12.2% | 11.3% | 14.6% | 11.4% | 20.9% | 100% | 13.9% | 14,313 | 8,016 |
| PUBLIC | 2-yr | $200-500 | 15.8% | 13.6% | 13.1% | 13.9% | 16.8% | 11.4% | 15.4% | 100% | 19.0% | 13,848 | 8,325 |
| PUBLIC | 2-yr | $500 | 10.7% | 12.3% | 13.3% | 14.8% | 19.3% | 13.8% | 15.8% | 100% | 7.5% | 14,813 | 10,584 |
| PRIV | UNIV | $2500 | 6.8% | 8.2% | 9.5% | 9.9% | 16.5% | 14.8% | 34.4% | 100% | 1.0% | 19,726 | 11,882 |
| PRIV | UNIV | $2500-3500 | 4.9% | 5.9% | 6.5% | 8.0% | 13.6% | 12.8% | 48.2% | 100% | 1.8% | 24,335 | 16,058 |
| PRIV | UNIV | $3500 | 3.8% | 5.8% | 6.2% | 7.7% | 15.2% | 14.0% | 47.2% | 100% | 0.6% | 24,035 | 15,304 |
| PRIV | 4-yr | $1600 | 10.4% | 12.1% | 12.9% | 13.2% | 17.4% | 13.5% | 20.5% | 100% | 4.0% | 15,402 | 11,257 |
| PRIV | 4-yr | $1600-2500 | 10.0% | 10.5% | 10.8% | 11.9% | 17.5% | 13.1% | 26.2% | 100% | 7.3% | 16,942 | 12,254 |
| PRIV | 4-yr | $2500 | 4.5% | 6.2% | 7.5% | 8.4% | 15.0% | 13.4% | 45.0% | 100% | 4.0% | 23,136 | 14,189 |
| PRIV | 2-yr | $1200 | 17.0% | 15.9% | 13.6% | 13.4% | 14.7% | 9.7% | 15.6% | 100% | 1.6% | 13,153 | 9,966 |
| PRIV | 2-yr | $1200-2500 | 14.1% | 13.7% | 13.9% | 13.0% | 17.5% | 11.6% | 16.3% | 100% | 3.0% | 14,096 | 10,628 |
| PRIV | 2-yr | $2500 | 7.5% | 9.0% | 9.3% | 9.3% | 10.7% | 11.9% | 42.3% | 100% | 0.1%<br>100.0% | 21,764 | 13,314 |

ce: Policy Analysis Service, American Council on Education, September 1978 thus students would not choose the higher tuition institutions if money were indeed no obstacle. What has happened is that students from the poorest economic spectrum have been handicapped by the half-cost limitation in obtaining a community and junior college education. Here are three examples:

For a family of four, one working, one in college, less than $25,000 in assets, the BEOG grant in 1979 for a Public college (average cost $2,000) and an Independent college (average cost $4,800) would be as follows:

| Income | Family Contribution | BEOG Award | |
|---|---|---|---|
| | | Public | Independent |
| $ 6,700 | $0 | $1,012 | $1,800 |
| $12,000 | $500 | $1,012 | $1,326 |
| $18,000 | $1,000 | $ 826 | $ 826 |

In my own metropolitan area a student wanting the programs at Shelby State Community College can receive as a maximum an $888 BEOG grant, but if he makes the choice of a nearby private college, the BEOG grant can be $1,800.

AACJC believes that in so far as "student choice" is a national objective, it should be encouraged by other means than by prohibiting or discouraging access to postsecondary education for the poorest of our society. We reiterate, the one-half cost limitation in BEOG should be removed. It does nothing to foster diversity - it just discriminates against financial aid for this nation's poorest college students.

## II - EQUITY FOR INDEPENDENT STUDENTS

The second concern of AACJC is that barriers, prohibiting independent (self-supporting adult) students from participating fully in the federal aid programs, be removed. When the original Higher Education Act was authorized in 1965, it may have been true that the majority of college students were between the ages of 18 and 22 and dependent upon their parents for support. This, however, is no longer the case.

According to data collected from the U.S. Census Bureau (shown in Figure I) approximately 44% of the total college enrollment in the spring of 1975 were heads and/or spouses of households; only 51% were 18 to 24 dependent children and 5% were other family members. At community and junior colleges, the average college age is now 30 - it is 35 among women students!

Data, also from the Census Bureau, indicate that the family incomes of these adults (heads/spouses of households) were lower generally than their traditional age cohorts. Yet, adult students (called "independent" students in student aid jargon) received only 25% of the student aid allocations in 1978-79. Of those independent students who received aid in 1978-79, approximately 92% were full-time students and 8% were part-time students. Yet, the vast majority of adult students enrolled in postsecondary education are enrolled part-time.

There appear, therefore, to be distinct but interrelated factors which mitigate against an adult college student with financial need receiving aid (1) the "independent" classification and (2) the necessity to be a part-time student.

<u>1 - The Independent Classification.</u> To be classified as an independent student, an individual cannot have received more than $750 in assistance from his/her parents during the current year, plan to receive $750 the next year and cannot have received more than $750 in the year previous to applying for financial aid as an independent student. The student cannot be claimed as an income tax exemption during any of the same three years by his/her parent; and the student cannot have lived with his/her parent more than six weeks during those same three years.

The Office of Education regulations define an independent student in this rather technical manner to discourage parents from shirking their responsibilities for helping to pay for the postsecondary education of their children. However, such a definition of independent student, by its very nature, suggests that the "independent" category is somewhat atypical or illegitimate and does nothing to recognize that many of so-called "independent" students may indeed be parents themselves and adults by anyone's standards.

The two most often used needs analysis systems - the uniform methodology and the BEOG - apply different formulae to independent and dependent students. When one looks carefully at the Uniform Methodology - (which is not "uniform") it clearly discriminates against full-time independent students and it is totally inappropriate for determining financial "need" among part-time students. (Please refer to Table II "Major Differences Between the Uniform Methodology and the BEOG Needs Analysis Systems"). You will notice that independent students are expected to contribute 100 percent of their discretionary incomes toward their postsecondary expenses, while the families of dependent college students are asked to contribute from 22% to 47% of their discretionary income (called AAI - Adjusted Available Income) depending upon their income. This expected contribution compares with a 10.5% rate under the BEOG needs analysis system for the families of dependent students and a 75% contribution rate for single independent students, a 50% contribution rate for independent students with one dependant - and a 40% contribution rate for independent students with two or more dependents. The expected contribution rate for independent students was an area of discrimination not changed in BEOG by the Middle Income Student Assistance Act.

AACJC recommends that the expected contribution rate in the BEOG program for independent students with dependents be lowered to the level allowed for families with similar dependents - 10.5% It makes no sense to us to discriminate

TABLE II
(Part 1)

## MAJOR DIFFERENCES BETWEEN THE UNIFORM METHODOLOGY AND BEOG NEEDS ANALYSIS SYSTEMS

| | UNIFORM METHODOLOGY | | BEOG NEEDS ANALYSIS AS IMPROVED BY MISAA | |
|---|---|---|---|---|
| STUDENT ASSIFICATION | INDEPENDENT | DEPENDENT | INDEPENDENT | DEPENDENT |
| TREATMENT | | | | |
| MILY SIZE<br>F-SET OR<br>ANDARD<br>INTEN[illegible]<br>LOWAN[illegible] | The Standard Maintenance Allowance for Independent students is called the Independent Student Allowance (ISA). It is calculated on the BLS "low budget" consumption estimate, adjusted for family size and age. The standard maintenance allowances for independent students in 1979-80 are as follows.<br><br>Family size (Including Student) — Under 35 — 35 or Above<br>1 — 3,820 — 3,930<br>2 — 5,130 — 7,100<br>3 — 6,770 — 8,850<br>4 — 8,080 — 10,920<br>5 — 10,260 — 12,890<br>6 — 12,120 — 15,070<br>Each add'l dependent — +1,070 — +1,290<br><br>Any college that has developed its own budget for independent students based on local conditions, can use that instead of the standard ISA figure. | The Standard Maintenance Allowance represents an allowance for the basic necessities of the family, excluding the dependent applicant whose expenses are considered as part of the "cost of education" budget.<br><br>SMA, for 1979-80 are as follows.<br><br>Family size (Including Student) — SMA<br>2 — 5,360<br>3 — 6,670<br>4 — 8,240<br>5 — 9,720<br>6 — 11,370 | (1) 1,100 in FY78; 1,200 in FY79 if MISAA not followed; $3,450 in FY 79 if MISAA followed. For single students without dependents only.<br><br>(2) Family Size Off-sets for independent students with a spouse and/or dependents are equal to those of families of dependent college students. | Family Size — Off-Sets 1979-80<br>2 — 4,450<br>3 — 5,400<br>4 — 6,850<br>5 — 8,050<br>6 — 9,150 |

TABLE II
(Part, 2)

## MAJOR DIFFERENCES BETWEEN THE UNIFORM METHODOLOGY AND BEOG NEEDS ANALYSIS SYSTEMS

| | UNIFORM METHODOLOGY | | BEOG NEEDS ANALYSIS AS IMPROVED BY MISAA | |
|---|---|---|---|---|
| STUDENT CLASSIFICATION | INDEPENDENT | DEPENDENT | INDEPENDENT | DEPENDENT |
| II. ASSETS | An asset protection allowance is subtracted from the value of the assets and the remainder is taxed at a rate of 35%. The asset protection allowance varies according to the family size and the applicant's age as follows.<br>Asset Protection Allowance<br>Age — Two or More Persons — One Person<br>25 or less — 0 — 0<br>26 — 750 — 380<br>27 — 1,510 — 750<br>28 — 2,260 — 1,130<br>29 — 3,020 — 1,510<br>30 — 3,770 — 1,890<br>31 — 4,520 — 2,260<br>32 — 5,280 — 2,640<br>33 — 6,030 — 3,020<br>34 — 6,790 — 3,390<br>35 — 7,540 — 3,770<br>36 — 8,290 — 4,150<br>37 — 9,050 — 4,520<br>38 — 9,800 — 4,900<br>39 — 10,560 — 5,280<br>40 or more — 11,310 — 5,660 | (1) Any direct assets of dependents taxed at a 35% rate.<br>(2) Certain exclusions, including a reserve allowance for retirement, are subtracted from the net worth of parental assets. The remainder is taxed at a 12% rate. | (1) All assets of students taxed at a 33% rate in FY78. May be in effect for FY79 if MISAA was followed.<br>(2) In FY80, Assets in excess of $25,000 will be taxed at a 5% rate. No tax on the first $25,000 of assets. | 5% taxing of family assets in excess of $25,000.<br>No tax on first $25,000 of assets. |

## TABLE III
(Part 3)

## MAJOR DIFFERENCES BETWEEN THE UNIFORM METHODOLOGY AND BEOG NEEDS ANALYSIS SYSTEMS

| | UNIFORM METHODOLOGY | | BEOG NEEDS ANALYSIS AS IMPROVED BY MISAA | |
|---|---|---|---|---|
| STUDENT ASSIFICATION | INDEPENDENT | DEPENDENT | INDEPENDENT | DEPENDENT |
| EXPECTED CONTRIBUTION OF INCOME AFTER TAXES, ETC. | 100% of income after taxes and ISA allowances. | Adjusted Available Income (AAI)* is taxed at a Marginal Rate from 22 to 47%.<br>**AAI** — **Taxation Rate**<br>less than $3,410 — No tax: (eligible for a living subsidy up to $750 to bring income up to the SMA figure-based on Poverty Standard.)<br>3,409-4,790 — 22% of AAI<br>4,791-5,990 — $1,054 + 25% of AAI over $4,790<br>5,991-7,190 — $1,354 + 29% of AAI over $5,990<br>7,191-8,390 — $1,702 + 34% of AAI over $7,190<br>8,391-9,590 — $2,110 + 40% of AAI over $8,390<br>9,591 or more — $2,590 + 47% of AAI over $9,590<br>*Adjusted Available Income=Available Income + income supplement from discretionary net worth.<br>Student expected to contribute from summer earnings: $500 as prefreshman; $600 as presophomore; and $700 as prejunior and presenior. | 75% if single<br>50% if married<br>40% if responsible for dependants | 10.5% of parental income<br>0% of student income<br>No summer earnings required. |

against a family member in the awarding of federal financial assistance - merely because the family member is a parent rather than a child. Similarly, we ask that the contribution rate for independent students without other dependents be lowered from 75% to some realistic level - such as 35%. (Ideally, it should be 10.5% as well - but, there may then be the incentive to abuse the system by some parents claiming that their students are prematurely independent.)

The Uniform Methodology also discriminates against independent students in the "taxing" of their assets to determine the expected contribtuion. Independent students, age 25 or less, are given no asset reserve, 100% of their assets are taxed at a rate of 35% - as if their assets were totally liquid and could be easily transformed into cash to pay for college. Independent students over the age of 25 are given small asset reserves, which increases with the age of the student, and the worth of their assets are then assessed at the 35% rate.

Families of dependent students, however, under the Uniform Methodology, are allowed more generous reserve allowances and their remaining assets are assessed at a 12% rate. This compares with the federal BEOG needs analysis system, which allows families an asset allowance of $25,000 - for both independent and dependent students - assessing any remaining assets at a 5% rate. If assets are indeed an indicator of financial well-being, the families of independent and dependent students should be charged similar rates, be allowed similar exemptions and that the treatment of assets, generally, be similar to the BEOG needs analysis system as improved by MISAA in 1978.

AACJC supports the work of Leo L. Kornfeld, Deputy Commissioner for Student Financial Assistance. We believe that thousands of citizens are handicapped in their access to postsecondary education by the maze of federal forms and paperwork in the applications for federal financial aid. For this year, about 33% or 600,000 applicants for BEOG have been rejected. But 364,000 are by USOE statements "in limbo" with no final action taken. We know the Subcommittee will be as concerned as we are that last year this caused a 27% reduction in awards for incomes under $4,000 and even a 16% reduction for those with $12-15,000 incomes. We are also rather appalled by the fact that different needs analysis systems produce remarkably different results for similar kinds of students attending similar kinds of institutions. WE BELIEVE THAT THERE SHOULD BE ONE SIMPLE APPLICATION FORM TO APPLY FOR ALL FEDERAL STUDENT FINANCIAL AID, TREAT STUDENTS AS EQUALLY AS POSSIBLE BY USING ONE "NEEDS ANALYSIS" AND THAT THE FEE FOR APPLYING FOR FINANCIAL AID SHOULD BE ELIMINATED FOR THE CAMPUS BASED PROGRAMS. We do not rule out the possibility that several processors of needs analysis forms can continue to determine a student's need and award. We do think, however, the form should be standardized and the formulas provide equity for both independent and dependent students (full-time and part-time). Eliminating the fee for students to apply for aid under the campus based program should promote a higher participation rate in the federal programs while adding less than 1% to the total cost of the programs. (The U.S. Government does not ask social security, welfare, food stamp or medicare applicants to pay to have their application processed for eligibility.)

2 - Part-Time Student Status. The second factor discouraging adult students who demonstrate financial need from participating more fully in the federal student aid programs, is that the majority of adult students tend to enroll part-time and that the federal programs discriminate against part-time students, in a number of ways. The Basic Educational Opportunity Grant program and the Supplemental Educational Opportunity Grant program require that the student be enrolled at least

one-half time - usually that means taking at least two courses - to be eligible for any student aid. Additionally, each of these programs require that the demonstrated need be at least $200 for the student to be eligible. Since awards to half-time students are one-half of what they would be if the student were enrolled full-time, half-time to three-quarter time students must demonstrate a financial need of $400 or greater to be above the $200 cut-off level and receive any aid at all.

AACJC recommends that the Congress lower the arbitrary minimum of $200 in the BEOG and SEOG programs to a cost-effective lower amount, such as $50. (It is generally accepted that it costs an institution about $35 per student to administer federal student aid programs.) We also ask that the SSIG program be amended so that states would be encouraged to provide matching funds to pay for student assistance for needy adults attending college part-time, including less-than-half-time students.

III - FEDERAL ASSISTANCE TO LESS-THAN-HALF-TIME STUDENTS

AACJC joined with other associations who submitted testimony on May 9, 1979 to this Subcommittee requesting that the Supplemental Educational Opportunity Grant program be opened up to students attending college on a less-than-half-time basis. We do so for a number of reasons.

Most importantly, AACJC supports a goal of universal opportunity to postsecondary education for all our citizens. Financial barriers to postsecondary education are the easiest barriers to eliminate. Many citizens who can only attend college less-than-half-time have serious financial need and yet they are highly motivated to improve their futures for their families and themselves. Most of the less-than-half-time students are adults who were denied educational opportunities when they were youth. They now find themselves with families, dead end jobs, and incredibly rising costs to maintain a standard of living above the poverty level. These less-than-half-time students work full-time for the most part, they pay taxes so that other people's children can go to colleges of their choice, and now, we believe, that they as well should be helped a little to improve their lot in life.

We submit further that it makes no sense at all - in terms of educational policy or concern for the federal budget - for needy students to be denied federal student aid merely because they are working full-time and can only attend school part-time. Unemployed workers are given much more generous subsidies under CETA to obtain similar education and training, and incarcerated convicts are eligible for student assistance as full-time students.

## COST ESTIMATES FOR IMPROVING EQUITY IN THE FEDERAL GRANT PROGRAMS

What we are considering here today is a segment of our national manpower policy, the development of this country's most precious resource, the improvement of our human resources. The programs authorized, the funds appropriated, are not to support institutions or to provide entertainment or diversions for some citizens.

In Special Report 31 of the National Commission for Manpower Policy issued in November, 1978 on pages 9 and 11, we find some important quotes by Thomas Murphy, Chairman of the Board of General Motors. Mr. Murphy told a recent Conference that the unemployment rates, especially among inner-city minority youth:

"...is one of the most critical and potentially explosive social problems facing our country. Neither conscience nor concern for our economy - indeed for our society - can abide continued inattention to their plight."

Mr. Murphy continues that:

"...the cost of any program undertaken to help make productive citizens of them must be weighed against the awesome cost to society of doing nothing."

AACJC is aware that the Congress and the President are faced with the dilemma of both holding down government spending, to curb inflation and yet provide for the national welfare and the needs of our citizens. We, as well, are very concerned about the costs of improved equity proposed above. We estimate that our recommendations would cost as follows:

- $250 million to eliminate the one-half cost limitation in BEOG;
- $225 million to lower the contribution rate on discretionary income for independent students without other dependents to 35% - still over 3 times that for dependent students;
- $20 million to lower the $200 minimum award level in BEOG and SEOG to $50;
- $15 million to remove the fee for applying for federal aid called "campus based";
- No additional cost to open up the SEOG program to students attending less-than-one-half time;
- No additional cost to open up the SSIG program to students attending less-than-one-half time.

We suggest that these costs are minimal when compared to the costs of providing CETA training, welfare or incarceration, often the alternatives open for low income adults. Certainly, we believe that equity should be enacted before any enrichment for current recipients of federal student financial aid is proposed, such as raising the maximum grants in BEOG and SEOG. We suggest that most of these costs can be recaptured through either a "cap" on the Guaranteed Student Loan program, which is now open to our wealthiest citizens, or the elimination of interest subsidies in the GSL program (by adding them to the principle) as suggested by the Administration and legislation introduced in this session of Congress.

Mr. Chairman and members of the Subcommittee, thank you for listening to our views. I will be pleased to answer any questions.

ATTACHMENT A

## Community Colleges

# Adult Part-time Students and the Higher Education Act

### by Bette Everett Hamilton

Much of federal education policy is predicated on a very traditional view of higher education and the kinds of students who frequent the halls of ivy. In the fall of 1978, however, there were approximately 4.6 million part-time students enrolled at postsecondary institutions—about 41 percent of the total college population. Part-time adult students comprise 64 percent of the enrollment at community and junior colleges. Yet due to eligibility guidelines and processing formulae, these students received fewer than 5 percent of all federal student aid dollars.

Today's part-time students are typically 30 years of age and employed full-time at work or at home. The vast majority are economically disadvantaged—the working poor—but little or no federal or state student assistance is available to them.

The unintended consequence of federal student aid policy has been a de facto form of age discrimination that disproportionately affects the junior and community college populations. Regardless of their age or number of dependents, students no longer economically dependent upon their parents are penalized under the two most often used needs analysis systems—the uniform methodology and the federal Basic Educational Opportunity Grants (BEOG) analysis system. Those who attend school on a less than full-time basis have their awards further reduced until they become ineligible for all funds when they attend less than half time. In addition, awards to part-time students are jeopardized by a discriminatory half-cost rule in the BEOG program, which means that the award to lower-income students cannot exceed one half the cost of attendance. And because of a $200 minimum award level a student whose determined "need" is less may receive nothing at all. Some campus aid officers augment the problem further by showing preferential treatment for the younger, full-time students in the allocation of moneys under the campus-based programs (Supplemental Educational Opportunity Grant, College Work-Study, and National Defense Student Loan).

The fact that federal education policy is out of step with the times is most alarming when one considers the "graying" of America, as well as other federal initiatives, such as CETA, that provide training opportunities for unemployed citizens and displaced homemakers. It is savagely ironic that a low-income office worker can be denied assistance under the federal student aid programs to upgrade her skills at a community college but can qualify to study at the same institution if she loses her job and becomes a CETA participant.

Part-time students now comprise 32 percent and 26 percent of the total enrollments at four-year colleges and universities, respectively. As the traditional pool of 18- to 22-year-olds dwindles by some 18 percent over the next 10 years, the proportion and number of adult part-time students are bound to continue upward for most institutions.

As the battle shapes up over reauthorization of the Higher Education Act, Congress faces a choice over student aid programs: Does it want to extend more aid to the current population of eligibles or provide aid for the first time to the growing numbers of adult part-time students? Several members of Congress and a coalition of largely public college interests are pushing for the latter, while the administration (spouting budgetary restrictions) and the independent college interests are focusing their attention on improving delivery systems and benefits primarily for those attending high-tuition institutions.

The administration's position, as stated by Joseph Califano at the onset of House hearings on the act, is to provide equality of opportunity for all eligible "youth" to pursue postsecondary education and especially for those who would choose institutions of "excellence." Califano reiterated his concern that some people were going to college who "didn't belong there." Not only would the administration find it difficult to support aid to part-time students, he added; it was not even prepared to implement a mandated portion of the Middle Income Student Assistance Act (MISAA) that would improve the equity afforded independent (adult) students.

MISAA, signed by President Carter in November 1978, improves the status of independent (adult) students considerably on two out of three counts—but so far the changes are only on paper. The act upped the allowance for an independent student with a family of specific size from $1,100 to $3,450 —an amount comparable to that allowed dependent students. It also provided that both independent and dependent students be exempt from any tax on their first $25,000 of assets, with any remainder taxed at a 5 percent rate.

On the third count, although MISAA lowered to 10.5 percent the percentage of discretionary income that a family must contribute for a dependent, the law was silent

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on the percentage that must be provided by independent students. As a result, independent students must continue to contribute a much larger percentage of their discretionary income toward their education than the families of dependent students: 75 percent if the student has no other dependents; 50 percent if the student has one other dependent; and 40 percent if the student has two or more dependents. Again, this compares with a 10.5 percent rate for the families of dependent students in calculating the family contribution—which ultimately determines the amount of the BEOG award.

As Califano points out, although MISAA is in effect for the 1979 award year, the administration has refused to implement even those changes afforded independent students. Thus Congress has been forced into a game of chicken, with prominent members of both the appropriations and authorizing committees of both chambers recommending that the entire family contribution schedule be vetoed, delaying the 1979 awards, unless the administration relents and implements the changes for independent students. (The administration has since agreed to carry out the MISAA provisions.)

Implicit in Califano's remarks and in the administration's failure to fund all provisions of MISAA is a bias prevalent in HEW and in other bastions of higher education that some students are more deserving than others of receiving federal student aid. Perhaps it is a vestige of our immigrant pasts that the adult population is required and encouraged to sacrifice for youth, yet benefits only vicariously, through its offspring. Parents daring to improve their family's lot directly, by pursuing education themselves, are deemed illegitimate students.

A recent Carnegie report echoed the youth-oriented bias by recommending to Congress that the liberalized treatment of independent students be reviewed. The Carnegie group stated a concern that the changes made by MISAA would encourage parents to declare their children independent—thus shirking their financial responsibilities as parents. The report was silent about the scores of self-supporting middle-aged adults who claim to be dependents of their elderly parents in order to qualify for any student aid. At community and junior colleges, this latter kind of student aid "cheater" is much more prevalent. (Adults have only to claim that their parents contributed $750 to their annual income or housed them for a total of six weeks during the year to technically qualify as dependent students—this is encouraged by the federal government.)

Equity of treatment always has economic consequences, and implementing total equity for part-time and/or adult students in the Higher Education Act will not be cheap. But the costs are actually a bargain when compared with the costs of providing CETA training, welfare, or incarceration, often the alternatives for low-income adults.

Implementing the changes for independent students already legislated by MISAA will cost approximately $130 million annually—a drop in the bucket compared with the total $4.6 billion student aid budget. Removal of the discriminatory half-cost rule will require an additional $300 million. Lowering the contribution rate on discretionary income for independent students with dependents to that allowed families of dependent students would cost about $225 million. Lowering the contribution rate on discretionary income for independent students without other dependents to a lower rate, such as 35 percent (still over three times that required for dependent students), would cost an additional $50 million. Reducing the $200 minimum award level in BEOG and SEOG would also be necessary for more part-time students to qualify for federal financial aid: estimates of changing the $200 to a reasonable amount, such as $50, are about $20 million.

In total, the cost of near equity for part-time adult students equals almost $.5 billion more in annual expenditures for federal student aid programs. It's a big jump for a Congress that one year ago increased the federal budget by $1.2 billion to pass MISAA. Perhaps it's too big a jump for a reluctant administration concerned about fiscal restraint and people being in college "who don't belong there."

The reauthorization of the Higher Education Act, this year and next, stands to be anything but boring, as matters of fundamental federal education policy are discussed and resolved for years to come. Joining with community colleges in their fight to legitimize the adult part-time student fight are the National University Extension Association, the Coalition for Alternatives to Post Secondary Education, the American Association of State Colleges and Universities, and the National and State Universities and Land-Grant Colleges. As the proportion of part timers in higher education continues to grow, the battle will move well beyond the community college front. ■

## Special Issues

In coming months, Change has planned two special theme issues of significant interest for its diverse readership.

### For July/August

### Education and Work

*With the prospect of a virtual steady-state economy and continuing inflation, career expectations of millions of college graduates dramatically exceed the realities of the workplace. In this special issue, prominent authorities deal with the facts and hard realities*

### For October

### The Education of Black Americans

*How well has American higher education served the interests of black Americans, and what remains to be done? A major compendium of essays and special features on one of the pressing agendas before all Americans*

ATTACHMENT B

## PERCENTAGE OF TOTAL POSTSECONDARY UNDERGRADUATE ENROLLMENT BY RACIAL CHARACTERISTICS, SEX, FULL-TIME AND PART-TIME ATTENDING TWO-YEAR COLLEGES IN 1976*

| | Non-Res. Alien | Black | Amer. Indian or Alaskan Native | Asian | Hispanics | Minority Subtotals |
|---|---|---|---|---|---|---|
| **Men** | | | | | | |
| Full-time | 25 | 40 | 55 | 37 | 48 | 40 |
| Part-time | 74 | 97 | 99 | 99 | 65 | 87 |
| Sub-total | 34 | 56 | 72 | 57 | 54 | 54 |
| **Women** | | | | | | |
| Full-time | 29 | 38 | 46 | 31 | 46 | 39 |
| Part-time | 79 | 97 | 99 | 95 | 95 | 96 |
| Sub-total | 43 | 58 | 70 | 53 | 64 | 59 |
| All full-time | 26 | 39 | 50 | 34 | 47 | 40 |
| All part-time | 76 | 97 | 99 | 97 | 79 | 91 |
| Total | 36 | 58 | 71 | 55 | 59 | 56 |

*Source: American Association of Community and Junior Colleges 1979, AACJC 1976, HEGIS data 1976 and NCES 1977.

aascu

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Testimony

of

Robert J. Kibbee
Chancellor, City University of New York

On Behalf of

The American Association of State Colleges and Universities
The National Association of State Universities and Land-Grant Colleges

Subcommittee on Postsecondary Education

Committee on Education and Labor

U.S. House of Representatives

May 22, 1979

<u>Federal Grants Programs: BEOG and SEOG</u>

Allan W Ostar, Executive Director

## Federal Grants Programs: BEOG and SEOG

### I. Recommendations AASCU and NASULGC Support

1. Introduction.

Generally, the American Association of State Colleges and Universities (AASCU) together with many other higher education associations, does not believe that great changes in the federal grant programs are necessary at this time. We commend Congress and especially the leadership of the House and Senate committees and subcommittees which have responsibility for student aid, for the development of the present grant programs and for the extension of the BEOG program to middle-income students in 1978, through the passage of the Middle-Income Student Assistance Act (MISAA).

The further action of the House and Senate education committees in 1979, insisting that HEW treat independent students fairly in the BEOG program, has also helped extend access to higher education to many more people.

AASCU believes that the next major ateps in the grants programs should be elimination or modification of the half-cost provision, and extension of aid to less-than-half-time students. Many groups, including the National Association of State Universities and Land-Grant Colleges and the American Association of Community and Junior Colleges, share these views.

2. Elimination or modification of half-cost.

Since the passage of the Basic Education Opportunity Grant program in 1972, many economists, student aid specialists, and spokesmen for higher education, including spokesmen for the education of minorities and the disadvantaged, have pointed out that the half-cost provision discriminates against the large proportion of all low-income students who attend public colleges.

At least 80 percent of all low-income and minority students (black, Hispanic, and American Indian) attend public colleges and community colleges. Many of these students must help their families financially while they go to school. Yet the half-cost provision means that no matter how poor they and their families may be, they can never receive more than half the total cost of education in the form of a BEOG grant.

A poor student attending a college which costs $2400 cannot receive more than $1200. At a $3000 college that student cannot receive more than $1500. Yet the BEOG maximum grant is already $1800 and there are proposals to raise it higher. This constitutes a very serious form of discrimination at a time of rapidly rising college costs.

David Breneman and Chester Finn, in their book, Public Policy and Private Higher Education (Brookings, 1978) say of half-cost:

> Unfortunately, this provision affects only students in the most impoverished circumstances, and it is therefore rightly accused of promoting choice by curbing the postsecondary access of those very students for whom federal aid is intended.

Later they say that half-cost takes "a painful toll on the neediest students enrolling at the lowest-priced colleges and thus impedes attainment of the federal goal of access."

Many other commentators have said exactly the same thing.

Half-cost has been defended on two counts. One is that if it were done away with public colleges would become "too attractive," and students would not attend private colleges. But we know of no serious student of higher education who supports the view that making all of higher education considerably more expensive for very poor students encourages them to attend still more expensive institutions.

Another, more recent argument is that if half-cost were ended, there would not be quite as strong political coalitions in the states to support state student aid. The theory is that if poor students received more federal aid, there would be less incentive for states to appropriate additional aid. We believe that large numbers of low-income students should not be made to suffer, and perhaps lose the chance of going to college, in order to "encourage political coalitions" in the state to support other programs. State student aid programs should and can stand on their own merits.

Similarly, the argument that ending or modifying half-cost would weaken the politcal base of support for campus-based aid should not serve as an excuse to penalize lower-income students. We believe that the campus-based programs are especially well established, and can also stand on their own merits.

Some members of the Subcommittee have expressed an interest in a possible compromise on the half-cost issue. While we would prefer simply to see half-cost removed, the Subcommittee may want to consider setting the maximum BEOG grant at say 75 percent of cost, less family contribution. This would still require the student to put up 25 percent of costs from work and other sources.

One step toward modification would be to follow the suggestion made by the National Association of Student Financial Aid Administrators (NASFAA) in their May 16 testimony before this Subcommittee, and allow somewhat larger living allowances for students off-campus, especially, perhaps, those who are not living with their parents. This would at least define "costs" in a way more favorable to many lower-income and self-supporting students. There seems no good reason to allow students a much larger living allowance simply because they live on campus.

Congress has done a great deal to help middle-income students by passing MISAA—and insisting that it be funded. We hope that Congress will now find it possible to give more help to lower-income students.

3. Less-than-half-time students.

Congress can also do more to help the approximately 40 percent of all students who attend college part-time, including the large numbers who attend less-than-half-time and are not eligible for most federal or state student aid. These include a great many older people—some attending college for the first time, others returning to develop new skills or upgrade themselves in their work. The group also includes increasing numbers of older women. There are also many members of disadvantaged and minority groups who did not have the chance for an education at an earlier point in their lives.

The case for aiding these students is made very well by Norman Kurland, Executive Director for Adult Learning Services for the New York State Education Department, in testimony before this Subcommittee on May 9. Kurland cited the support given such aid by the Regents of the state of New York in a 1979 report submitted to Congress. Many other witnesses have also spoken on this subject; we do not believe it is necessary to go further into it at this time.

II. Recommendations AASCU and NASULGC Oppose or View With Concern.

1. Ending or greatly reducing the use of other federal aid to match SEOG grants.

Under present federal law every SEOG dollar awarded to a student must be matched by another dollar from some other source. The institution may use other federal student aid funds (BEOG, CWS, or NDSL) or non-federal funds which may be state or private funds to make this match.

It has been proposed that the law be amended to prevent colleges from using federal matching funds. In one proposal, no federal matching would be permitted; in another, not over $250. The effect of these proposals would be to eliminate or greatly reduce the availability of SEOG funds at many public colleges which lack state or private student aid funds. In many states, little or no state student aid goes to students at public colleges and community colleges.

Similarly, most of these institutions have little if any private student aid available.

Public colleges with large minority or low-income enrollments, which depend heavily on SEOG now, would be particularly hard-hit by this recommendation. Similarly, it is likely that many private colleges, especially those with small endowments and those with large minority or low-income enrollments, would be hard hit.

AASCU is therefore very opposed to these proposals.

The National Association of Student Financial Aid Administration (NASFAA) in their May 16 testimony before this Subcommittee, urged a quite different course. They suggested that the law be amended to eliminate any requirement for matching funds for SEOG. They pointed out that the present SEOG law requires that aid go only to students with exceptional financial need. They believe that this requirement assures that aid will go where it is most needed, and that any matching arrangement is unnecessary and adds greatly to paperwork and administrative complexity.

We believe that Congress should consider very carefully this NASFAA recommendation, which would also do more to assure that the less affluent or well-endowed public and private colleges could make the best use of their SEOG money. This would also make it simpler to use some SEOG money for less-than-half-time students, since no matching is contemplated by those who favor aiding such students.

2. Raising maximum grants for BEOG, SEOG, and SSIG.

It has been proposed that the BEOG maximum be raised from the present $1800 to $2400, the SEOG maximum from $1500 to $200 or possibly no maximum, and the SSIG grant from $1500 to $2000 or possibly no maximum.

The effect of these proposals could be to make it possible for a student to receive $6400 or more in federal grants from BEOG, SEOG, and SSIG. Theoretically the student could also receive a College Work-Study award which is 80 percent federally subsidized, a GSL loan which is 70 percent federally subsidized, and state student aid as well. (Secretary Califano informed the Subcommittee March 20 that a GSL loan represents a 70 percent federal grant, when all costs are included.)

In actuality, students would probably not receive this much, but it would not be impossible to receive many thousands of dollars in federal grants per year at a high-tuition college or profit-making school, plus College Work-Study and loan awards representing several thousands more in federal grants.

In an accompanying memorandum dated April 5, AASCU has raised a number of questions about this whole approach (pages 5-6). The basic question is that of which national priorities should be addressed next. Congress has now done a great deal to help middle-income as well as lower-income students attend college. We believe there is still unfinished business—providing more help for millions of lower-income students and self-supporting, part-time students—before Congress turns its attention to raising the grant maximums and making more funds available to more affluent students.

3. Half-need, self-help, and other alternatives.

On March 20, HEW Secretary Joseph Califano told this Subcommittee that the administration is considering several alternatives to half-cost. These ideas include substituting "half-need" for half-cost, and requiring that a student provide $900 in "self-help" (work or loans) before receiving any BEOG grant. These and several other alternatives were discussed further by Michael O'Keefe of HEW in his testimony before the Subcommittee on May 16.

We urge the Subcommittee to review these proposals with great caution. From Mr. O'Keefe's testimony, it appeared that in a number of cases students from both lower-income and middle-income families would receive less aid than they do at present. At a time of rising educational costs and after the passage of MISAA, this would be a step backward for everyone in higher education.

This is not to question the importance of work as well as grants. AASCU believes that the College Work-Study program should be extended to more middle-income students, and also converted in part to a "national cooperative education program" which would attempt to relate work more closely to a student's education and to career interests. AASCU hopes to testify on this proposal at a later point. But mandating work or loans before a grant could be obtained would be harmful to many lower-income students, especially those in areas of high unemployment or who need full-time academic study to make up for past deficiencies.

We attach as an appendix an AASCU statement of April 5, which goes into more detail on a number of Higher Education Act recommendations.

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Enclosure

aascu

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April 5, 1979

## AASCU Positions on Extension of the Higher Education Act

### A Staff Memorandum

### EXECUTIVE SUMMARY

The American Association of State Colleges and Universities (AASCU) has reviewed legislative recommendations for extension and amendment of the Higher Education Act (HEA) and also made recommendations of its own. What follows are, first, recommendations which AASCU supports; second, recommendations it opposes or has serious concerns about; third, recommendations it is still studying.

This report is intended for AASCU members, members of Congress, and others who are interested.

I. Recommendations AASCU supports.

1. Modification or elimination of the "half-cost" provision in the BEOG program.
2. More aid for independent and part-time students.
3. Extending eligibility for College Work-Study to middle-income students.
4. Federal assistance to change College Work-Study from a student aid program alone to a national cooperative work-study program, to provide students with educationally valuable work relevant to their interests.
5. More assistance to graduate students under College Work-Study and the Guaranteed Student Loan program.
6. Support for a number of technical student aid amendments.
7. Continuation of the "non-Title IV" or categorical aid programs.
8. Support for the Urban Grant University Act, but with extension of the program to urban areas of a 200,000 minimum population rather than the 500,000 proposed in H.R. 3181.
9. Support for the Schools of Education Assistance Act.
10. Continue and strengthen undergraduate aid under the Language and Area Studies Program.

II. Recommendations AASCU opposes or views with great concern.

1. Ending or greatly reducing the use of other federal student aid funds (BEOG, CWS, or NDSL) to match SEOG grants to students. This would discriminate against almost all public colleges and probably many less affluent private colleges, including many with large minority enrollments.

Allan W Ostar, Executive Director

2. Proposals to raise maximum grants for BEOG, SEOG, and SSIG, so that students at very high-tuition institutions (largely private or profit-making) could receive as much as several thousand dollars more grant aid per year than students at public colleges.
3. Proposals for a Tuition Advance Fund or other form of national student loan bank.

III. Recommendations AASCU is still reviewing.

1. Incentive payments to encourage public and private colleges to hold down tuition.

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MORE DETAILED REPORT

I. Recommendations AASCU supports.

1. Modifying half-cost. AASCU supports the elimination or modification of the "half-cost" provision in the Basic Education Opportunity Grants (BEOG) program. Most student aid experts agree that this language discriminates against most of the 80 percent of all low-income students who attend public colleges, by giving them smaller grants than they would otherwise receive.

2. More aid for independent and part-time students. AASCU supports amendments which would provide more aid for self-supporting (independent) students and part-time students. A very large and growing proportion of all students today are self-supporting, often part-time, and over twenty-one. Many are supporting their own families while attending college. Present student aid programs, including BEOG, SEOG, and SSIG, often give them little or no help.

3. Extending College Work-Study to middle-income students. AASCU supports an amendment to the College Work-Study (CWS) program which would make it possible for middle-income students to obtain jobs after the needs of low-income students are met. In part, this purpose can be achieved by increasing CWS appropriations, by providing more BEOG aid to low-income students (which frees CWS money), and possibly by colleges changing to the BEOG needs analysis system for campus-based programs. The last change in effect reclassifies more middle-income students as needy, and entitled to CWS and other aid.

However, a change in the law is the best way to assure that CWS as well as BEOG funds are made available to a great many middle-income students who have been considerd "too wealthy" for student aid, despite their real needs and modest family incomes.

4. Changing College Work-Study into a "national cooperative work-study program." Minor amendments can help change College Work-Study from a student aid program alone to what might be called a national cooperative work-study program. That is, colleges should be strongly encouraged to use

CWS funds not only for traditional college jobs in college dining halls and student unions, but for a wide range of work experiences of educational value to the student as well as direct value to society.

Under the present law, CWS funds can be used for almost any kind of employment on- or off-campus, in non-profit agencies and organizations. Students can be used as faculty research assistants, or peer counsellors and tutors helping other students. They can be employed in apecial programs to help the disadvantaged, the young, or the elderly. They can work off-campus for state and local governments or in non-profit organizations, in education, health, recreation, law enforcement, and many other fields. They can be employed in a series of different jobs. In this way they can gain experience of very great value to them in terms of their own career and personal interests. Such practical work experience enriches their classroom training.

A program of this kind can draw from the highly successful experience, over many years, of those institutions which have pioneered in cooperative education. The federal government now supports a modest level of cooperative education; a greater use of CWS funds would make possible a major, nationwide expansion of this approach.

The development of a nationwide cooperative work-study program can be strongly encouraged by amending the present "Job Location and Development" section of CWS to provide more funds for job development programs, on-campus as well as off-campus. AASCU is preparing legislation to achieve this purpose.

5. More aid to graduate students. Graduate students are eligible for CWS as well as GSL loans, although not for other kinds of student aid under the Higher Education Act. However, a shortage of funds has kept many graduate students from participating in these programs. Expansion of CWS funds and the extension of eligibility to more middle-income students should help graduates as well as undergraduates.

For some years spokesmen for the executive branch as well as some members of Congress have expressed the view that there is "no need" to assist graduate students, on the grounds that there is no longer a shortage of college teachers. Many federal fellowship programs have been ended or greatly reduced.

This policy has been a serious mistake for several reasons. One reason is that there is still a need to help capable people who wish to enter many fields—not simply college teaching. The nation cannot afford to lose the talents of a whole generation of scholars. A second reason is that women and minorities are particularly underrepresented in graduate schools as they are in almost all professions, and often particularly in need of assistance. A final reason is that many fields today require at least a Master's degree if not a doctorate.

At the very least CWS and GSL funds should be made more available to graduate students than is now the case.

6. Support of technical amendments. AASCU joins the other higher education associations in supporting a series of amendments intended to make BEOG an entitlement program; raise the threshold funding levels for SEOG, CWS, and NDSL, to assure adequate funding of these programs as well as BEOG; increase the percentage of campus-based aid funds allocated for student information allowances; make the BEOG and GSL student information allowances an integral part of those programs; and otherwise improve the effectiveness of student aid programs.

7. Continuation of the "non-Title IV" or categorical aid programs. AASCU supports the continuation of the programs other than student aid authorized under other titles of HEA. These include, among others, community services; college library assistance; Developing Colleges; teacher education; cooperative education; language and area studies; facilities aid; and other programs. There is an especially great need for facilities assistance to help colleges meet the massive expenditures required for energy conservation, elimination of barriers for the handicapped, OSHA, and other often federally mandated needs.

8. Support for the Urban Grant University Act. AASCU strongly supports the Urban Grant University Act filed by Rep. William Ford and others as H.R. 3181, which will probably become part of HEA. However, AASCU believes that eligibility should be extended to institutions in Standard Metropolitan Statistical Areas with a minimum population size of 200,00. The present bill limits participation to areas of 500,000 population and more, with the additional proviso of at least one Urban Grant University in every state. Many institutions which can make an important contribution to the resolution of urban problems will be excluded if the 500,000 figure is allowed to stand.

9. Support for the Schools of Education Assistance Act. AASCU strongly supports this act, filed as S. 360 by Sen. Harrison Williams and others. It is likely to become an amendment to the Higher Education Act. AASCU commends those members of Congress who wish to preserve the capability of schools and departments of education, and assist them in converting to meet new needs.

10. Continue and strengthen undergraduate aid under the Language and Area Studies program. At present, under the National Defense Education Act Title VI area studies program, funds go to a number of undergraduate centers and programs as well as to graduate centers and programs. AASCU believes that it is essential to continue and to strengthen the undergraduate was well as graduate emphasis in this program. An increasing number of AASCU institutions as well as other colleges and universities are active in international programs. Most expect to be more active in the years ahead, and all are interested in education for international understanding.

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II. Recommendations AASCU opposes or views with great concern.

1. Ending or reducing federal matching support for SEOG. Under present law every SEOG dollar awarded to a student must be matched by another dollar from some other source. The institution may use other federal student aid funds or state or private (non-governmental) student aid, to make this match. Federal funds can include BEOG, NDSL, and College Work-Study.

It has been proposed that the law be amended to prevent colleges from using federal matching funds. In one proposal, no federal matching would be permitted; in another, not over $250. The effect of these proposals would be to eliminate or greatly reduce the availability of SEOG funds at many public colleges which lack state or private student aid funds. In many states, little or no state student aid goes to students at public colleges and community colleges. Similarly, most of these institutions have little if any private student aid available.

Public colleges with large minority or low-income enrollments, which depend heavily on SEOG now, would be particularly hard-hit by this recommendation. Similarly, it is likely that many private colleges, especially those with small endowments, and those with large minority or low-income enrollments, would be hard hit.

AASCU is therefore very opposed to these proposals:

2. Raising maximum grants for BEOG, SEOG, and SSIG. It has been proposed that the BEOG maximum be raised from the present $1800 to $2400, the SEOG maximum similarly from $1500 to $2000.

A statutory "goal" has also been proposed, under which the federal government would underwrite through federal grants (with some assistance from state and private grants) up to 75 percent of the total costs of attending any college or profit-making school in the United States, with the additional proviso that students could obtain almost all of the remaining 25 percent of costs from federal CWS funds plus a federally subsidized loan.

In one version of this proposal, a student might receive a maximum of $4500 or more in grants at a private non-profit college, $3000 or more at a profit-making proprietary school, about $2200 or more at a public four-year college, and $1700 or more at a community college. In each case, the remainder (except for $400 in summer earnings) could be obtained from CWS and a federal loan.

Federal student aid is already tilted in such a way that a student may be able to receive substantially more grant aid at a higher-tuition institution. A student can now at least in theory receive $1800 from BEOG and $1500 from SEOG, or a total of $3300 in direct federal grants. He or she can also receive up to $1500 in federal aid from SSIG (matched by an additional $1500 in state student aid), as well as federal help from CWS and a loan. CWS represents an 80 percent federal subsidy, and the loan may be 40 to 70 percent federally subsidized, when all costs are included.

While some students may receive this much money, in practice grant aid is often limited by the availability of funds under SEOG, SSIG, and the other programs, as well as available state student aid. However, raising the maximums, appropriating more funds, and ending the possibility of using federal funds to match SEOG grants, as well as setting a statutory "goal" favoring up to 75 percent grant aid for all students at all institutions would mean a major move toward providing literally thousands of dollars in grant aid a year to some students at high-tuition colleges and proprietary schools.

These proposals raise a number of questions which need careful review by members of Congress and others concerned about the next steps in federal policy for higher education. Here are some of these questions:

a) Should the next major priority in federal aid be to provide more aid to the 80 percent of low- and moderate-income students at public colleges—or to the 20 percent who attend private institutions?

Indeed, in many states and Congressional districts more than 80 percent of all students attend public colleges. A vote to increase grant maximums in this fashion—especially for SEOG and SSIG—would be a vote to make all federal taxpayers pay to provide especially high benefits for a relatively small minority of students largely concentrated in a few states.

b) Is it desirable public policy for the federal government to pay 100 percent of the operating costs of profit-making schools, plus a profit, perhaps 60 to 70 percent of the operating costs of private non-profit collges, but only zero to 25 percent of the operating costs of public colleges? This is the effect of a system which pays student aid to cover in effect whatever level of tuition the institution charges.

c) Would not such policies encourage much higher tuition? Experience with the World War II G.I. Bill indicates that many profit-making, private, and public colleges will raise their charges if they can "capture" a great deal of federal aid. This would appear especially tempting for the approximately 5,000 profit-making schools now eligible for student aid. Financially pressed private colleges would also be tempted, and state legislatures as well as community college districts would also be under great pressure to raise their tuition. The effect would be to defeat the purpose of student aid, or force the federal government to carry a still larger share of costs previously borne by state and local governments and individuals.

d) If the federal government supported up to 75 percent of total college costs through direct grants, and over 90 percent if CWS and loans are included, would this lead to pressures for much more rigorous federal control, including auditing and possible cost containment? Proposals to impose cost containment in higher education, like similar plans in the hospital field, are already under discussion.

e) Would a massive increase in SSIG and state student aid funds take away from badly needed state appropriations for public colleges and force up public tuition? There is already some evidence that this is taking place.

AASCU believes that these and other questions need very careful study.

3. <u>Proposals for a Tuition Advance Fund or other form of student loan bank</u>. AASCU has strongly opposed proposals for a Tuition Advance Fund or student loan bank which could encourage the transfer of a very substantial share of the total cost of education to the student and result in enormous student debts to be repaid over many years.

AASCU would prefer a combination of federal and state policies which would make it possible for most college students, especially those from low- and moderate-income families, to attend college through a combination of parental help, earnings, BEOG, and CWS, without the necessity for loans. The other campus-based programs—SEOG and NDSL—as well as GSL should be strengthened as well, for those students needing additional help.

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## III. Recommendations AASCU is still reviewing.

1. Incentive payments to encourage holding down tuition. AASCU staff have developed a proposal which would reward public and private colleges which hold tuition increases below the Consumer Price Index increase, through small incentive payments. The payments would be made from the surplus in BEOG appropriations, with an assurance that all student needs for BEOG funds would be fully met.

This proposal is intended as a form of "maintenance of effort," to discourage price increases to "capture federal student aid." It is also intended as an alternative to proposals which would establish federal cost containment or price control over tuition increases.

AASCU has estimated that a $100 per FTE increase in tuition at every college would cost about $760 million, of which $200 million or more might be charged to the federal taxpayer through the additional demand created for federal student aid! Thus it is in the interest of the federal government to help hold down tuition, but no federal policy now addresses this question. Instead, federal student aid policy can encourage student aid increases, especially if state officials come to the erroneous conclusion that there is enough federal student aid available so that tuition can be raised without harm to any student.

AASCU is still reviewing the possibilities of an incentive payments proposals.

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# STATEMENT

# ON

# REAUTHORIZATION OF THE HIGHER EDUCATION ACT OF 1965, AS AMENDED

TO

SUBCOMMITTEE ON POSTSECONDARY EDUCATION
COMMITTEE ON EDUCATION AND LABOR

BY

DR. CHARLES E. TAYLOR
PRESIDENT
WILBERFORCE UNIVERSITY

FOR

THE NATIONAL ASSOCIATION FOR EQUAL OPPORTUNITY IN HIGHER EDUCATION (NAFEO)

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MAY 22, 1979

MR. CHAIRMAN, MEMBERS OF THE COMMITTEE, I AM DR. CHARLES E. TAYLOR, PRESIDENT OF WILBERFORCE UNIVERSITY IN WILBERFORCE, OHIO. I AM PLEASED TO APPEAR BEFORE YOU TODAY REPRESENTING THE NATIONAL ASSOCIATION FOR EQUAL OPPORTUNITY IN HIGHER EDUCATION (NAFEO) OF WHICH WILBERFORCE IS PROUD TO BE A MEMBER. WE APPRECIATE THE OPPORTUNITY EXTENDED TO US TO MAKE RECOMMENDATIONS CONCERNING REAUTHORIZATION OF THE HIGHER EDUCATION ACT OF 1965 AS AMENDED.

NAFEO REPRESENTS THE 105 HISTORICALLY BLACK COLLEGES THAT ENROLL MORE THAN 200,000 STUDENTS AND GRADUATE APPROXIMATELY 30,000 STUDENTS YEARLY WITH BACCALAUREATE DEGREES. OUR INSTITUTIONS, THOUGH CONSTITUTING A SMALL PERCENTAGE OF THE INSTITUTIONS OF HIGHER EDUCATION, PRODUCE APPROXIMATELY ONE-HALF OF ALL THE BLACK RECIPIENTS OF BACCALAUREATE DEGREES.

THE MEMBER INSTITUTIONS OF NAFEO HAVE ACCEPTED THE IMPORTANT NATIONAL MISSION OF PROVIDING OPPORTUNITIES IN HIGHER EDUCATION TO THOSE WHO ARE ECONOMICALLY POOR AND BEAR THE SCARS OF PREVIOUS EDUCATIONAL NEGLECT AT THE ELEMENTARY AND SECONDARY LEVELS. APPROXIMATELY 90 PERCENT OF OUR FULL-TIME STUDENTS QUALIFY AS LOW INCOME PARTICIPANTS IN FEDERAL FINANCIAL ASSISTANCE PROGRAMS, AND MOST OF THOSE WHO ARE NOT ELIGIBLE ARE SO, NOT BECAUSE THEY HAVE LARGE INCOMES, BUT BECAUSE THEY ARE FROM FOREIGN COUNTRIES. OUR OWN EXPERIENCE SUPPORTS THE RESEARCH WHICH DEMONSTRATES THAT

MOST LOW INCOME STUDENTS ARE FROM FAMILY AND SCHOOL BACKGROUNDS WHICH HAVE LEFT THEM EDUCATIONALLY AS WELL AS ECONOMICALLY DEPRIVED. THIS COMBINATION OF ECONOMIC AND EDUCATIONAL DEPRIVATION PLACES AN ENORMOUS ADDITIONAL BURDEN ON THE COLLEGES AND UNIVERSITIES WILLING TO ACCEPT THE RESPONSIBILITY AND CHALLENGE OF ASSISTING SUCH YOUNG PEOPLE IN THE PROCESS OF BECOMING PRODUCTIVE CITIZENS AND LEADERS WITHIN AMERICAN SOCIETY. IT IS IMPORTANT TO RECOGNIZE THAT THE KIND OF STUDENT WE SERVE MAKES VIRTUALLY EVERYTHING WE DO AT NAFEO INSTITUTIONS MORE COMPLICATED--ADMINISTERING FINANCIAL AID, KEEPING ACCURATE STUDENT RECORDS, REGISTRATION PROCEDURES, PROVIDING EXTRACURRICULAR ACTIVITIES, SUPPLYING ADEQUATE COUNSELING AND TUTORIAL SERVICES, HOUSING AND FEEDING STUDENTS, AND DEVELOPING APPROPRIATE EDUCATIONAL PROGRAMS.

IN LIGHT OF THE TREMENDOUS IMPACT OF FAMILY INCOME ON THE NEEDS OF PROSPECTIVE STUDENTS AND THE INSTITUTIONS WHO WOULD SERVE THEM, WE BELIEVE THAT THE FOLLOWING RECOMMENDATIONS AND ISSUES SHOULD BE GIVEN HIGH PRIORITY IN THE REAUTHORIZATION OF TITLE IV - STUDENT ASSISTANCE PROGRAMS.

A. <u>GENERAL PROVISIONS</u>

1. <u>AS IN PREVIOUS YEARS, THE RATIONALE FOR DISBURSEMENT OF TITLE IV FUNDS TO STUDENTS SHOULD BE FINANCIAL NEED.</u> SINCE THE EARLY INCEPTION OF THESE PROGRAMS, THE INTENT OF

THE CONGRESS WAS TO PROVIDE FINANCIAL ASSISTANCE FOR STUDENTS WHO, WITHOUT SUCH ASSISTANCE, WOULD BE UNABLE TO AVAIL THEMSELVES OF THE BENEFITS OF HIGHER EDUCATION. IT IS THIS CONCEPT THAT HAS ENABLED TITLE IV TO EXPAND FROM THE NDSL PROGRAM FUNDED AT SEVERAL MILLION DOLLARS IN 1958 TO THE ASSORTMENT OF PROGRAMS AND THE BILLIONS OF DOLLARS CURRENTLY BEING EXPENDED.

IN THE ABSENCE OF FINANCIAL NEED, THE PROGRAMS ARE RELEGATED TO A LEVEL OF CONVENIENCE AS OPPOSED TO NECESSITY, AND IN TIMES OF SCARCE RESOURCES, MAY NOT BE PROPERLY SUPPORTED BY THE PUBLIC.

FOR THIS REASON, IT SHOULD BE REQUIRED THAT ALL TITLE IV ASSISTANCE (NDSL, SEOG, CWS, BEOG, SSIG) WITH THE EXCEPTION OF THE GUARANTEED STUDENT LOAN PROGRAM, MEET A NEEDS TEST. FURTHER, THE METHOD OF ASSESSING FINANCIAL NEED SHOULD BE THE UNIFORM METHODOLOGY FOR DETERMINING THE ABILITY OF FAMILIES TO CONTRIBUTE TO THE COST OF A POST-SECONDARY EDUCATION, AS DEVELOPED AND ADOPTED BY THE NATIONAL TASK FORCE ON STUDENT AID PROBLEMS AND ANNUALLY UPDATED BY THE COALITION FOR THE COORDINATION OF STUDENT FINANCIAL AID PROGRAMS. THIS SYSTEM NOW CONSIDERS AND SHOULD CONTINUE TO CONSIDER BOTH INCOME AND ASSETS IN ATTEMPTING TO MEASURE FAMILY CONTRIBUTION.

B. STATE STUDENT INCENTIVE GRANTS

1. THE FEDERAL GOVERNMENT SHOULD URGE STATES TO PROVIDE

STUDENTS WITH GRANTS WITHOUT CONCERN FOR THE STATE IN WHICH THE STUDENT ATTENDS COLLEGE. THE GOAL OF MOST FINANCIAL AID PROGRAMS HAS BEEN BOTH ACCESS AND CHOICE. SINCE A PORTION OF THE FUNDS RECEIVED BY STUDENTS AS STATE GRANTS ORIGINATE FROM THE FEDERAL GOVERNMENT, THE STUDENT SHOULD BE ABLE TO USE STATE GRANT FUNDS OUTSIDE HIS STATE OF RESIDENCE. THIS WOULD HELP TO ENABLE LOW AND MIDDLE INCOME STUDENTS TO MAKE THEIR COLLEGE DECISION ON THE BASIS OF THE CONTENT OF THE EDUCATIONAL EXPERIENCE AND NOT ON THE AVAILABILITY OF STUDENT AID DOLLARS. NATIONAL PORTABILITY OF STATE GRANTS WOULD BE A MAJOR STEP TOWARD THE GUARANTEE OF ACCESS AND CHOICE FOR ALL STUDENTS.

### C. BASIC GRANT PROGRAM

1. LEGISLATION AUTHORIZING A FOUR PERCENT ADMINISTRATIVE ALLOWANCE FOR BASIC GRANTS SHOULD BE EXPANDED TO FIVE PERCENT OF THE AMOUNT DISBURSED TO STUDENTS. THE COST OF ADMINISTERING THE BASIC GRANTS PROGRAM AT THE CAMPUS LEVEL CONTINUES TO INCREASE. VALIDATION, INCREASED EDITS, REJECTED APPLICATIONS, AND OTHER ADMINISTRATIVE DEMANDS BY THE OFFICE OF EDUCATION CONTINUE TO PLACE MORE AND MORE RESPONSIBILITY FOR THE ADMINISTRATION OF THIS PROGRAM ON UNIVERSITIES. THE FEDERAL GOVERNMENT NEEDS TO ACKNOWLEDGE THE ROLE UNIVERSITIES PLAY AND PAY ITS SHARE (THE FEDERAL GOVERNMENT'S) OF THE COST OF ADMINISTRATION AT THE UNIVERSITY LEVEL.

2. THE NUMBER OF YEARS OF ELIGIBILITY FOR A BASIC GRANT SHOULD BE EXPANDED TO THE EQUIVALENT OF FIVE FULL ACADEMIC YEARS OR UNTIL RECEIPT OF A BACCALAUREATE DEGREE, WHICHEVER IS EARLIER. STUDIES SHOW THAT MANY STUDENTS REQUIRE FIVE YEARS IN ORDER TO COMPLETE THEIR ACADEMIC DEGREE. THIS IS ESPECIALLY TRUE OF MANY NEEDY STUDENTS, PARTICULARLY THOSE COMING FROM SEVERELY DISADVANTAGED ENVIRONMENTS WHERE SOME REMEDIAL WORK MAY BE NECESSARY BEFORE A STUDENT IS PREPARED TO ASSUME THE FULL COMPONENT OF COLLEGE REQUIREMENTS. TO RECOGNIZE THIS SITUATION, WE RECOMMEND THAT A BASIC GRANT BE AVAILABLE TO ALL STUDENTS FOR FIVE FULL YEARS.

D. FEDERAL PAYMENT OF INTEREST SUBSIDY ON GUARANTEED STUDENT LOANS SHOULD BE LIMITED TO THOSE ELIGIBLE FOR BEOG. THE UNDERLYING RATIONALE FOR TITLE IV FUNDING MUST REMAIN A FINANCIAL NEED. PRESENT PRACTICE DEVOTES TOO LARGE AN AMOUNT OF TOTAL FEDERAL STUDENT ASSISTANCE FUNDS TO THOSE WHO HAVE ACCESS TO OTHER RESOURCES.

E. CAMPUS-BASED PROGRAMS - GENERAL PROVISIONS

1. THRESHOLD LEVELS OF FUNDING FOR THE CAMPUS-BASED PROGRAMS SHOULD BE REAUTHORIZED AT INCREASED LEVELS. THESE PROVISIONS HAVE TRADITIONALLY INSURED A PROPER FUNDING BALANCE BETWEEN ENTITLEMENT GRANTS AND CAMPUS-BASED AID DOLLARS.

THE MIDDLE INCOME STUDENT ASSISTANCE ACT OF 1978 HAS

EXPANDED BOTH THE FINANCIAL NEED OF MIDDLE INCOME STUDENTS AND THE NUMBER OF MIDDLE INCOME STUDENTS ELIGIBLE TO PARTICIPATE IN TITLE IV PROGRAMS. IN ORDER TO PROVIDE ADEQUATE CAMPUS-BASED AID FOR THIS EXPANDED POPULATION WITHOUT SACRIFICING THE NEEDS OF LOW INCOME STUDENTS, IT IS IMPERATIVE THAT THRESHOLD FUNDING LEVELS BE REAUTHORIZED AT THE FOLLOWING LEVELS:

| | | |
|---|---|---|
| SUPPLEMENTAL EDUCATIONAL OPPORTUNITY GRANTS | - | $450,000,000 |
| COLLEGE WORK-STUDY | - | 600,000,000 |
| NATIONAL DIRECT STUDENT LOAN FEDERAL CAPITAL | - | 400,000,000 |

2. LEGISLATION AUTHORIZING A FOUR PERCENT ADMINISTRATIVE ALLOWANCE FOR THE CAMPUS-BASED PROGRAMS SHOULD BE EXPANDED TO FIVE PERCENT OF THE AMOUNT DISBURSED TO STUDENTS. AS FEDERAL DEMANDS FOR INCREASED INSTITUTIONAL ACCOUNTABILITY MOUNT, THE COST OF ADMINISTERING THESE PROGRAMS CONTINUES TO RISE. ADDITIONAL FEDERAL DOLLARS TO DEFRAY THESE COSTS ARE NECESSARY.

3. CONGRESS SHOULD CONSIDER A GRADUAL INCREASE OF THE MAXIMUM BEOG, BASED UPON COST-OF-LIVING INCREASES, TO $2,400 BY THE 1985 FISCAL YEAR. IT WILL BE NECESSARY TO INCREASE THE MAXIMUM BEOG SO THAT STUDENTS (AND FAMILIES) WILL BE ABLE TO KEEP PACE WITH INEVITABLE TUITION, FEES AND RELATED COST INCREASES. THE ABSENCE OF SUCH A FLEXIBLE PLAN WILL INVARIABLY DEPRESS OPPORTUNITIES FOR PARTICIPATION IN POST-SECONDARY EDUCATION BY MINORITY STUDENTS.

## F. NATIONAL DIRECT STUDENT LOAN PROGRAM

1. THE NATIONAL DIRECT STUDENT LOAN PROGRAM SHOULD BE CONTINUED INTACT UNTIL SUCH TIME THAT A BONA FIDE "LENDER OF SECOND RESORT" IS MADE AVAILABLE TO ALL STUDENTS REQUESTING LOAN ASSISTANCE. MANY STUDENTS FROM LOW INCOME AND DISADVANTAGED BACKGROUNDS ARE EXCLUDED FROM PARTICIPATION IN THE GUARANTEED STUDENT LOAN PROGRAM BY LENDER POLICIES AND UNAVAILABILITY OF FUNDS. FOR THESE STUDENTS, THE NATIONAL DIRECT STUDENT LOAN PROGRAM HAS BEEN THE ONLY SOURCE OF AVAILABLE LOAN ASSISTANCE. THE FEDERAL GOVERNMENT SHOULD CONTINUE TO CAPITALIZE THIS PROGRAM UNTIL SUBSTITUTE LOAN ASSISTANCE IS MADE AVAILABLE UPON REQUEST TO ALL LOW INCOME STUDENTS.

2. WE ARE IN FUNDAMENTAL AGREEMENT WITH SECRETARY CALIFANO'S PROPOSAL TO CREATE A SINGLE, COHERENT LOAN PROGRAM WITH INTEREST SUBSIDIES FOR LOW INCOME STUDENTS. THOUGH WE HAVE NOT YET SEEN A DETAILED PROPOSAL, AS WE UNDERSTAND IT, THE NEW PROGRAM WOULD BE ADMINISTERED BY COLLEGE FINANCIAL AID OFFICES, MAKING IT UNNECESSARY FOR STUDENTS TO "SHOP" FOR LOANS AT MANY BANKS. IT WOULD ENABLE FINANCIAL AID OFFICERS TO BETTER INSURE THAT STUDENTS' NEEDS ARE MET. AND IT WOULD RELIEVE THE COLLEGES OF THE BURDEN OF COLLECTING LOANS, A FUNCTION WHICH COMPLICATES THE COLLEGES' ALREADY DIFFICULT TASKS.

2. TEACHER CANCELLATION PROVISIONS SHOULD BE CONTINUED FOR TEACHERS WHO TEACH IN DISADVANTAGED SCHOOL DISTRICTS AND FOR TEACHERS OF THE HANDICAPPED. ALTHOUGH THESE PROVISIONS ALLOW DOLLARS TO BE LOST TO THE FUND, THEY CONTINUE TO ACT AS CONGRESS INTENDED AS INCENTIVES FOR TEACHERS TO SERVE IN AREAS WHERE THEY ARE MOST NEEDED.

G. COLLEGE WORK-STUDY PROGRAM

1. INSTITUTIONS SHOULD BE AUTHORIZED TO CARRY FORWARD UP TO 10 PERCENT OF AN ALLOCATION TO THE SUCCEEDING FISCAL YEAR, OR TO UTILIZE UP TO 10 PERCENT OF THE ALLOCATION FOR THE SUCCEEDING YEAR TO MEET CURRENT OBLIGATIONS.

WHEN PLACING STUDENTS ON THE CWS PROGRAM INSTITUTIONS ESTABLISH A LIMITATION OF EARNINGS WHICH IS THE MAXIMUM AMOUNT THE STUDENT CAN EARN. HOWEVER, FOR MANY REASONS, THIS MAXIMUM MAY NOT BE EARNED. THEREFORE, TO UTILIZE AVAILABLE FUNDS, FINANCIAL AID ADMINISTRATORS ARE CONSTANTLY MONITORING PAYROLL TOTALS. SINCE THE NUMBER OF STUDENTS ON THE PAYROLL MAY BE LARGE, AND WAGE RATES VARY CONSIDERABLY, IT IS DIFFICULT TO ESTIMATE PRECISELY WHAT THE TOTAL EARNINGS WILL BE.

ANY FAILURE TO MAKE PRECISE ESTIMATES RESULTS EITHER IN A SURPLUS WHICH THE INSTITUTION AND THE STUDENTS LOSE, OR EXCESS EARNINGS WHICH MUST BE PAID BY THE INSTITUTION FROM ITS OWN FUNDS, WHICH MAY NOT BE AVAILABLE, OR IF PROVIDED, CAUSE UNNECESSARY HARDSHIP ON THE INSTITUTION.

THE RECOMMENDATION OF 10 PERCENT IS TO ALLOW FOR ERRORS IN ESTIMATES WHICH OCCUR DESPITE THE BEST EFFORTS OF THE FINANCIAL AID ADMINISTRATOR.

H. SUPPLEMENTAL EDUCATIONAL OPPORTUNITY GRANTS

1. THE CUMULATIVE CEILING ON THE AMOUNT OF SEOG A STUDENT MAY RECEIVE SHOULD BE ELIMINATED. SINCE THE NUMBER OF YEARS A STUDENT MAY RECEIVE AN SEOG IS RESTRICTED, THE CUMULATIVE CEILING ON THE AMOUNT OF SEOG IS UNNECESSARY. A STUDENT SHOULD BE ELIGIBLE TO RECEIVE UP TO $1,500 PER YEAR FOR FIVE FULL ACADEMIC YEARS. THIS WOULD PROVIDE A STUDENT WITH MAXIMUM ASSISTANCE OF $7,500. THE CURRENT SYSTEM ALLOWS FOR A MAXIMUM OF ONLY $5,000.

2. INSTITUTIONS SHOULD CONTINUE TO BE ALLOWED TO MATCH SEOG FUNDS WITH OTHER FEDERAL AID DOLLARS. THE SEOG PROGRAM WAS DESIGNED FOR STUDENTS OF "EXCEPTIONAL FINANCIAL NEED." SUPPLEMENTAL GRANT ASSISTANCE CONTINUES TO BE NEEDED BY LOW INCOME STUDENTS IN ORDER TO PROVIDE AN APPROPRIATE BALANCE BETWEEN SELF-HELP AND GRANT ASSISTANCE. ANY REQUIREMENT RESTRICTING ELIGIBLE MATCHING FUNDS WOULD DEFEAT THIS PURPOSE AND UNDERMINE THE INTENT OF THE PROGRAM.

I. TRIO PROGRAMS SHOULD BE CONTINUED IN ORDER TO IDENTIFY AND ASSIST POTENTIAL STUDENTS FROM LOW INCOME FAMILIES. SPECIAL PROGRAMS FOR STUDENTS FROM DISADVANTAGED BACKGROUNDS, UPWARD BOUND, AND TALENT SEARCH HAVE EACH PLAYED AN IMPORTANT ROLE IN PROVIDING ACCESS TO HIGHER EDUCATION FOR YOUNG PEOPLE

WHO HAVE ACADEMIC POTENTIAL BUT MIGHT NOT OTHERWISE ATTEND COLLEGE.

J. <u>LEGISLATION PROVIDING ASSISTANCE TO INSTITUTIONS OF HIGHER EDUCATION SHOULD BE REAUTHORIZED AND FUNDED AS SOON AS POSSIBLE.</u> THIS PROGRAM COULD PROVIDE DUE RECOGNITION OF THE VERY REAL AND EXCEPTIONAL FINANCIAL BURDENS WHICH ACCRUE TO INSTITUTIONS AS A DIRECT CONSEQUENCE OF THEIR HAVING LARGE NUMBERS OF LOW INCOME STUDENTS. THE ADMINISTRATIVE ALLOWANCES ASSOCIATED WITH STUDENT ASSISTANCE ARE WHOLLY INADEQUATE AS A MEANS OF ASSISTING INSTITUTIONS WITH LARGE PERCENTAGES OF LOW INCOME STUDENTS. THROUGH THIS AUTHORIZED, BUT NEVER FUNDED, PROGRAM THE FEDERAL GOVERNMENT COULD DEMONSTRATE ITS COMMITMENT TO ASSISTING THOSE INSTITUTIONS WHICH ARE STRIVING TO MEET THE NATIONAL NEED OF PROVIDING EQUAL EDUCATIONAL OPPORTUNITY FOR ALL.

IN CONCLUSION, I WOULD LIKE TO REITERATE ONCE AGAIN OUR BASIC CONTENTION THAT FEDERAL STUDENT ASSISTANCE PROGRAMS SHOULD BE DESIGNED TO DISBURSE FUNDS--WHETHER THEY BE IN THE FORM OF GRANTS, LOANS OR PAYMENTS FOR WORK--IN ACCORD WITH THE FINANCIAL NEED OF STUDENTS. WHILE THERE CAN BE LITTLE DOUBT THAT MIDDLE INCOME FAMILIES ARE EXPERIENCING FINANCIAL PRESSURES DUE TO INFLATION, IT WOULD BE A GRAVE INJUSTICE TO PROVIDE FINANCIAL ASSISTANCE TO STUDENTS WHO ARE RELATIVELY WELL-OFF BY TAKING SUCH FUNDS AWAY FROM THE POOR. THUS, WHILE WE DO NOT IN PRINCIPLE OPPOSE THE

BROADENING OF FEDERAL FINANCIAL AID TO ASSIST A WIDER POPULATION, WE MUST BE REALISTIC ABOUT THE FACT THAT, APART FROM MASSIVE INCREASES IN APPROPRIATIONS, SUCH BROADENING CAN ONLY BE DONE AT THE EXPENSE OF LOW INCOME STUDENTS AND THE COLLEGES THAT MAKE IT A PART OF THEIR MISSION TO SERVE SUCH STUDENTS.

COLLEGES AND UNIVERSITIES REPRESENTED BY NAFEO ARE FUNDAMENTALLY COMMITTED TO PROVIDING EDUCATIONAL OPPORTUNITIES TO MANY WHO WOULD OTHERWISE BE UNABLE TO PURSUE THEIR ASPIRATIONS FOR CAREERS REQUIRING COLLEGE EDUCATION. WE URGE THE CONGRESS TO SERIOUSLY CONSIDER OUR RECOMMENDATIONS FOR IMPROVING THE TITLE IV STUDENT ASSISTANCE PROGRAMS.

## ESTIMATED DISTRIBUTION OF SSIG ALLOTMENTS BY STATE
## FY 1977 - FY 1978

| | FY 1977 Allotments & Reallotments | FY 1978 Basic Allotments |
|---|---|---|
| GRAND TOTALS | $59,969,617 | $63,750,000 |
| Alabama | 272,850 | 950,733 |
| Alaska | 0 | 75,046 |
| Arizona | 633,608 | 949,458 |
| Arkansas | 267,000 | 372,056 |
| California | 10,010,343 | 10,236,372 |
| Colorado | 785,796 | 834,908 |
| Connecticut | 789,435 | 810,605 |
| Delaware | 160,563 | 170,598 |
| District of Columbia | 436,597 | 463,884 |
| Florida | 1,859,362 | 1,901,344 |
| Georgia | 1,103,041 | 1,127,946 |
| Hawaii | 154,768 | 248,378 |
| Idaho | 180,805 | 206,157 |
| Illinois | 3,079,645 | 3,149,182 |
| Indiana | 1,185,655 | 1,212,426 |
| Iowa | 644,359 | 661,639 |
| Kansas | 675,344 | 690,593 |
| Kentucky | 742,244 | 759,003 |
| Louisana | 297,444 | 864,715 |
| Maine | 226,005 | 231,107 |
| Maryland | 1,070,957 | 1,099,677 |
| Massachusetts | 2,105,428 | 2,161,890 |
| Michigan | 2,640,905 | 2,711,728 |
| Minnesota | 1,142,037 | 1,167,824 |
| Mississippi | 532,081 | 554,711 |
| Missouri | 1,213,580 | 1,246,126 |
| Montana | 164,940 | 175,249 |
| Nebraska | 409,049 | 420,019 |
| Nevada | 81,176 | 203,344 |
| New Hampshire | 207,757 | 220,741 |
| New Jersey | 1,602,365 | 1,638,545 |
| New Mexico | 280,700 | 299,011 |
| New York | 6,137,049 | 6,275,620 |
| North Carolina | 1,285,213 | 1,370,509 |
| North Dakota | 159,682 | 163,287 |
| Ohio | 2,321,361 | 2,383,616 |
| Oklahoma | 881,522 | 936,617 |
| Oregon | 771,444 | 788,862 |
| Pennsylvania | 2,593,301 | 2,651,857 |
| Rhode Island | 326,103 | 346,484 |
| South Carolina | 730,958 | 776,643 |
| South Dakota | 118,000 | 172,868 |
| Tennessee | 996,835 | 1,019,343 |
| Texas | 3,307,966 | 3,382,659 |
| Utah | 439,036 | 466,475 |
| Vermont | 150,426 | 153,822 |
| Virginia | 1,232,897 | 1,309,953 |
| Washington | 1,219,131 | 1,246,658 |
| West Virginia | 414,268 | 423,622 |
| Wisconsin | 1,320,422 | 1,350,236 |
| Wyoming | 8,178 | 97,353 |
| American Samoa | 3,535 | 3,629 |
| Guam | 18,838 | 20,015 |
| Puerto Rico | 564,994 | 580,146 |
| Trust Territory | 3,663 | 2,426 |
| Virgin Islands | 8,956 | 10,950 |
| Northern Marianas | 0 | 1,335 |

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[12] Data was collected as of October, 1978, by the SSIG Program Office.

Office of the Academic Dean
Telephone 901 / 989-4611

Freed-Hardeman College
Henderson, Tennessee 38340

June 4, 1979.

The Honorable William D. Ford, Chairman
Subcommittee on Post Secondary Education
Committee on Education and Labor
U. S. House of Representatives
Washington, DC 20515

Re: BEOG "self-help" provisions

Dear Congressman Ford

I have read with interest the arguments for requiring needy students to provide up to $1,000 per year as a "self-help" student aid component. It seems reasonable that students should work and contribute to the cost of their education. They will do this, of course, as they repay their loans.

Permit me to urge consideration of the potential impact of program changes on students and colleges as it relates to summer school attendance. Disadvantaged students sometimes need to attend summer school for developmental studies, to repeat courses in which they have low or failing grades, or to spread their workload over an additional term so they can cope with it--perhaps along with work or other responsibilities. Other students wish to accelerate their completion of their degrees so they will be able to repay loans from higher earnings as graduates. Both groups, but especially the latter, which includes many ambitious low-income students, are already hindered by laws and regulations which calculate grants as a fixed amount per calendar year, regardless of whether the student attends two or three semesters (or three or four quarters).

Use of faculty and facilities in the summer is the kind of resource utilization which ought to be encouraged for economic and educational reasons. Instead of structuring student financial aid to expect students to work in the summer (competing for limited and often low-paying jobs), the administration and the Congress should be developing programs to encourage and support summer enrollment by those who need or wish to use this time to greatest advantage.

As has been pointed out in recent testimony, a "self-help" work or earnings requirement will affect most directly those who may need to concentrate on their studies rather than on work and those least able to raise help from their families or to find profitable work. The increased work-study funds being made available help many students to work part-time during the fall-to-spring academic year, but intensive summer sessions often allow little time for such work. Supplemental grants or authority to grant or lend more than a fourth of the total allowable for an undergraduate program when the student is seeking a degree in less than four years would be desirable.

Sincerely

J. D. Thomas
Vice President for Academic Affairs

JDT/ds

cc: E. Claude Gardner, President
Joe P. Hardin, Director of Financial Aid
Salvatore Paratore, George Washington University
James Sasser, U. S. Senator
Joseph A. Califano, Jr., Secretary of Health, Education, & Welfare

# REAUTHORIZATION OF THE HIGHER EDUCATION ACT AND RELATED MEASURES

## Part 4—Student Financial Assistance: Grants

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THURSDAY, MAY 24, 1979

U.S. HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON POSTSECONDARY EDUCATION,
COMMITTEE ON EDUCATION AND LABOR,
*Washington, D.C.*

The subcommittee met, pursuant to notice, at 9:30 a.m., in room 2261, Rayburn House Office Building, Hon. Ted Weiss presiding.

Members present: Representatives Weiss, Buchanan, Tauke, and Petri.

Staff present: Thomas Wolanin, staff director; Patricia Rissler, deputy staff director; William Clohan, minority assistant education counsel; and Jennifer Vance, minority legislative associate.

Mr. WEISS. Good morning. The subcommittee on Postsecondary Education will come to order for the purpose of continuing hearings on reauthorization of the Higher Education Act and related matters.

Today will be our final hearing on the programs of grant assistance authorized by title IV, the basic educational opportunity grant, the supplemental educational opportunity grant, and the State student incentive grant.

Our witnesses this morning will include individuals particularly concerned with nontraditional education and lifelong learning as well as representatives of State programs who are most interested in the State student incentive grant program.

I understand our first witness will be introduced by our distinguished colleague from Alabama, Mr. Buchanan.

Mr. BUCHANAN. Thank you.

Dr. Thomas Hearn is vice president of the University of Alabama. He is speaking on behalf of the National University Extension Association. I have known him for many years. He is a man of fine ability and a natural leader. We are very proud of him.

Mr. WEISS. Thank you.

I understand joining him will be Mr. Ayers, trustee, Council of Assessment for Experiential Learning, Massasoit Community College, Brockton, Mass.

## STATEMENT OF THOMAS R. HEARN, VICE PRESIDENT, UNIVERSITY OF ALABAMA-BIRMINGHAM, NATIONAL UNIVERSITY EXTENSION ASSOCIATION; GEORGE AYERS, TRUSTEE, COUNCIL OF ASSESSMENT FOR EXPERIENTIAL LEARNING, MASSASOIT COMMUNITY COLLEGE, BROCKTON, MASS., ACCOMPANIED BY MICHAEL GOLDSTEIN, COUNSEL, COALITION FOR ALTERNATIVES IN POSTSECONDARY EDUCATION

## STATEMENT OF THOMAS R. HEARN, VICE PRESIDENT, UNIVERSITY OF ALABAMA-BIRMINGHAM, NATIONAL UNIVERSITY EXTENSION ASSOCIATION

Mr. HEARN. Thank you. The testimony is in the record, I believe. I shall simply make a few comments by way of emphasis and interpretation.

Mr. WEISS. Without objection, the statement will be entered into the record.

[The prepared statement of Mr. Hearn follows:]

## PREPARED TESTIMONY OF DR. THOMAS R. HEARN, VICE PRESIDENT, UNIVERSITY OF ALABAMA AT BIRMINGHAM, BIRMINGHAM, ALA., ON BEHALF OF NATIONAL ASSOCIATION OF STATE UNIVERSITIES AND LAND-GRANT COLLEGES AND THE NATIONAL UNIVERSITY EXTENSION ASSOCIATION

Mr. Chairman, I am Thomas R. Hearn, Vice President of the University of Alabama at Birmingham. I am speaking for the organizations listed on the cover page of this testimony.

We are addressing ourselves to the financial needs of adult part-time students and the inadequacies of student aid programs in serving their needs. On May 9 Jerold Roschwalb spoke about the needs of less-than-half-time students. He presented our recommendations for aid to those students. Today we want to discuss adult students who are enrolled half-time or more. Most of what Mr. Roschwalb has said about less-than-half-time students applies as well to the adults who are studying half-time or more. The difference is that some of these people are able to arrange their work and family responsibilities to take half or more of a full course load and some are not. Of course, another difference is that the half-time-or-more students are now eligible to participate in student aid programs. We will discuss needed changes in the program to enable the programs to serve the needs of this segment of the student body more effectively.

We have used the word "adults." This term does not adequately describe the students on whom we are focusing our attention. We are talking about people who have jobs and family responsibilities and who because of these can not all be full-time students. A high proportion are part-time students but they do not constitute all of the body of part-time students. Most of them are considered "independent" students in student aid programs; therefore, we will discuss provisions in student aid and programs for "independent students" and "part-time students."

The "independent," "non-traditional," adult part-time students are dedicated, hard-working, tax-paying citizens trying to advance in their work, prepare for better jobs, become more productive citizens and enjoy more satisfying lives. They see education as an important means of achieving these objectives.

Page 2

Included among these students and potential students are such people as these:

-- Working men and women who, when they graduated from high school, were unable to go to college or were not motivated to do so and who, in later years, often with low incomes and family responsibilities, want to prepare for better lives through education as part-time students.

-- Divorced and widowed mothers who must support their families and need education and training to get jobs and to escape a welfare existence.

-- Women whose family responsibilities are at a stage permitting them to enter the work force but who need education to do so.

-- People in mid-career in fields of declining employment who must prepare for new careers.

-- People who seek new careers with greater opportunity in which they can be more productive and better citizens.

The available data do not well describe this population of students and potential students. However there are data that suggest the size and characteristics of this part of the student body.

Numbers of Part-time Students

Accoring to NCES data in 1975, 3.6 million people enrolled in courses for credit as part-time students at two year and four year educational institutions. Of those about 1.6 million had completed 4 years of college. Half of this group had family incomes of less than $15,000. About three fourths were less than 35 years old. A high proportion of the part-time students are "independent" according to Office of Education criteria.

Preliminary NCES enrollment data for 1979 indicate that of 11.3 million students enrolled at all institutions, about 41 percent are enrolled on a part-time basis.

Other data indicate that approximately 60% of the part-time students are half-time or more.

Assuming the 1979 students are 55% at the undergraduate level as in 1955 and that 60% are half-time or more, the 1979 population of part-time undergraduate students who are half-time or more would appear to be about 1.6 million, or 14 percent of the undergraduate student population.

Numbers of Independent Students

Bureau of the Census data for the spring of 1976 indicate that of about 10 million students, 44 percent were heads of households or spouses -- mostly "independent."

Unpublished census data for 1975 indicate that of the students who were heads of households or spouses, 43 percent had family incomes of less than $15,000, compared to 23 percent of the dependent students. Combining these data it appears that about 190,000 students are heads of households or spouses with family incomes of less than $15,000.

Income and Family Size -- Independent Students

Office of Education data shed some light on the size of the families of independent students and their incomes. The data describes those students who applied for BEOG grants. Of course many did not apply. The applicants included about one and a half million full-time students and 900,000 part-time students. About 60 percent of the part-time and 75% of the full-time independent students who applied had incomes of less than $15,000.

Of all the independent students who applied 20 percent were single independent students. About 25 percent had a family size of 2 and 55 percent a family size of three or more. The applicants with a family size of three or more and family income below $15,000 were 38 percent (600,000 applicants) of all applicants.

These data, of course, are not enough to tell us the extent of financial need. But they do indicate the magnitude of it. (More complete data are included in Attachment A).

In summary it is clear that there are large numbers of working people with family responsibilities who study as full-time or less-than-full-time students and who manage somehow to do so on very limited incomes. We have attached to our testimony a brief description of a few of these people to illustrate their situations in more human terms than do the statistics.

No one knows how many more people like these would become students if they had more adequate help with their costs of education. There have been several studies that indicate that the cost of education is the major deterrent for many people who want to study as part-time students.

For example, the Vice Provost at the University of Cincinnati reports that "our records indicate that over 45% of the students registering through continuing education at the University of Cincinnati for the first time request financial assistance. Winter quarter of 1979, the only people who did not complete enrollment (who were seen by a counselor) were those who could not go to college without financial assistance." He also reported that in a recent survey in Cincinnati, 35% of the people who wanted to enroll did not do so for financial reasons. A study of prospective adult students in Youngstown, Ohio, a city with heavy unemployment, indicated that 56% did not enroll because of the costs of education. No one knows how many of these people would actually become students if more adequate student aid were available.

We commend this committee for its interest and action in behalf of independent students. The provision in the Middle Income Student Assistance Act to provide more adequate subsistence allowances in BEOG programs for single independent students was a major step in providing more equitable treatment of single independent students. The provision in MISAA requiring the same treatment of assets for independent students with dependents and dependent students in determining eligibility is another important step. Your action to assure financing of these provisions this year demonstrated again your interest.

We believe that as you reauthorize the Higher Education Act you should seriously consider additional steps to provide more adequate service to the needs of independent students -- particularly those with jobs and family responsibilities.

One must of course look at the whole package of student aid programs. Student loan programs serve independent (adult) students who study half-time or more. We see no need to change these programs for the independent (adult) students. However, many of these independent (adult) students are already heavily in debt and reluctant to take on more. Also the financial needs of part-time students are generally small compared to dependent full-time students and this leads to small high cost loans. For these reasons loans can meet only a part of the need.

Work study programs are of little value, if any, to people with full-time jobs or family responsibilities and studying on a part-time basis.

State programs of student aid help some of these students but generally these programs are administered to help mainly dependent full-time students.

Among the present programs we believe the BEOG and the SEOG programs are best suited to serving the needs of this adult population whose needs we are discussing. The remainder of our testimony is devoted to needed changes in those programs.

We believe that a definition of the public interest is basic to changes in the BEOG and SEOG programs. We are talking about the education of such people as a widowed mother who wants an education to get a better job to enable her to support and educate her children, or a 30 year old man with a wife and children who wants education to prepare for a better job. We are talking about people who are highly motivated, who have a real purpose in their quest for education. We propose that support of the education of these people is in the public interest as is support of the education of 18-22 year old full-time students. We further propose that equity demands fair and equal treatment of these students as compared to their 18-22 year old counterparts. If you concur in this interpretation of the public interest, if this is the public policy, we think this needs to be expressed clearly in your legislation. Such an expression of policy and interest is needed to help change the attitude of those who believe aid should be given mainly to help parents educate their children. A clear statement of policy is needed to help those who manage student aid root out all of the detailed practices that result in inequitable treatment of independent (adult) students and part-time students.

Earlier we submitted to your committee specific legislative language for implementing this interpretation of the public interest, for additional steps beyond those in MISAA, to provide equitable treatment in BEOG and SEOG programs for independent and part-time students. We will not repeat here the details presented in our earlier submission.

At the heart of the problem are the assessment rates applied to discretionary income in determining expected family contribution. Clearly, in a given family a given expenditure for education has the same effect on the family living when a parent is a student as when a child is a student. A 40% or 50% assessment rate in one case and a 10.5% rate in the other case represents a considerable inequity in the treatment of these independent students, even though the dependent student may be expected to generate some income and apply all of that to the cost of education. For fully equitable treatment we recommend the same assessment rate for income of independent students with dependents as for parental income in the case of dependent students.

In the case of the single independent student your recent action in raising the subsistence allowance has made great progress toward equitable treatment. We believe however, that further improvement may be needed through a lowering of the 75% assessment rate on income. We do not have data to tell us just how single independent students should be treated to provide equity. We believe the commissioner should make a special study of this issue and then develop an appropriate "expected family contribution schedule" for these students.

The computation of costs of education used in determining the amounts of student aid for independent and part-time students should be studied and revised. Costs of room and board certainly should reflect the fact that these students live at home but have some additional costs because of their being students. Also the student case studies attached to this testimony demonstrate that some students have important costs of commuting to class and of child care while the mother is attending class. Cost computations based on these realities would provide greater equity. When realistic costs of part-time students are used in the calculations, the requirement that the grant computed should be reduced by 1/2 for a half-time student should be revised. Substituting a ceiling of one half of the amount a person would receive as a full-time student would avoid some inequities.

We further recommend reduction of the $200 minimum applied to grants. For some independent part-time students, amounts below $200 make the difference between being a student or not.

Obviously you must be concerned about the costs of any changes in the student aid programs, as are we. Our recommendation concerning the reduction of assessment rates on income of independent students with dependents would be the more costly of the changes we recommend, as these lower rates are applied to full-time and part-time students and as improved benefits enable more working adults to become part-time students and some part-timers to become full-time.

Professor Allan Wagner of Purdue University has estimated that equalizing the assessment rates on discretionary income for independent students with dependents with rates applied to the income of parents of dependent students would result in the following additional costs in BEOG programs: for part-time students $209 to $238 million (including grants to students induced to enroll by increased aid); for full-time students $315 to $530 million (including grants to students induced to enroll by increased aid).

We believe that equitable treatment of the various categories of needy students should be provided at all levels of appropriation for student aid. However, we recognize the reality that such increases in aid to independent students would require a reduction in the size of grants to some other students, in the absence of an Appropriations increase to cover these added costs. We recognize that it is not realistic to suggest such reductions in grants. The Congress may consider other changes in student aid programs that will increase the need for funds. We strongly recommend that improved equity in the treatment of independent students have high priority among such changes. If funds are not available to finance any cost-increasing changes now, the Congress might provide for phasing in these increases as it becomes possible to provide increased appropriations.

## ATTACHMENT A

### Independent Students Who Applied for BEOG's, 1976-77*

| FAMILY INCOME | FULL-TIME STUDENTS | | PART-TIME STUDENTS | |
|---|---|---|---|---|
| $ 0 - 4000 | 14.3% | 226,134 | 5.9 | 52,809 |
| 4001 - 6000 | 12.6 | 199,744 | 7.3 | 65,541 |
| 6001 - 7500 | 10.1 | 159,921 | 6.9 | 62,314 |
| 7501 - 10,000 | 12.5 | 197,215 | 12.2 | 109,475 |
| 10,001 - 12,000 | 9.9 | 156,287 | 10.8 | 96,743 |
| 12,001 - 15,000 | 16.0 | 252,998 | 18.0 | 160,940 |
| 15,001 - 20,000 | 14.1 | 223,447 | 21.4 | 191,783 |
| 20,000 + | 10.5 | 164,662 | 17.5 | 157,264 |
| | 100 | 1,580,408 | 100 | 896,869 |

*Based on Office of Education Data

### Independent Students by Family Income and Family Size, 1976-77*

| FAMILY INCOME | FAMILY SIZE | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8+ |
| 0 - 4000 | 162,345 | 54,115 | 34,031 | 15,900 | 6,416 | 3,068 | 1,395 | 1,674 |
| 4001 - 6000 | 88,340 | 56,240 | 50,935 | 37,140 | 19,366 | 7,959 | 3,183 | 2,122 |
| 6001 - 7500 | 58,488 | 57,371 | 46,210 | 29,243 | 15,403 | 8,706 | 4,241 | 3,572 |
| 7501 - 10,000 | 55,817 | 87,713 | 67,472 | 49,377 | 23,922 | 11,960 | 5,520 | 4,907 |
| 10,001 - 12,000 | 29,858 | 75,656 | 54,148 | 46,810 | 24,038 | 11,892 | 5,567 | 5,061 |
| 12,001 - 15,000 | 33,115 | 117,558 | 86,099 | 89,410 | 43,464 | 23,595 | 10,762 | 9,935 |
| 15,001 - 20,000 | 24,499 | 104,638 | 74,326 | 102,977 | 54,395 | 28,236 | 13,287 | 12,872 |
| $20,000 + | 41,528 | 64,707 | 55,371 | 69,214 | 44,747 | 23,500 | 11,267 | 11,589 |

*Based on Office of Education Data

## ATTACHMENT B

## Case Studies Demonstrating Needs

Many colleges and universities conduct special programs to serve needs of adult students. The experience of Kingsborough Community College, Brooklyn, New York, illustrates situations they encounter.

Gene Flannigan, dean of Continuing Education, Kingsborough Community College, reports that Kingsborough has four special programs designed to encourage adults to continue their educations. In each instance, adults <u>are</u> encouraged; but many must abandon their plans when they discover that there is no financial aid available to them.

1. 400 adults earned their high school diplomas this year through a special high school equivalency degree program sponsored by Kingsborough. After earning their diploma, students have a counseling program available to them in which they discuss their possible entry into college. These students are motivated, especially after completing their HED's. They are discouraged and dismayed when their expectations have been raised to continue their education and they have to come up with $300 or $400. Most of them can not do so. They do not meet the criteria for federal financial aid. In addition, there is no state aid in New York for half-time students.
2. Kingsborough has a very large and successful Women's Reentry Program which is non-credit and serves about 10,000 people a year. Counselors from Kingsborough often attend these sessions and talk with women about continuing their education on a credit basis. One of the major obstacles to overcome with these women is the guilt which accompanies their going to school - doing something for themselves and not their families. Once this is overcome and they accept the fact that by continuing their education they are doing something positive for their families, as well as for themselves, these women are stopped dead in their tracks by a lack of student financial aid. Transportation and child care costs impose an especially severe burden.

ATTACHMENT B (CONTINUED)

3.) Kingsborough runs a series of programs called "Learning to Decide and Deciding to Learn," which has caused many adults to surface who want to continue their education. Again, many of them are frustrated by the expense.

4. A fourth and final program Kingsborough runs to assist adults is a series of career seminars and career nights for those in non-credit programs. Participants discuss what they can realistically expect job-wise after completing a certain amount of education. Here again, expectations are raised but the financial aid is not available.

Facts bear out that when tuition was instituted at the City University of New York, of which Kingsborough is a part, the students who were forced out in the greatest numbers were part-time adult students who were ineligible for federal student aid and who were not served by state student aid.

B. The following brief descriptions of a few adult students at several institutions illustrate their problems, the needs and the great variety of situations they face:

1. 30 year old female, single, has a 6 year old child. 1977 adjusted gross income: $2792. She works as a teachers aide. She is in her senior year of a bachelors degree in sociology and is hoping that this credential will help her attain a better paying job on a full time basis. Although she has help from welfare for medical needs, there is no extra room in her small income to pay for tuition, books, childcare and transportation for one course a quarter. She is unable to take more than one course per quarter because her job and child consume the rest of her time. So, although she financially qualifies for BEOG, she is unable to use it on such a part-time basis.

ATTACHMENT B (CONTINUED)

2. 56 year old female, married, has two teenage children. Her husband is totally blind and an amputee who requires additional care from her. Their small business and his social security benefits amounted to an adjusted gross income in 1978 of $6895. They have started a small craft and second hand business and she is trying to complete a certificate in marketing at the University which she feels will give her the necessary skills in bookkeeping, selling techniques and small business operations that will make their business a success. Because of the time involved in the shop, with their children and her husband, she is unable to take more than one course per quarter. Although her income qualifies her for BEOG, her part-time status disqualifies her from receiving the financial help she needs to pursue her education.

3. 45 year old female, single, works as a nursing assistant. Her 1977 adjusted gross income was $3600. She is working for her R.N. degree which will help her find a better job at a much higher salary. She is just starting better back to school after many years and with a full time job, does not feel that she can do well in more than one course at a time. When she has completed some of the difficult prerequisities and is formally admitted to the program, she feels she will be able to attend on a full-time basis. With additional special expenses, she does qualify for BEOG, but her inability to take enough credits prevents her from receiving this assistance.

4. 28 year old female, recently divorced with 4 children. Her 1977 adjusted gross income was $7734. She has just been employed as a Jr. account clerk and is trying to work on an accounting certificate at the University which will qualify her for a promotion upon completion. However, with 4 children and just beginning a new job, she does not feel that she can do justice to

ATTACHMENT B (CONTINUED)

more than one course at a time. So her part time status will prevent her from obtaining BEOG.

5. 27 year old male, married, one child. His 1977 adjusted gross income was $5385. He works as a janitor. He is in his senior year of a combination Business/English program, which he is hoping will help him into a better paying job. His job and family do not allow him enough time to take more than one class per quarter. Therefore, he cannot qualify for BEOG. In an attempt to continue his education, he tries to save enough money to take a course every two or three quarters. This is causing him to take two or three time the usual amount of time to finish his degree.

6. 23 year old female, married, has 2 small children. 1977 adjusted gross income was $9798. Her husband is an apprentice carpenter six days a week. They have $70/month medical bills. She is trying to work on a Commercial Art Certificate in preparation for a job which will help them meet these monthly expenses. However, with the main responsibility for two children, she does not feel she can afford the time for more than one course per quarter. Although, she would qualify for a small BEOG award, her part time status will prevent her from receiving it.

7. 31 year old male, married, one child. His 1977 adjusted gross income was $3960. He is a picture framer and self employed carpenter. He has approximately 20 credits remaining to complete a BA degree. Because of the time he feels he must spend with his family and business, he is unable to take more than one course per quarter. Therefore BEOG cannot cover his tuition expenses.

8. 28 year old female, married, no children. Their 1977 adjusted gross income was $4000. She and her husband are houseparents in a group home for retarded adults. She is at the end of her sophomore year working on a bachelors degree in psychology. Because of the nature of her job she cannot be away from the

ATTACHMENT B (CONTINUED)

home and spending the time to study more than one course per quarter. Although they have no unusual payments, monthly rent ($110/mo) health insurance and car payments leave no extra money for tuition, book, and transportation to school. Although her income qualifies her for assistance from BEOG, her part time status prevents her from receiving it.

9. 31 year old female, married, 2 children, not employed, husbands salary $15,000 to $17,000, drives 25 miles one way, seeks B.S. in elementary education, has completed 11 hours, hopes to complete degree in 1984-85, costs of commuting and child care $100/month, grade point average 3.8, no aid.

10. 29 year old female, single, 4 children. Income less than $10,000, works 20 - 30 hours per week, child care cost $40/week, has earned 80 hours credit toward degree in social work, 3.9 average, eligible for small BEOG.

11. 28 year old female, married, 2 children. Family income $15,000, seeks B.S. in recreation, completed 38 hours, expects to complete degree in 1983. Child care expenses $100 per semester, no aid.

12. 40 year old widow, 4 children, $9800 income, $3000 equity in house, not eligible for aid.

13. 24 year old female, married, no children, $900 family income, $4500 debt, no assets, quit job to go school. Not eligible for BEOG. Obtained $340 loan.

14. 25 year old male, 1 child, $3600 income, $22,000 equity in house, ineligible for BEOG.

15. 33 year old male, married, 2 children, $9800 family income, have equity $6600, not eligible for BEOG.

Mr. HEARN. The traditional conceptions of postsecondary education were obviously common to the experience of this culture in education for many years, and that is, it belonged to a definite period in a person's life. At this point a career choice was to be made which would be subsequently exercised through the rest of one's life and it was mainly to be available to those who could receive substantial or total parental subsidies.

Almost everything about that pattern has now changed. Education is a lifelong process. Career change is the order of the day. Most of the technical vocations are requiring not only certification for entry into education but recertification periodically through the periods of one's career.

Perhaps nothing is more important in the disruption of this pattern than the necessity that higher education now be open to the nonaffluent. It is difficult to understand what the solution to any of our fundamental social problems can be which does not involve the availability of postsecondary education to a larger and larger group of our citizens.

These changes in this pattern of higher education have responded not only to the personal needs of our citizens and the social needs of our body politic but obviously to things having to do with the knowledge explosion itself and the inability of traditional modes of education to deliver enough information and skill during traditional periods and the changes in the technical vocations themselves.

Now, the testimony you have before you is partly complicated by the fact that it describes numerous student groups which are overlapping and which are nondiscrete in their references. We are talking about the independent student, about the adult student, about the nontraditional and part-time students. But what it boils down to, of course, is the working student—is the student who must integrate educational experiences with other life responsibilities. And this group of working part-time students, however we describe them, comprise over 40 percent of the total students involved in postsecondary education in the United States.

At my institution, the University of Alabama, they constitute some 55 percent of our student population.

Now, the issue of most significance in the testimony concerns the rate of assessments and discretionary income, that is the amount the student is expected to contribute toward his or her education from the available family resource. That rate is about 10.5 percent for the full-time dependent student. For the independent student that ranges from 50 or 40 to 75 percent.

To give you some graphic illustrations of the inequities and the problems which this creates for people, I have brought a couple of anecdotal examples from our own student aid office. There is at our university a widow and her son both of whom are students in our university. Based on the family income, the family is expected to contribute $400 toward the son's educational experience. But the family is expected to contribute $2,600 toward his mother's education out of the same discretionary family income. That is $2,600 of a total of $4,200 available discretionary moneys. Now, that is the kind of inequity which it seems to me is sorely in need of redress.

A different example, there is a divorced woman, an employee of our university. She makes $8,600 a year as a secretary. Under the present authorization she qualifies only for loans. Unfortunately her recent divorce has left her heavily in debt and, therefore, she qualifies for no aid at all.

Now, obviously steps have been taken in the past to correct these inequities and the leadership of this committee and the members of it has been very important, but we want to simply indicate what recommendations we believe are critical to the continued development of equity in the treatment of this class of students.

First, there is a need for a clear expression that it is a public policy that education of working students is critical to the public interest.

Next, there is need to assess discretionary income at the same rate for independent students with dependents as for dependent students. There is a need to study the treatment of single independent students.

And next we need to revise in the direction of equity the computation of the costs of education for independent students.

We need to revise the requirement that grant awards be reduced by one-half for halftime students, since that doubly penalizes the student population.

Finally, there is a need to examine the reduction of the $200 minimum which is applied to grants.

Now, generally we are dealing here with students who are taxpaying citizens. They are productive members of the community. And what is being asked is that they be given adequate access to available dollars to enable them to enhance their contributions and to continue to participate even more fully in the life of the community which they already serve.

It is not the purpose of these recommendations to reduce the grants to other students. And we would hope to leave it to the wisdom of the Congress to face inequitable treatment as funds will become available.

I wish to say in conclusion that I don't often have an opportunity to thank in public Congressman Buchanan, whose broad interests in urban affairs and urban education and particularly his support of the University of Alabama in Birmingham, is terribly important to our activities and is deeply appreciated. And I wish to thank in absentia Congressman Ford for his interest in the Urban Grant University bill.

Given that now 75 percent of the citizens of the United States live in recognized metropolitan areas, it seems to me that the full partnership of education, higher education, with the urban culture is an urgent national priority.

Thank you very much.

Mr. Weiss. Thank you. We will make sure the Chair knows of your expression.

Before we go to questions, Dr. Ayers, your statement will be inserted in the record.

[The prepared statement of Mr. Ayers follows:]

### PREPARED STATEMENT OF DR. GEORGE AYERS, PRESIDENT, MASSASOIT COMMUNITY COLLEGE, ON BEHALF OF THE COALITION FOR ALTERNATIVES IN POSTSECONDARY EDUCATION

Mr. Chairman, I am George Ayers, President of Massasoit Community College, Brockton, Massachusetts and a Trustee and Secretary of the Council for the Advancement of Experiential Learning. I am speaking this morning on behalf of the Coalition for Alternatives in Postsecondary Education and its constituent organizations.

A few weeks ago, my colleague Robert Sexton addressed this panel on the subject of extending access to financial aid to less than half time students, to make eligibility for assistance to commence, continue and complete one's postsecondary education a right based on need and not on status. Today, I want to continue that line of thought in the broader context of the effect of the current student financial aid programs on non-traditional students, many of whom are engaged in academic enterprises which take other than traditional forms.

The Higher Education Act, and the regulations which flow from it, reflect a degree of indecision with regard to the student who does not fit the traditional model or who is pursuing an education in other than traditional form. For example, Section 131 of the Act contains an unequivocal statement of the public policy of the United States when it states that "American society should have as a goal the availablity of appropriate opportunities for lifelong learning for all its citizens without regard to restrictions of previous education or economic circumstances."

Notwithstanding such a clear statement of national policy, there remain provisions of the Act which erect substantial barriers to the aid programs incorporated within it. This is particularly true with regard to limitations on the types of students, periods of learning activities and institutional contexts. It is these limitations which most directly affect the students in whose interest I am speaking today.

Of the six major student financial aid programs authorized under Title IV of the Higher Education Act of 1965, one, College Work-Study, will be the subject of a subsequent hearing before this committee, and I will defer our comments to that panel. For all of these programs, the General Provisions of the Higher Education Act impose a common eligibility standard: the student must be one "who attends an institution of higher education at least on a half-time basis. As you know, the Coalition has previously testified in support of eliminating this half-time requirement, and I will not repeat that argument. In addition, access to three of the programs -- Basic and Supplemental Grants and state incentive grants -- are limited to undergraduate students.

We believe that the undergraduate limitation unfairly and unreasonably discriminates against many older students. Changing job and economic conditions, technological obsolescence and the massive return of return of women to the market place make the need for education beyond the baccalaureate of rapidly growing importance. If the purpose of the student financial assistance programs is to enable the learner to be productive in the labor market, then older students returning to obtain needed education and training should have the same opportunity. If that training logically should be beyond the bachelors' degree level, then the student should have access to the same support a student without a B.A. would have -- providing of course that the student has not already exhausted his or her entitlement under any such program.

We do not advocate an unlimited free ride: rather, we are seeking to encourage maximum access to postsecondary training for those who need and deserve this nation's help.

We are also concerned that the present student aid programs unnecessarily discriminate against the alternative delivery systems which are necessary to serve the special needs of the adult, non-traditional student -- the new learner who is rapidly becoming the new majority.

While it is true that the Higher Education Act is generally silent with regard to specific programmatic eligibility, this silence has opened the door for the promulgation of restrictive regulations which limit the options available to students who must rely on student aid for the continuation of their education. The effect of this regulatory exercise is to limit the options available to potential learners to a relatively narrow range of traditional programs. Students who want or need programs which are more concentrated as to duration or otherwise alternative in delivery may find that such a choice is precluded by the lack of access to student aid programs. Similarly, many learners have found that their needs are best met by specific educational experiences which, at a particular point in time, are not tied to formal credits or certifications. Yet the present regulatory scheme, without clear authority in law, has precluded this choice if financial aid is a critical factor. We have implicitly told the less affluent among us that their educational choices are to be circumscribed; that those with perhaps the greatest need for alternatives are to be deprived of that access.

As an entitlement program, BEOG in particular should not be restricted to certain types of educational activities and formats.

It must be the prerogative of the student -- armed of course with adequate consumer information -- to decide from among the widest range of academic offerings where the best educational services is to be found in the context of his or her own specific needs. We therefore urge that Section 491(c)(2) of the General Provisions be amended to make explicit a student's right to be considered in attendance at an eligible institution -- and therefore eligible for aid -- even if he or she is not in a program conducted in traditional form or pursuing a specific degree of certificate at a given point in time.

Of great concern to us is the discrimination visited upon the adult learner through the cornerstone student aid program -- BEOG. Basic Grant provisions which discriminate against the adult, non-traditional student must be viewed as serious impediments to the goal of equal access in postsecondary education.

The fundamental philosophy of the BEOG formulation is that the so-called independent student should be required to contribute a far greater proportion of his or her current resource and assets towards the costs of education thn should the families of what we term "dependent" students. While there is perhaps some justification for expecting a higher contribution for the single independent student without dependents, since his or her income and assets could in its entirety be considered discretionary, the application of this doctrine to independent students with dependents of their own is substantially discriminatory.

While the Middle Income Student Assistance Act has to some extent relieved the inequities inherent in the treatment of the assets of independent students with dependents of their own, it has left untouched the enormous disparity in treatment of income. Thus, an independent student with children to support is expected to contribute from his or her so-called discretionary income at a rate four times that of the family of a dependent student. The parent who seeks to further his or her education to better support a family and provide for his or her children's own education is penalized in comparison to the parent whose child is the learner.

The provision reflects a bias that the adult student's desire or need for postsecondary education is somehow less serious, more self-serving and without the same societal value as that of a traditional college-age student. Blithely ignoring the fact that an adult often has to make far greater sacrifices to attend school, the present statute excludes adult learners from the same benefits to which a comparably situated dependent student would be eligible. The adult who may have been deprived of an adequate early education, economically disadvantaged and perhaps the target of discrimination, and who now seeks to remedy that situation -- and give his or her own family greater opportunity -- finds that the law quite explicitly favors the 18 year old traditional student.

We urge that Section 411(a)(3)(C) be amended to provide that independent students will benefit from the same assessment rate on discretionary income as is currently levied against "parental" discretionary income. Furthermore, we urge that the Commissioner of Education be instructed to identify and eliminate all regulatory and administrative policies affective Title IV programs which discriminate against adult learners in the analysis of their financial need.

Two other provisions within the BEOG statute combine to exclude from its benefits a substantial number of present and potential part-time students. The statute provides that a student attending on a less than full time basis shall have his or her BEOG award "reduced in proportion to the degree the student is not so attending on a full time basis". But instead of a proration of the award on the basis of the proportion less than full time, as clearly was the intent of the Congress, the Office of Education has elected to establish a categorical system, based on rigid standards for full, three quarters or half time enrollment. Since a student enrolling in a number of courses above the limit for one level but below the next has his or her award calculated on the basis of the lower category, this system works to the distinct disadvantage of the part-time student. The financial support provided part-time students has thus been curtailed in the service of administrative convenience.

By adding the word "direct" before "proportion" in Section 411(a)(2)(A)(ii), the requirement of an exact proration would be clarified and the arbitrary organization of part-time enrollment terminated.

Part-time students are further discriminated against in terms of access to financial assistance by the provisions in both grant programs limiting the minimum award for any academic year to $200. The effect of this provision is to deny the part-time student, for whom an amount less than $200 might well make the difference of being able to continue his or her studies, access to the grant to which he or she is entitled. Congress attempted to deal with the inherent inequity of this situation for Basic Grants by providing that "pursuant to criteria established by the Commissioner by regulation the institution...may award a basic grant of less than $200 upon determination...that due to exceptional circumstances this reduced grant should be made in order to enable the student to benefit from postsecondary education." But that provision is inadequate and unfair, since it puts the burden upon the student to prove "exceptional circumstances" in order to receive his or her entitlement, something the student receiving a grant of $200 or more is not required to undergo. The only possible justification for this provision is that it reduces the administrative workload, but as Dr. Sexton said in his earlier testimony, the cost of need assessment is the same whether or not a grant is awarded. We urge that these provisions be stricken in their entirety.

While it is obvious that the adult, part-time student must take more time to achieve an educational objective than would be the case for a full time student in the same program, the period during which a student may receive both BEOG and SEOG support is premised on a full time schedule. With limited and specialized exceptions, a student has only four years of eligibility for both of these programs. The discriminatory aspects of this provision are considerable: while a student enrolled in a two year associate degree program may take four years to complete his or her studies and receive grant support throughout, another student in a bachelor's program loses his or her eligibility after four years of support. While the intent may have been to provide a limited entitlement, the effect is to discriminate against the part-time student, even though the net outlay over a longer period of time may not be significantly different.

We urge that the time limitation for the utilization of BEOG and SEOG support be eliminated in favor of a reasonable satisfactory progress requirement. Coupled with the existing caps on total grant awards, such a change would eliminate a considerable inequity without adding to the cost of the programs.

We should note that relying on "satisfactory progress" raises another set of problems relating to the regulatory interpretation of that phrase.

Section 497(e)(1) of the Act provides that student assistance should only be provided to a student who "is maintaining satisfactory progress in the course of study he is pursuing, according to the standards and practices of the institution at which the student is in attendance." This language does not require that the student meet any particular federally-mandated standard of "satisfactory progress", and, indeed the prefatory remarks to the Interim Final Regulation of August 24, 1978, make it clear that "the Commissioner believes that the contents of the institution's standards of satisfactory progress is strictly an institutional matter." The institution must have standards, they must be uniform as between different student financial assistance programs, but they can be different for students in receipt of, and those not in receipt of, such assistance. Some have interpreted this prefatory material as forcing institutions to reserve student financial aid to students working on degrees and doing so at a fairly substantial pace. But listen to the language:

> "In setting standards of satisfactory progress, an instituion is attempting to evaluate a student's efforts to achieve an educational goal, within a given period of time. To make this evaluation, the institution needs to establish a normal time frame for completing the course of study, and it must have some means, such as grades or work completed which can be measured against a norm".

We do not read these rather carefully qualified words as prohibiting, in and of themselves, the award of student financial assistance to students not pursuing degrees, or not doing so for a major part of their time. We are encouraged by the August 24th regulation in believing that the removal of other limits would not still leave an insurmountable obstacle in place with the satisfactory progress language.

We would be remiss, however, if we did not point out ominous language in the very next column of these same prefatory remarks. The paragraph in queststion reads:

> "For a number of years, financial aid officers have expressed concern about an inability to deny aid to 'perpetual students' who may continue in enrollment from year to year while making little or no progress toward the achievment of any educational goal." (Emphasis added).

We are concerned lest the use of the phrase "educational goal" in this context could vitiate the meaning we hope it has in the passages quoted above.

We must also object to the use, in the issuance of the regulation, of the phrase "perpetual student". A clearly perjorative term, it fits most uncomfortably with a reading of Section 131 of the Higher Education Act.

We mean only to point out in this context, that not all the barriers to the non-traditional student are found in the law or the regulations, but that both should be constantly reviewed to weed out excessively rigid views of the proper goal of the educational process.

Two final points. With the substantial increase in part-time enrollments, allocation formulas cannot be tied exclusively to full time enrollment figures. While SSIG now reflects these changed circumstances NDSL, SEOG and CWSP allocations are still based upon the ration of <u>full-time</u> enrolled students in a state to the national total. Such a provision discriminates against those states and the institutions within them which have been successful in serving part-time students, effectively reducing their per capita share of the allocation.

We therefore recommend changing the NDSL, SEOG and CWSP allocation formulas to account for part-time enrollment.

Finally, the 1976 Higher Education Amendments added a new set of provisions to the previously-enacted Student Consumer Information Act, requiring covered institutions to provide present and prospective students with specific information regarding financial assistance opportunities and institutional programs. While this is a step forward in providing learners with better information and therefore opportunities both for informed choice and for access to resources, in practice the institutional responses have not in general been even-handed in their applicability to all learner groups. In far too many cases the information provided is directed entirely to the traditional student, with scant attention paid to prospective part-time or non-traditional students.

We urge that Secs. 493A and 493B be amended to deal specifically with the special needs of part-time students.

The proposal for an amendment to Sec. 493B assumes that these amendments will all become law as a part of the Higher Education Act reauthorization process in the 96th Congress. The language proposed would put a first priority on the provision of information services to part-time and non-traditional students for the life (which may confidently be expected to be four years) of the 1980 amendments. It is suggested that if this proposal is made by the Administration and accepted by the Congress, it should be accompanied by an explicit undertaking that it will not be renewed in the next HEA cycle. If an honest effort is made to carry out this amendment after 1980, information services for traditional and non-traditional services should reach parity by the subsequent authorization.

While the adequate consumer information is vital to the effort to promote equal educational opportunity for part-time and non-traditional students, it is not a substitute for knowledgeable and responsive professional financial aid counseling. Yet most financial aid counselors have been trained to deal with the needs and problems of traditional students, and despite their personal concern may be ill-equipped to respond to the needs of part-time and adult learners.

We therefore recommend that Sec. 493C be amended to provide for specialized training of financial aid administrators in the provision of assistance to part-time, adult and other non-traditional learners.

Throughout this analysis we have recommended changes in the existing student financial aid programs to provide for more equitable treatment of part-time and non-traditional students. However, the fact remains that these programs were designed to meet the needs of traditional postsecondary students enrolled full time in traditional programs at traditional institutions. The changes we have advocated attack the most obviously discriminatory aspects of the current legislation. But the overriding concern must be to establish a support system to enable people to engage in learning activities in a variety of settings, modes and outcomes, throughout their lifetimes. Or more succinctly: how is this nation going to fulfill its stated commitment to lifelong learning?

While many proposals have been put forth to achieve what has come to be called "the learning society," we are not at present prepared to recommend one particular approach. What we do support is the development of a system of student financial aid which provides equality of opportunity throughout a lifetime, allowing the individual to select whatever education meets his or her needs, interests and priorities at a particular point in time, without being bound by unrelated form, format or temporal consideratons. Every moment that is lost in arriving at such a system serves to deprive more and more people of their proper educational opportunity.

## STATEMENT OF GEORGE AYERS, TRUSTEE, COUNCIL ON ASSESSMENT FOR EXPERIENTIAL LEARNING, MASSASOIT COMMUNITY COLLEGE, BROCKTON, MASS., ACCOMPANIED BY MICHAEL B. GOLDSTEIN, COUNSEL, COALITION FOR ALTERNATIVES IN POSTSECONDARY EDUCATION

Mr. AYERS. Thank you.

As I mentioned, I am George Ayers, president of Massasoit Community College in Massachusetts and a trustee and secretary of the Council for Advancement of Experiential Learning. I wish to speak with you this morning on behalf of the Coalition for Alternatives in Postsecondary Education as well as its constituent organization.

A few weeks ago, my colleague, Robert Sexton, addressed this panel on the subject of extending access to financial aid to less than half-time students, to make eligibility for assistance to commence, continue and complete one's postsecondary education a right based on need and not on status.

Today, I want to continue that line of thought in the broader context of the effect of the current student financial aid programs on nontraditional students, many of whom are engaged in academic enterprises which take other than traditional forms.

Notwithstanding such a clear statement of national policy, there remain provisions of the act which erect substantial barriers to the aid programs incorporated within it. This is particularly true with regard to limitations on the types of students, periods of learning activities and institutional contexts. It is these limitations which most directly affect the students in whose interest I am speaking today.

Of the six major student financial aid programs authorized under title IV of the Higher Education Act of 1965, one, college work study, will be the subject of a subsequent hearing before this committee, and I will defer our comments to that panel. For all of these programs, the General Provisions of the Higher Education Act impose a common eligibility standard: The student must be one who attends an institution of higher education at least on a half-time basis.

As you know, the coalition has previously testified in support of eliminating this half-time requirement, and I will not repeat that argument. In addition, access to three of the programs—basic and supplemental grants and State incentive grants—are limited to undergraduate students.

We believe that the undergraduate limitation unfairly and unreasonably discriminates against many older students. Changing job and economic conditions, technological obsolescence and the massive return of women to the marketplace make the need for education beyond the baccalaureate of rapidly growing importance.

If the purpose of the student financial assistance programs is to enable the learner to be productive in the labor market, then older students returning to obtain needed education and training should have the same opportunity. If that training logically should be beyond the bachelors' degree level, then the student should have access to the same support a student without a B.A. degree would have—providing, of course, that the student has not already exhausted his or her entitlement under any such program. We do not advocate an unlimited free ride; rather, we are seeking to encourage maximum access to postsecondary training for those who need and deserve this Nation's help.

We are also concerned that the present student aid programs unnecessarily discriminate against the alternative delivery systems which are necessary to serve the special needs of the adult, nontraditional student—the new learner who is rapidly becoming the new majority.

While it is true that the Higher Education Act is generally silent with regard to specific programmatic eligibility, this silence has opened the door for the promulgation of restrictive regulations which limit the options available to students who must rely on student aid for the continuation of their education. The effect of this regulatory exercise is to limit the options available to potential learners to a relatively narrow range of traditional programs.

Students who want or need programs which are more concentrated as to duration or otherwise alternative in delivery may find that such a choice is precluded by the lack of access to student aid programs.

Similarly, many learners have found that their needs are best met by specific educational experiences which, at a particular point in time, are not tied to formal credits or certifications. Yet the present regulatory scheme, without clear authority in law, has precluded this choice if financial aid is a critical factor. We have implicitly told the less affluent among us that their educational choices are to be circumscribed, that those with perhaps the greatest need for alternatives are to be deprived of that access.

As an entitlement program, BEOG in particular, should not be restricted to certain types of educational activities and formats. It must be the prerogative of the student—armed, of course, with adequate consumer information—to decide from among the widest range of academic offerings where the best educational services are to be found in the context of his or her own specific needs. We therefore urge that section 491(c)(2) of the general provisions be amended to make explicit a student's right to be considered in attendance at an eligible institution—and, therefore, eligible for aid—even if he or she is not in a program conducted in traditional form or pursuing a specific degree or certificate at a given point in time.

Of great concern to us is the discrimination visited upon the adult learner through the cornerstone student aid program—BEOG. Basic grant provisions which discriminate against the adult, nontraditional student must be viewed as serious impediments to the goal of equal access in postsecondary education.

The fundamental philosophy of the BEOG formulation is that the so-called independent student should be required to contribute a far greater proportion of his or her current resource and asset toward the costs of education than should be families of what we term dependent students. While there is perhaps some justification for expecting higher contribution for the single independent student without dependents, since his or here income and assets could in its entirety be considered discretionary, the application of this doctrine to independent students with dependents of their own is substantially discriminatory.

While the Middle Income Student Assistance Act has to some extent relieved the inequities inherent in the treatment of the assets of independent students with dependents of their own, it has left untouched the enormous disparity in treatment of income. Thus, an independent student with children to support is expected to contribute from his or her so-called discretionary income at a rate four times that of the family of a dependent student. The parent who seeks to further his or her education to better support a family and provide for his or her children's own education is penalized in comparison to the parent whose child is the learner.

The provision reflects a bias that the adult student's desire or need for postsecondary education is somehow less serious, more self-serving and without the same societal value as that of a traditional college age student. Blithely ignoring the fact that an adult often has to make far greater sacrifices to attend school, the present statute excludes adult learners from the same benefits to which a comparably situated dependent student would be eligible.

The adult, who might have been deprived of an adequate early education, economically disadvantaged and perhaps the target of discrimination, and who now seeks to remedy that situation—and give his or her own family greater opportunity—finds that the law quite explicitly favors the 18-year-old traditional student.

We urge that section 411(a)(3)(C) be amended to provide that independent students will benefit from the same assessment rate on discretionary income as is currently levied against parental discretionary income.

Furthermore, we urge that the Commissioner of Education be instructed to identify and eliminate all regulatory and administrative policies effective in title IV programs which discriminate against adult learners in the analysis of their financial need. The requirement of an exact proportion would be clarified and the arbitrary organization of part-time enrollment be terminated.

We also urge that the provision in both grant programs dealing with and limiting the amount of minimum award for any academic year to $200 be eliminated. And we urge that be stricken in its entirety in terms of the program.

Section 487(e)(1) of the act provides that student assistance should only be provided to a student who "is maintaining satisfactory progress in the course of study he is pursuing, according to the standards and practices of the institution at which the student is in attendance."

This language does not require that the student meet any particular federally mandated standard of "satisfactory progress", and, indeed the prefatory remarks to the Interim Final Regulation of August 24, 1978, make it clear that "the Commissioner believes that the contents of the institution's standards of satisfactory progress is strictly an institutional matter."

The institution must have standards, they must be uniform as between different student financial assistance programs, but they can be different for students in receipt of, and those not in receipt of, such assistance. Some have interpreted this prefatory material as forcing institutions to reserve student financial aid to students working on degrees and doing so at a fairly substantial pace.

Two final points: With the substantial increase in part-time enrollments, allocation formulas cannot be tied exclusively to full-time enrollment figures. While SSIG now reflects these changed circumstances, NDSL, SEOG, and CWSP allocations are still based upon the ratio of full-time enrolled students in a State to the national total. Such provision discriminates against those States and the institutions within them which have been successful in serving part-time students, effectively reducing their per capital share of the allocation.

We therefore recommend changing the NDSL, SEOG and CWSP allocation formulas to account for part-time enrollment.

Finally, the 1976 Higher Education Amendments added a new set of provisions to the previously enacted Student Consumer Information Act, requiring covered institutions to provide present and prospective students with specific information regarding financial assistance opportunities and institutional programs. While this is a step forward in providing learners with better information and therefore opportunities both for informed choice and for access to resources, in practice the institutional responses have not in general been evenhanded in their applicability to all learner groups. In far too many cases, the information provided is directed entirely to the traditional student, with scant attention paid to prospective part-time or nontraditional students.

We urge that sections 493A and 493B be amended to deal specifically with the special needs of part-time students.

The proposal for an amendment to section 493B assumes that these amendments will all become law as a part of the Higher Education Act reauthorization process in the 96th Congress. The language proposed would be a first priority on the provision of information services to part-time and nontraditional students for the life—which may confidently be expected to be 4 years—of the 1980 amendments.

It is suggested that if this proposal is made by the administration and accepted by the Congress, it should be accompanied by an explicit understanding that it will not be renewed in the next HEA cycle. If an honest effort is made to carry out this amendment after 1980, information services for traditional and nontraditional services should reach parity by the subsequent authorization.

While the adequate consumer information is vital to the effort to promote equal educational opportunity for part-time and nontraditional students, it is not a substitute for knowledgable and responsive professional financial aid counseling. Yet most financial aid counselors have been trained to deal with the needs and problems of traditional students, and despite their personal concern may be ill-equipped to respond to the needs of part-time and adult learners.

We therefore recommend that section 493C be amended to provide for specialized training of financial aid administrators in the provision of assistance to part-time, adult, and other nontraditional learners.

We have recommended a number of changes in existing financial aid programs—more than are included in the record that you have before you. However, the fact remains that these programs were designed to meet the needs of traditional postsecondary students enrolled in full-time and traditional programs at traditional institutions.

The changes we have advocated attack the most obviously discriminatory aspects of current legislation, but the overriding concern would be to establish a support system to enable people to engage in learning activities in a variety of settings, modes, and outcomes throughout their lifetimes. Or more succinctly, how is the Nation going to fulfill its stated commitment to lifelong learning?

While many proposals have been put forth to achieve what has come to be called the learning society, we are not at present prepared to recommend one particular approach. What we do support is the development of a system of student financial aid which provides equality of opportunity throughout a lifetime. Allowing an individual to select whatever education meets his or her needs, interests, and priorities at a particular point in time without being bound by unrelated form, format, or temporal considerations.

Every moment lost in arriving at such a system serves to deprive more and more people of their proper educational opportunity.

Mr. WEISS. Thank you very much.

And now we will see if there are questions.

Mr. BUCHANAN. I would ask both of you to respond, if you will.

Dr. Hearn, you mentioned the students and potential students included among the independent students as including working men and women who did not earlier go to college but now would desire to do so, divorced and widowed mothers whose family responsibilities now let them go to postsecondary institutions, people in midyears, people who are seeking new careers, et cetera.

Do you have an idea, in the whole category of independent students and among these subcategories you mentioned, of the proportion as to sex and ethnic group? Is it the case that the students you would represent would be proportionally weighted more heavily toward ethnic minorities and toward women than the traditional student a few years ago?

Mr. HEARN. You want either of us to respond?

Mr. BUCHANAN. Yes.

Mr. AYERS. Experience in working in the field of experiential learning in the past 8 to 10 years and observing documents in terms of reaching out to students and serving them, I would suggest you would find an equal distribution between men and women. But maybe in some cases the percentages might be slightly higher for women returning.

In terms of ethnic minorities, I think you would find that the numbers have not been as great, mainly because ethnic minorities have not been as responsive to getting involved in these programs because of the lack of financial means. And many ethnic minorities have to be concerned with work along with going to school because they have to worry about survival. And as a result, not being able to make sufficient funds to pay for education, they have not taken advantage of many nontraditional programs.

Mr. HEARN. I would assume the information you request would be ascertainable. You could look at what the traditional student population has been and factor that as a percentage of the social group and make some reasonable projections about what are the principal ingredients in the population mix not currently being served by financial aid programs.

And if you would like to see a more specific answer to that question, I think it could be provided.

Mr. BUCHANAN. I should have started with the fact that Chairman Ford, myself, and others on the subcommittee do have some substantial interest in and sympathy toward the group you represent. I think we reflected that in several previous actions, and I think it will be reflected in what we do with this present legislation.

But I am inclined to believe the most significant change that has taken place in the work force in recent history has been the dramatic entry of women and the change of the role of women in this society. The fact of the women's movement and civil rights movement are the major factors of this era. And if we try to adjust our eductional system to meet the needs of today, it just seems to me that this becomes a legitimate and rather crucially important civil rights and women's rights issue. Whether or not we are making it possible through the programs, as we revise them, for women in greater numbers to have educational opportunities that may have an impact on career opportunities, and for ethnic minorities who may, in earlier times, not have had the incentive and the opportunities.

It seems to me you represent legitimate civil rights and women's rights issues and that is what I am trying to get at.

The bell has rung. I have a couple of questions but——

Mr. WEISS. That is right. I think we should break to report a quorum call, and we will return in a few minutes if you will bear with us.

[A short recess was taken.]

Mr. WEISS. OK, we are back. We will resume with Mr. Buchanan's inquiry.

Mr. BUCHANAN. Thank you.

I have indicated the basic sympathy of the subcommittee in the direction that you recommend. However, we are, regrettably, constantly faced with difficult and sometimes draconian choices because of funding limitations. If we could obtain the degree of support from OMB, the Budget Committees, the Appropriations Committees, that we would like to see from the perspective of the authorizing committee, a lot of choices would be simpler.

For example, in the case of part-time students, how far do you recommend we go? Should we give more aid to half-time and greater, or should we expand eligibility for the student aid programs to less than half-time students? Do you have a recommendation in that area?

Mr. HEARN. Some of the gentlemen from the associations may wish to comment on this. But generally speaking, Congressman, the concern is simply to introduce greater flexibility to the institutions so they may have greater discretion to devote aid resources to those students who in their own judgment, with respect to their own programs, are most needy.

Mr. AYERS. Yes, we had gone on record in a previous presentation here, Dr. Sexton had mentioned to you that we should eliminate setting any kind of mandate in terms of half time or quarter time, per se, but rather have it on a prorated basis based on the need of the students.

I think it would provide greater flexibility for the part-time students if it was done that way.

Mr. **BUCHANAN**. I wonder how you would suggest that Federal student aid be given to graduate students, Dr. Ayers; through SSIG, at the discretion of the institution or what? Do you have a suggestion?

Mr. **AYERS**. Not at this time I don't have any suggestions how you might proceed with that.

Mr. **BUCHANAN**. Thank you, Mr. Chairman. I may have additional questions later.

Mr. **WEISS**. Somewhat of a different focus but in the same area of choices, I wonder if in the course of preparation of the testimony you had occasion to cost out, even on a very broad overall basis, what the phasing-in costs have been? You mentioned the phasing in of some of these broader discretionary approaches.

Mr. **HEARN**. In the testimony there is contained a study from Prof. Allan Wagner of Purdue which indicated if you equalize assessment rates on discretionary income for independent students with dependents with rates applied to income of parents with dependent students, it would result in the following additional costs in the BEOG program:

For part-time students, $205 to $238 million including grants to students induced to enroll by increased aid; for full-time students, $315 to $530 million, including grants to students induced to enroll by increased aid.

Now, these are worst case outcomes.

Mr. **WEISS**. Where is this?

Mr. **HEARN**. Page 7.

Now, obviously statistics of this sort are highly unreliable.

Mr. **WEISS**. When you are suggesting, Dr. Ayers, and Dr. Hearn, that it be left to the discretion of the institutions as to what level of participation would be covered by the programs, are you saying that ought to be done on an institution-by-institution basis? Should there be some limits set on a national level in legislation?

Mr. **HEARN**. It seems to me that the principal concern is to provide a measure of intitutional flexibility. Now, that is not inconsistent, it seems to me, with some federally mandated parameters within which institutions might operate because I am not sure those are incompatible.

Mr. **WEISS**. It seems to me that one of the problems that you might run into is if you have five institutions in a State, for example, using different standards and one part of the State allows greater flexibility than the other. People in the area where there is lesser flexibility may question why are their peers in another institution are entitled to fairer financial treatment.

Mr. **HEARN**. When you look at the total aid package, that same problem exists today. That is not a new problem that there is a difference and that people do complain about it. The only question is whether greater flexibility rather than lesser flexibility is to the good. It is our belief that it is.

Mr. **WEISS**. Mr. Ayers.

Mr. AYERS. I think it should be based on the premise of the needs of the students. Again, if you try to be responsive to the students, it may necessitate different istitutions within a State or area to have very different policies in terms of admissions and in the provision of financial aid. But as long as it was done based on standards and definable criteria, I think it would be adequate and of value.

Mr. WEISS. Thank you.

I understand that counsel may have a question or two.

Mr. WOLANIN. Thank you.

Proceeding on the same assumption of the subcommittee's great sympathy for providing greater equity for nontraditional students, let me raise some practical questions about the suggested changes.

First, with respect to reducing awards in direct proportion to the degree to which a student is enrolled, as a practical matter, how would one handle that on the campus given that students are adding and dropping courses with great frequency and regularity. The direct proportion of full time to which they are enrolled could change from 86 percent full time to 73 percent and then might go back up again.

How, as a practical matter, could one handle the direct proportionality of assistance to a degree of enrollment?

Mr. AYERS. I would defer to Mr. Goldstein.

Mr. GOLDSTEIN. My name is Michael Goldstein. I am counsel to the Coalition Alternatives in Postsecondary Education. We have looked at this issue. It does not seem to be a significantly greater burden to provide the aid in indirect proportion of enrollment than to provide it in increments when a student crosses a line of over three-quarter time or under three-quarter time for dropping or adding a course, and in either case having an extremely substantial change in the level of aid to which they are entitled.

We would prefer imposing at worst a slight administrative burden and instead of forcing a student to accept a change in aid of perhaps 25 percent where the change in enrollment may be no more than 5 or 10 percent.

Mr. BUCHANAN. Just to show how closely this subcommittee thinks together, I had written out the same question.

It is a consideration.

Mr. WOLANIN. Another practical concern, if one eliminates the $200 minimum grant, how small should a grant be, $5, $10, $50? Should there be no lower limit at all?

Mr. AYERS. I would like to respond to that. I think there should not be a limit, because I again go up to the point of basing it on need. There are students who may only need $40 or $50 authorized to survive and also provide the kind of motivation needed to succeed in higher education.

I guess I would want to be in a position to be able to provide that if that was going to help the individual move ahead in terms of their educational goals.

On the other hand, there may be an individual who may only need $15 or $20, and even though it might be insignificant in our minds, that might be really significant for that individual.

Mr. GOLDSTEIN. If I may, at the last hearing on the higher education programs relating to the less than half-time students, Dr. Sexton, representing our organization, responding to a question from the Chair, indicated that the major cost in administering aid funds is in ascertaining the student's need. That cost is fixed whether or not the student is in fact going to be awarded a grant. Once that cost has in fact passed, the incremental cost of writing a check is relatively minor. I say relatively minor because there is certainly a cost.

But we feel, in terms of the potential benefit to the student, that arbitrary establishment of a cutoff level has more deleterious effect than allowing institutions to take the additional cost of writing the check. There may indeed be a need to adjust the administrative cost in a minor way. But we do not feel that would be significant.

Mr. WOLANIN. Dr. Ayers, with respect to your recommendation that students be allowed to be eligible for Federal student assistance even if they are not in a program conducted in the traditional form or not pursuing a specific degree of certificate at a given point in time, I suppose that is equivalent to a recommendation that nondegree credit students be eligible for student grant assistance.

It is relaxed by your saying "In attendance at an eligible institution." Now, on the one hand, you seem to be suggesting nondegree credit students at eligible institutions; on the other hand, there are a whole range of institutions which are not eligible institutions at which students are gaining all kinds of educational experiences or participating in educational programs.

I guess again it is a question of how far as a matter of degree do we want to open up or to expand the eligibility for the program to nondegree credit students or even students not being educated in the traditional form of education, as long as it is an eligible institution.

Are there any limits we want to put on student eligibility?

As a practical matter, how would there be Federal monitoring and accountability?

Mr. AYERS. Well, one way, one approach we use in nontraditional education is individuals pursue an educational program, and as they do, it may be they may not be pursuing a degree per se but very specific educational goals that may be related to their career or to something they want to do in life. I feel that would be of importance to provide them ability to do that.

When you are talking about nondegree, that is different. You may be talking about students taking courses for pleasure or other types of recreational ventures. But what I am thinking of in terms of the testimony I am referring to, is those individuals we have, and there would be many who fall in that category who have not yet been defined a career goal as to where they want to go, and are in a period of exploration by returning to school.

And I think by having such a program and providing such financial assistance, that would be of benefit.

Mr. WOLANIN. You are not suggesting that eligibility be expanded to recreational and avocational courses but rather that credit and degree credit is an excessively narrow kind of definition?

Mr. AYERS. Right. And as I mentioned in the testimony, the kind of credit may be different in nontraditional programs where you may not be concerned with giving a person a grade per se but rather charting their progress in some narrative assessment as to how they are achieving their educational goal.

Mr. WOLANIN. Let me raise one more point to really just clarify this. The thrust of your testimony seems to be that the State allocation formulas for the campus-based programs are inequitable because they consider only full-time students. As I read the law, it says that you count "the number of persons enrolled full time and the full-time equivalent of the number of persons enrolled part time in institutions of higher education."

Now, did I miss something or do we not adequately count the full-time equivalent of part-time enrollments?

Mr. GOLDSTEIN. On the allocation formulas for SEOG in particular——

Mr. WOLANIN. What I just read from was SEOG.

Mr. GOLDSTEIN. In certain the allocation formula do at present have the effect, and I must admit we had to go through this quite a number of times before ascertaining the import, that those States with more substantial part-time enrollments in effect are discriminated against in terms of allocation of funds vis-a-vis those States with smaller part time enrollments.

Mr. WOLANIN. How does that happen given the way the law is written?

Mr. GOLDSTEIN. The problem is that it is a ratio—a ratio of people in the State versus a ratio effectively of full-time equivalent students. So it is balancing people on the one hand with students and fractional students on the other.

The effect appears to be that since you are not measuring equal quantities, you are not measuring students to people, total number of students versus total number of people, but you are measuring essentially total number of people against credit hours, that the State with heavier aggregate full-time loads get substantially greater allocations and those with substantially part-time apportionments get substantially less.

Now, we are not talking institutionally. We are talking about distributions among the States. So the effect here is the States with substantial part time enrollments are disadvantaged. While this does not have a particular effect on the allocation of the individual institutions, it has a significant effect among allocations among the States, in terms of those more active in dealing with and recruiting the part time student versus those who are not.

We would be pleased to provide the committee in writing with a further elaboration on this point.

Mr. WEISS. That would be welcome.

[The information referred to above follows:]

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WRITER'S DIRECT DIAL NO.
202/862-8104

May 30, 1979

MEMORANDUM

To: Tom Wolanin

From: Mike Goldstein

Attached is our analysis of the effects of the allocation formuli with regard to part-time students. As you will see, we erroneously transposed SEOG into the problem category, although as you properly pointed out, the formula does take account of PT students. The language of the act is ambiguous, does "number of such persons" refer to the aggregate of all students or of the FTE of students, but OE has interpreted it to mean the aggregate of the FTE, which is a satisfactory solution.

NDSL and part of CWS do ignore the PT student in the formuli, and we consider that to be a problem. While at present funding levels the allocations formuli do not play an important role, the statute ought not discriminate against states with large part-time enrollments if and when the funding levels require the use of the formuli.

I've also clarified our position with regard to the minimum grant provision. As a matter of principle, our members believe there should not be an arbitrary floor. Obviously, however, we would not be unhappy with a reasonable compromise position.

Thanks for your guidance.

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May 30, 1979

Hon. William D. Ford
Chairman
Subcommittee on Postsecondary Education
Committee on Education and Labor
House of Representatives
Washington, D.C. 20515

Dear Chairman Ford:

In testimony before your committee on May 24th, Dr. George Ayers, representing the Coalition for Alternatives in Postsecondary Education, made the following statement:

> "With the substantial increase in part-time enrollments, allocations formulas cannot be tied exclusively to full-time enrollment figures. While SSIG now reflects these changed circumstances, NDSL, SEOG and CWSP allocations are still based on the ratio of full-time enrolled students in a state to the national total of such students. Such a provision discriminates against those students and the institutions within them which have been successful in serving part-time students, effectively reducing their per capita share of the allocations." (Testimony at p. 10.)

While this argument indeed holds true for NDSL and CWSP (see Secs. 442 and 462), Sec. 413D does in fact take into account the total full time equivalent enrollment in computing state SEOG allocations. We therefore wish to correct our statement by changing the second sentence in the above paragraph to read:

> "While SSIG and SEOG now reflects these changed circumstances, NDSL, and CWSP allocations * * * (etc.)."

We must commend both majority and minority counsels for bringing this discrepancy to our attention, and we regret any inconvenience the transposition may have caused.

At the request of Dr. Wolanin we have completed an analysis of the effects of the present NDSL and CWSP language on those states (and the institutions within them) with high part-time enrollments. The chart attached to this letter illustrates the effects of this disparity in the case of four hypothetical states. In the case of State A, all the students are enrolled full-time; in State B, all of the students are part-time; in State C, half are full-time and half part-time; and in State D, all the students are full-time, but the head count is one-half that in the first three. (For the sake of simplicity, each part-time student has been assumed to generate .5 FTE.)

In the case of SSIG, total headcount is compared to headcount in each state, while in the case of SEOG, total FTE is compared to FTE in each state. While the effects of these formuli differ, each does take into account the enrollment of less-than-full-time students. On the other hand, the formuli used for NDSL and for one-third of the CWSP allocation ignore part-time students entirely, with the resultant advantage to those states whose institutions concentrate their enrollment efforts on full-time students.

The SSIG formula is somewhat more favorable to states with large part-time enrollments than is the one used for SEOG. However, we would be comfortable with the application of either, so long as part-time students are indeed factored into the equation. (We would urge, for the sake of administrative simplicity, that the same basis for computation be used for each of the programs, instead of the variations now written into the law.)

We also wish to clarify a commend made by Dr. Ayers in response to a question concerning the present $200 floor for student grants. Dr. Ayers stated the Coalition position that students should receive all the aid to which they are entitled, without regard to an arbitrary floor, noting that if a student needed a relatively modest sum to continue his or her education, that sum should not be arbitrarily withheld.

However, we are not unsympathetic to the very real costs of processing and auditing grant payments, above and beyond the costs attendant upon needs assessment. We trust that the Committee will take into account our argument that an arbitrary floor may create undue and unnecessary hardships, but we would not oppose a compromise level which would minimize such deleterious effects.

On behalf of Drs. Sexton and Ayers, I convey our thanks for the courtesy and concern shown by the Committee and its staff during these hearings.

Sincerely,

Michael B. Goldstein
Counsel,
Coalition for Alternatives in
Postsecondary Education

encl.
MBG/ljb

## ANALYSIS OF EFFECTS OF STATE ALLOTMENT FORMULI

| STATE | (A) # STUDENTS ENROLLED FULL-TIME | (B) # STUDENTS ENROLLED PART-TIME | (C) TOTAL HEAD COUNT ENROLLMENT | (D) FULL-TIME EQUIVALENT OF PART-TIME STUDENTS | (E) TOTAL FULL-TIME EQUIVALENT ENROLLMENT | SSIG ALLOCATION | SEOG ALLOCATION | NDSL-CWSP ALLOCATION |
|---|---|---|---|---|---|---|---|---|
| A | 100,000 | -0- | 100,000 | -0- | 100,000 | 28.6% | 36.4% | 50% |
| B | -0- | 100,000 | 100,000 | 50,000 | 50,000 | 28.6 | 18.2 | 0 |
| C | 50,000 | 50,000 | 100,000 | 25,000 | 75,000 | 28.6 | 27.3 | 25 |
| D | 50,000 | -0- | 50,000 | -0- | 50,000 | 14.3 | 18.2 | 25 |
| TOTALS | 200,000(F) | 150,000 | 350,000(G) | 75,000 | 275,000(H) | 100 | 100 | 100 |

**Bases for Calculation of Allocation Shares**

SSIG Allocation = State Head Count Enrollment(C) ÷ Total Head Count Enrollment(G)

SEOG Allocation = State FTE Enrollment(E) ÷ Total FTE Enrollment(H)

NDSL/CWSP Allocation = State Full-Time Enrollment(A) ÷ Total Full-Time Enrollment(F)

**Notes**

Each part-time student assumed to represent .5 FTE.

Allocation shares do not include discretionary reallocations or, in case of CWSP, other bases not related to postsecondary enrollment.

Prepared by
Coalition for Alternatives in Postsecondary Education

May 1979

Mr. **WOLANIN.** Perhaps a specific suggestion of the way in which the law could be changed to accommodate that problem.

Mr. **WEISS.** In the course of your examination has the issue of day care, and the need of full- and/or part-time students for day care been considered determining assets? Our income tax laws now provide for certain deductions up to a certain amount for day care. Is that given consideration now or should it be?

Mr. **HEARN.** It should be. It is an important consideration. It is not now. And it is our view that this is a growing problem that speaks directly to the needs of particularly women and that specific provision should be made for that.

Mr. **WEISS.** Mr. Tauke.

Mr. **TAUKE.** No questions.

Mr. **WEISS.** Minority counsel?

Mr. **CLOHAN.** No.

Mr. **WEISS.** Mr. Buchanan.

Mr. **BUCHANAN.** I really like the idea of giving more discretion and more flexibility to the institutions. I wonder—and these are spur of the moment percentages—but on the SEOG program, I wonder about giving you the authority to spend no greater than 15 percent for graduate students and no greater than 15 percent for less than half-time students, if something along that line would be helpful. That would not necessarily cost more because we are reallocating money within the SEOG program, and we would not have to make these determinations. You could.

Mr. **HEARN.** I think the general issue of flexibility, without a specific opinion about the percentages named, is an important development and would be useful.

Mr. **BUCHANAN.** I wonder if those percentages are realistic percentages, but I won't belabor the point.

Mr. **WEISS.** If there are no further questions——

Mr. **BUCHANAN.** Dr. Ayers?

Mr. **AYERS.** One short comment. That is, if we provided these funds, we would also have to keep in mind that we would have to add additional kinds of resources to accommodate the students and help them along.

Mr. **WEISS.** Thank you both very much for your testimony.

Our next panel—Dr. Kenneth Reeher and Haskell Rhett, assistant chancellor for student services, New Jersey Department of Higher Education and State Higher Education Executive Officers. We welcome the two of you.

## STATEMENT OF KENNETH REEHER, PRESIDENT, NATIONAL ASSOCIATION OF STATE SCHOLARSHIP AND GRANT PROGRAMS

Mr. **REEHER.** I am Kenneth Reeher, the president of the State grant directors. I am joined by Dr. Rhett, who is the immediate past president and cochairman of our Federal Policy Committee. The other cochairman, Mr. Jursa from Michigan was unable to attend.

Mr. **WEISS.** The prepared statements have been given to the subcommittee members and will be entered into the record without objection.

[The prepared statement of Mr. Reeher follows:]

## PREPARED TESTIMONY OF KENNETH R. REEHER, PRESIDENT, NATIONAL ASSOCIATION OF STATE SCHOLARSHIP AND GRANT PROGRAMS

Mr. Chairman, I want to thank you and the committee for giving me the opportunity to testify on behalf of the National Association of State Scholarship and Grant Programs concerning the reauthorization of the Higher Education Act. You have specifically asked that I discuss the Basic Educational Opportunity Grant, Supplemental Educational Opportunity Grant, and the State Student Incentive Grant Programs.

The Basic Educational Opportunity Grant Program has become the base upon which state programs build grant aid and upon which financial aid officers build a student's financial aid package. We are pleased that the maximum grant will now be $1,800 per year beginning with the 1979-80 academic year and recommend minimum annual increases of $100 per year in the maximum BEOG award beginning with the 1981-82 appropriation to take into account the rising cost of education. Student costs are currently increasing annually, moving up by 8% in 1978-79 and estimated to be 9% higher in 1979-80. The automatic annual adjustments in the future would help needy students handle these increased costs.

There has been a partnership between state and BEOG program administrators the past two years in that efforts have been made to ease the access to public funds through a common data collection device and procedure. This process has been termed the Multiple Data Entry System and has developed administratively as a result of Congressional direction under the Thompson/Eshleman amendment. MDE caused the development of a so-called "common form," an instrument or a number of such which had common items to collect data and common instructions on how to complete the data collection items. The "common form" has been utilized by about 34 states to gather a data base upon which grant eligibility is then determined for both state and federal funds. This process, which has been a tremendous step towards simplification of the application process, has taken several forms. Most states have gathered data to determine eligibility for state funds through the utilization of an overprint on a small portion of the need analysis form used by either College Scholarship Service or the American College Testing Program. Pennsylvania utilized its own composite state/federal form and functioned as a Multiple Data Entry contractor for its residents and those non-residents in attendance at Pennsylvania institutions. It did not gather the institutional required data during the MDE function as CSS and ACT did. However, because state policy could not be altered on an immediate basis, the Pennsylvania form was rather complex though not so complicated as filing two separate forms for state and federal aid would have been. California utilized a state grant application form in addition to the CSS form and "bundled" therewith a common form to gather the demographic data required or desired by the colleges in California. This, too, was complex but a substantial improvement over multiple institutional forms distributed and collected separately.

In spite of the variations on a state-by-state basis, the MDE System resulted in a substantial reduction to the forms filed by students during the initial year of MDE with a reduction of 3 million duplicate forms filed nationally. More than 2.75 million students (78%) filed on a single application form and only 750,000 filed more than one form. In prior years, almost all students had filed at least two forms. There was only a 6% overlap nationally in the filing of duplicate application forms under MDE. In Pennsylvania prior to MDE, we required that every applicant get his or her BEOG eligibility index before we would run them through our state system. We felt the new MDE role of the Pennsylvania agency would simplify the application process and ease access of our residents to both state and federal public funds.

To determine the effectiveness of the new process PHEAA conducted surveys of the BEOG applicants, the college financial aid officers and the high school guidance counselors. Our surveys of the renewal BEOG applicants showed 88.6% of the applicants felt the 1978-79 process was simpler than when they were required to seek aid on separate forms through BEOG and Pennsylvania during 1977-78. The survey of all financial aid officers in the Commonwealth indicated that 77% felt the Multiple Data Entry system had simplified the application process and 87% of the FAO's were in favor of the state agency's involvement in MDE. This survey was conducted during the end of September at a time when the financial aid officers had a good chance to feel the impact of MDE on the application processing system and the ability of BEOG and PHEAA to make timely awards. The high school guidance counselor's survey showed 93.1% in favor of PHEAA involvement in MDE and 86.8% of the high school counselors felt that MDE simplified the application process.

There were some unusual gains for Pennsylvania residents as a result of the Multiple Data Entry System. PHEAA received from the BEOG central processor the names and addresses of those students who had received a BEOG in 1977-78 but who had not applied to the state grant program for aid. PHEAA sent a composite PHEAA/BEOG application to the home of each of these students so that they could apply to renew their BEOG award and apply for a state grant for the first time. This resulted in 4,342 new state grant recipients in 1978-79 with awards amounting to $2,889,339. Remember these students had not applied to the state program previously and as a result of MDE they received state grants for the first time. This group of state grant recipients had an average family income of $6,933 as compared to an average family income of $11,480 among the total state grant recipients. I think it is obvious that this large group of very needy Pennsylvania residents were aided by state grants in 1978-79 through a procedure that was a direct result of federal-state partnership in Multiple Data Entry.

Although it is too early to report final results, there appear to be similar benefits under the MDE System for those new BEOG constituents brought into the potential eligibility pool under the leadership of the Chairman of this Subcommittee through the adoption of the Middle Income Student Assistance Act (MISA). As you may or may not be aware, the BEOG Program does not mail application forms on which current recipients can file for renewal of their award. BEOG does not mail applications to those who applied and were ineligible but who may be eligible in a subsequent year because program parameters have been liberalized. Aware that this committee intended eligibility extension under MISAA, PHEAA mailed its composite federal-state application form to 37,000 BEOG applicants who failed to qualify for BEOG in 1978-79 even though they had filed a complete BEOG application form. The MDE application form was mailed with a letter explaining the new potential eligibility in BEOG under MISAA.

As of May 21, more than 14,000 of these students returned their application to PHEAA and 7,165 have been processed by the BEOG national processor with 3,605 qualifying for $2,637,908 in BEOG (average award of $732) and 2,684 receiving Pennsylvania grants valued at $1,328,228 (average award of $495). More than 90% of these recipients were dependent students and their family income was 35% above the average income of all eligible students ($19,520 <u>vs</u> $14,478). Although we only have a 50% return from this mailing to date it seems quite obvious that the MISAA which you fostered has truly moved the long forgotten middle class into the student aid programs and with some assistance from the new MDE System functioning under the state-federal partnership for data entry.

There were some problems getting the MDE System functional and there were complications caused by the more stringent edits initiated by BEOG at the national processor for the 1978-79 academic year. However, once the system was in gear it seemed to work very smoothly and efficiently. The major problems BEOG experienced because of its more substantial edits and data validation were problems that would have probably occurred without MDE. Since 1978-79 was the first year for the MDE System, it is only reasonable to assume that the system will be even better in 1979-80 since it will be in its second year and we are operating MDE with a minimum of change. This process of gathering data to determine eligibility in multiple programs started with Congressional direction that MDE be undertaken on an experimental basis.

It is our opinion that the experiment has worked and we have given the Chairman recommended reauthorization to keep MDE in place and to expand its function as state agencies demonstrate their administrative capacity to the Commissioner. The recommendation also allows states to enter into mutual interstate agreements to provide joint processing of application forms under the MDE System.

The U. S. Office of Education plans to introduce a new "Single Application Form" during the 1980-81 processing year. The new federal single form will be used for all applications for Basic Grant or other federal aid. This will be a form geared to gather the federal data whereas the Multiple Data Entry System and its "common form" are generally gathering the data necessary for state, federal and institutional consideration of needy applicants. It might be remembered that institutional aid and BEOG are grounded on unrecognized but basic differences. BEOG is not outright entitlement such as Social Security and Veteran's Administration benefits but is rather entitlement tempered by program eligibility standards similar to but not the equivalent of generally accepted standards of need analysis. The entitlement concept does not exist in campus funded programs and the campus financial aid officer has traditionally required and continues to see a need for data which more appropriately moves eligibility from the entitlement concept towards a pure assessment of the parents' ability to pay. The administrator of limited funds is properly concerned with "equity" in the distribution of the limited funds being administered, be they federal, private or institutional. For this reason the financial aid community has opposed the move of the USOE to its so-called single form. It is a single form for application to federal sources of student aid but fails to serve as a common form designed to meet the state and institutional needs. Future federal intrusion on the state and institutional definition of the data base required to administer funds under programs which do not carry any concept of entitlement but are rather based upon an analysis of parental ability to pay should undergo Congressional consideration either through regulatory pronouncement subject to Congressional review or specific legislative establishment of the federal role.

There are two other questions related to changes to the BEOG Program, one being changing the minimum award to $100 and the other being removal of the one-half cost limitation in the maximum award amount. In Pennsylvania, we have simulated the Pennsylvania 1979-80 BEOG applicant file and a test run on the $100 award indicates that this change would create about a 4% increase in the number of awards. The awards would occur across all college sectors (public and independent) and would be made to those students in the higher income ranges (generally increasing in number as you go above $12,000 income). Removal of the one-half cost limitation shows an expenditure increase of about 8% with none of the funds going to the full-charge independent sector. The state subsidized community and state-owned colleges where tuition is lowest would derive the maximum benefit from removal of the one-half cost limitation. The increased BEOG eligibility would flow to families at income levels below $12,000. A report of our study of this is attached.

A change such as removal of the one-half cost limitation has a serious potential policy impact for the broad and comprehensive state grant programs. As the maximum BEOG grant in the Pennsylvania community college moves from $1,050 under the present system to $1,800 under removal of the one-half cost limitation, the state program must redirect its state funds away from the BEOG recipient or the student will be overawarded. This means the state program will lose the public college low-income student as a state student aid program constituent and this sector of higher education will lobby for direct state subsidy of institutions rather than extension of student aid program support. Ninety-two percent of the new BEOG dollars go to the state subsidized colleges and 91% of the state money it causes to be redirected are removed from state grant recipients attending these colleges. Families below the $12,000 income level receive 80% of the new BEOG dollars when the one-half cost criteria is removed and 87% of the state money that is redirected is withdrawn from the below $12,000 income level. To illustrate the impact of this change in Pennsylvania, the low-income student enrolled at a community college and commuting from home would receive $1,800 in BEOG and $100 in state grant aid to finance college costs of $2,110. At our typical community college this would finance the $590 in tuition and fees payable to the college and the student would receive a check in the amount of $1,310 to cover the costs of commuting from home, books and so forth.

There has been considerable discussion during the last eighteen months concerning the base year in the State Student Incentive Grant Program and consideration of a change so as to encourage new state funding in those states which have over matched the federal allocation. I would suggest that possibly the problem is not in the base year but rather in the fact that this particular subcommittee has done its job but this has not been followed up by the Appropriations Committee. The enabling legislation which the Postsecondary Subcommittee enacted provided for $50 million authorization during the initial year of the SSIG Program, growing to an authorized $200 million after four years. The Labor-HEW Appropriations Committee has not seen fit to fund the SSIG Program at this level. One of our Association's recommendations would suggest that appropriate federal funding could be acquired if the authorizing committee would tie mandated federal funding to the growth of the Basic Grant Program as has been done in the campus-administered programs and this could be established at a percentage of the federal funds available through the Basic Educational Opportunity Grant Program.

The Association now suggests additionally that the most urgent federal assistance might be in the maintenance of state funding levels and that further growth of the well established state grant programs might be an unrealistic expectation. If the Committee shares in the belief that a lack of priority in the Labor-HEW Appropriations Committee has been our problem and that maintenance of state effort is our current crises then there would be no need to address the question of revision of the base year to encourage new state funds. We would suggest that the first $100 million appropriated in the SSIG Program be available on the current allocation formula and that a maintenance of effort formula similar to that utilized in the campus-based programs be introduced to assure retention of state funding during a period of restrictive state budgets. The state funding levels of 1976, 1977, and 1978 could be averaged to establish the state's level of effort and a state should then be eligible for its federal allocation on the current enrollment formula so long as its level of effort is maintained in the state appropriation. Federal funding through the $100 million level should also be allocated on a state-by-state basis on the current allocation formula utilizing this level of effort concept. Federal allocations above the $100 million level can then be based on a supplemental allocation formula that reflects our Association's recommendation to base allocations on the state's share of graduating high school seniors. This two-tier concept will hold harmless those states which have received extra funds under the current allocation procedure. [redacted]. The states should be required to match all funding from the federal government with the growth matching for developing states and maintenance of effort for the more established programs being the federal policy objectives.

The Association is concerned with the trend to tie policy objectives of the Congress to the State Student Incentive Grant Program. There are those that think there ought to be possibly some new device that would cause the overmatched states to put new money into the SSIG. There has been interest in using SSIG funding in order to get less than half-time students, graduate students and other new groups into the SSIG. The Association wants to point out that the direction of SSIG (and its state matching) towards those not eligible in BEOG will impact on the policy of a "package of aid" consisting in part of an entitlement through the Basic Grant Program. Since the new constituents would not be in BEOG, there could not be the building concept and if this should occur within the current funding level we would be directing current SSIG and state matching funds away from the current BEOG recipients.

One of the major concerns in the financial aid community particularly at the federal policy level is that the broad based Basic Grant Program with its recent enhancements might lead state legislators to allow tuition increases in order to capture additional federal dollars. It might be that the Congress would want to look at a direct program of assistance grants to either the states or the institutions of higher learning with such grants to piggyback on the Basic Grant Program. The size of the institutional grant if such were desired could be related somewhat to the tuition costs at the various institutions or the success of the institution to hold tuition levels from some specific base year. This could discourage tuition increases to capture BEOG dollars. A more comprehensive approach might be to consider the total state support of the institutions of higher learning be it through direct appropriations to retain tuition charges, the number and average amount in the state grant programs for students, or the state funding of construction costs. In fact, it could be a combination of all of these and possibly other factors. The federal government has adopted student aid as its main thrust for assisting the higher education community whereas the states have not done this. The states have carried responsibility for building facilities, paying salaries, retarding tuition increases and possibly all of this should be taken into account in making the SSIG allocation above the $100 million level.

Another approach to deter policy change to capture BEOG dollars could be to base the allocations upon the percentage of the total cost of education or the percentage of the tuition charges which is being met by the state's student grant program. It would also be possible to relate total state grants to the total BEOG dollars coming into that state. Any of these concepts could be used for BEOG piggyback grants to the institutions or the states and should work towards leveling of tuition.

In the case of the Supplemental Educational Opportunity Grant Program we recommend legislation which would tie funding of the SEOG program to a percentage of the BEOG funding to more effectively provide student freedom of choice. If the SEOG grant is packaged with the Basic Educational Opportunity Grant and state grant assistance the opportunity for freedom of choice is enhanced.

We recommend that the SEOG maximum award be increased to $2,000 which will in part offset inflation trends. This increase will also assure that SEOG resources are available on an individual basis in a sufficient amount to meet as many cases of "exceptional need" as possible. It will also allow more realistic packaging of BEOG, SSIG and other aid in the independent institutions.

Mr. Chairman, thank you for hearing our position on these very vital issues. Our membership stands ready to assist in the federal-state-institutional partnership and looks to this committee for the definition of a most important role as we work jointly to obtain a priority for and secure higher education funds, define eligibility standards, assure access to aid and improve the application and administrative process. I will be glad to attempt to answer any questions now or prepare responses to your inquiries subsequent to this session.

## PENNSYLVANIA HIGHER EDUCATION ASSISTANCE AGENCY

### REPORT

### IMPACT OF REMOVING BEOG ONE-HALF COST LIMIT
### CHANGE IN AWARD DOLLAR FLOW
### STATE GRANT PROGRAM vs. BEOG PROGRAM
(ALL VALUES IN THOUSANDS)

| | STATE GRANT PROGRAM | | BEOG PROGRAM | |
|---|---|---|---|---|
| | Award Dollars | Percent Change | Award Dollars | Percent Change |
| PENNSYLVANIA | | | | |
| INDEPENDENT FOUR-YEAR | -$ 1 | - 0.2% | +$ 4 | + 1.4% |
| STATE OWNED | - 697 | -10.0 | + 2,518 | +13.7 |
| STATE RELATED | - 422 | - 3.0 | + 1,538 | + 6.4 |
| INDEPENDENT TWO-YEAR | - 19 | - 0.5 | + 28 | + 1.3 |
| COMMUNITY | - 354 | -15.2 | + 3,064 | +40.0 |
| NURSING | - 42 | - 3.6 | + 164 | + 9.7 |
| BUSINESS/TECHNICAL | - 52 | - 1.3 | + 245 | + 4.2 |
| TOTAL PENNSYLVANIA | -$1,577 | - 2.2% | +$7,561 | +8.5% |
| TOTAL OUT-OF-STATE | - 37 | - 4.7 | + 192 | +1.7 |
| TOTAL PROGRAM | -$1,614 | -2.0% | +$7,753 | +7.7% |
| TOTAL AWARD DOLLARS | | | | |
| WITH ONE-HALF COST LIMIT | $81,183 | | $100,211 | |
| ONE-HALF COST LIMIT REMOVED | $79,569 | | $107,964 | |

| | STATE GRANT PROGRAM | | BEOG PROGRAM | |
|---|---|---|---|---|
| | Award Dollars | Percent Change | Award Dollars | Percent Change |
| DEPENDENT STUDENTS | | | | |
| Below $3,000 | -$ 103 | - 3.2% | +$ 515 | +13.5% |
| 3,000 - 5,999 | - 350 | - 6.7 | + 1,502 | +15.0 |
| 6,000 - 8,999 | - 332 | - 4.3 | + 1,351 | +10.8 |
| 9,000 - 11,999 | - 191 | - 2.0 | + 829 | + 6.5 |
| 12,000 - 14,999 | - 88 | - 0.9 | + 432 | + 3.6 |
| 15,000 - 17,999 | - 43 | - 0.4 | + 276 | + 2.3 |
| 18,000 - 20,999 | - 13 | - 0.1 | + 163 | + 1.6 |
| 21,000 - 23,999 | - 2 | 0.0 | + 75 | + 1.2 |
| 24,000 - ABOVE | - 1 | 0.0 | + 80 | + 1.3 |
| Total Dependent Students | -$1,123 | - 1.7% | +$5,223 | + 6.1% |
| Other Applicants | | | | |
| Veterans | - 10 | -20.5 | | |
| Self-Supporting | - 481 | - 5.1 | + 2,190 | +17.3 |
| TOTAL PROGRAM | -$1,614 | - 2.0% | +$7,753 | + 7.7% |

### IMPACT OF REMOVING SEOG ONE-HALF COST LIMIT
### ** SEOG PROGRAM DATA **
### DEPENDENT STUDENTS BY INCOME/OTHER APPLICANTS

| | WITH ONE-HALF COST LIMIT | | | | | WITHOUT ONE-HALF COST LIMIT | | | | NET CHANGE | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| PHEAA PARENTS' GROSS INCOME | APPLICANTS | AWARDS | VALUE (THOUSANDS) | FULL-YEAR AVERAGE | Percent Aided | AWARDS | VALUE (THOUSANDS) | FULL-YEAR AVERAGE | PER CENT AIDED | AWARDS | VALUE (THOUSANDS) | FULL-YEAR AVERAGE | PERCENT AIDED |
| DEPENDENT STUDENTS | | | | | | | | | | | | | |
| Below $3,000 | 3,712 | 2,880 | $ 3,810 | $1,323 | 77.6 | 2,880 | $ 4,325 | $1,502 | 77.6 | 0 | +$ 515 | +$179 | 0.0 |
| 3,000 - 5,999 | 7,484 | 7,032 | 9,991 | 1,421 | 94.0 | 7,032 | 11,493 | 1,634 | 94.0 | 0 | + 1,502 | + 213 | 0.0 |
| 6,000 - 8,999 | 10,188 | 9,212 | 12,471 | 1,354 | 90.4 | 9,212 | 13,822 | 1,500 | 90.4 | 0 | + 1,351 | + 146 | 0.0 |
| 9,000 - 11,999 | 12,400 | 10,604 | 12,747 | 1,202 | 85.5 | 10,604 | 13,576 | 1,280 | 85.5 | 0 | + 829 | + 78 | 0.0 |
| 12,000 - 14,999 | 14,104 | 11,240 | 12,106 | 1,077 | 79.7 | 11,240 | 12,538 | 1,115 | 79.7 | 0 | + 432 | + 38 | 0.0 |
| 15,000 - 17,999 | 17,000 | 12,264 | 11,928 | 973 | 72.1 | 12,264 | 12,204 | 995 | 72.1 | 0 | + 276 | + 22 | 0.0 |
| 18,000 - 20,999 | 21,312 | 12,248 | 10,193 | 832 | 57.5 | 12,248 | 10,356 | 846 | 57.5 | 0 | + 163 | + 14 | 0.0 |
| 21,000 - 23,999 | 15,336 | 7,940 | 6,043 | 761 | 51.8 | 7,940 | 6,118 | 771 | 51.8 | 0 | + 75 | + 10 | 0.0 |
| 24,000 ABOVE | 25,588 | 8,384 | 6,000 | 716 | 32.8 | 8,384 | 6,080 | 725 | 32.8 | 0 | + 80 | + 9 | 0.0 |
| TOTAL DEPENDENT STUDENTS | 127,124 | 81,804 | $ 85,289 | $1,043 | 64.3 | 81,804 | $ 90,512 | $1,106 | 64.3 | 0 | +$5,223 | +$ 63 | 0.0 |
| OTHER APPLICANTS | | | | | | | | | | | | | |
| VETERANS | 5,084 | 2,068 | $ 2,290 | $1,107 | 40.7 | 2,068 | $ 2,630 | $1,272 | 40.7 | 0 | + 340 | +$165 | 0.0 |
| SELF-SUPPORTING | 13,560 | 9,868 | 12,632 | 1,280 | 72.8 | 9,868 | 14,822 | 1,502 | 72.8 | 0 | + 2,190 | + 222 | 0.0 |
| TOTAL PROGRAM | 145,768 | 93,740 | $100,211 | $1,069 | 64.3 | 93,740 | $107,964 | $1,152 | 64.3 | 0 | +$7,753 | +$ 83 | 0.0 |

### IMPACT OF REMOVING BEOG ONE-HALF COST LIMIT
### ** BEOG PROGRAM DATA **
### BY TYPES OF INSTITUTION

| | WITH ONE-HALF COST LIMIT | | | | | WITHOUT ONE-HALF COST LIMIT | | | | NET CHANGE | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | APPLICANTS | AWARDS | VALUE (THOUSANDS) | FULL-YEAR AVERAGE | Percent Aided | AWARDS | VALUE (THOUSANDS) | FULL-YEAR AVERAGE | PER CENT AIDED | AWARDS | VALUE (THOUSANDS) | FULL-YEAR AVE[illegible] | PERCENT AIDED |
| PENNSYLVANIA | | | | | | | | | | | | | |
| Independent Four-Year | 44,504 | 26,360 | $ 29,371 | $1,114 | 59.2 | 26,360 | $ 29,375 | $1,114 | 59.2 | 0 | +$ 4 | $ 0 | 0.0 |
| State Owned | 27,452 | 18,644 | 18,388 | 986 | 67.9 | 18,644 | 20,906 | 1,121 | 67.9 | 0 | + 2,518 | + 135 | 0.0 |
| State Related | 34,572 | 22,496 | 24,112 | 1,072 | 65.1 | 22,496 | 25,650 | 1,140 | 65.1 | 0 | + 1,538 | + 68 | 0.0 |
| Independent Two-Year | 2,272 | 1,664 | 2,132 | 1,281 | 73.2 | 1,664 | 2,160 | 1,298 | 73.2 | 0 | + 28 | + 17 | 0.0 |
| Community | 10,500 | 7,960 | 7,651 | 961 | 75.8 | 7,960 | 10,715 | 1,346 | 75.8 | 0 | + 3,064 | + 385 | 0.0 |
| Nursing | 2,556 | 1,740 | 1,685 | 968 | 68.1 | 1,760 | 1,849 | 1,063 | 68.1 | 0 | + 164 | + 95 | 0.0 |
| Business/Technical | 6,888 | 4,760 | 5,793 | 1,217 | 69.1 | 4,760 | 6,038 | 1,269 | 69.1 | 0 | + 245 | + 52 | 0.0 |
| TOTAL PENNSYLVANIA | 128,744 | 83,624 | $ 89,123 | $1,066 | 65.0 | 83,624 | $ 96,693 | $1,156 | 65.0 | 0 | +$7,561 | + 90 | 0.0 |
| TOTAL OUT-OF-STATE | 17,024 | 10,116 | 11,079 | 1,095 | 59.4 | 10,116 | 11,271 | 1,114 | 59.4 | 0 | + 192 | + 19 | 0.0 |
| TOTAL PROGRAM | 145,768 | 93,740 | $100,211 | $1,069 | 64.3 | 93,740 | $107,964 | $1,152 | 64.3 | 0 | +$7,753 | +$ 83 | 0.0 |

### IMPACT OF REMOVING BEOG ONE-HALF COST LIMIT
### ** STATE GRANT PROGRAM DATA **
### DEPENDENT STUDENTS BY INCOME/OTHER APPLICANTS

| | WITH ONE-HALF COST LIMIT | | | WITHOUT ONE-HALF COST LIMIT | | | NET CHANGE | | |
|---|---|---|---|---|---|---|---|---|---|
| PHEAA PARENTS' GROSS INCOME | AWARDS | VALUE (THOUSANDS) | FULL-YEAR AVERAGE | AWARDS | VALUE (THOUSANDS) | FULL-YEAR AVERAGE | AWARDS | VALUE (THOUSANDS) | FULL-YEAR AVERAGE |
| DEPENDENT STUDENTS | | | | | | | | | |
| Below $3,000 | 3,772 | $ 3,198 | $848 | 3,772 | $ 3,095 | $820 | 0 | -$ 103 | -$28 |
| 3,000 - 5,999 | 7,540 | 5,222 | 693 | 7,540 | 4,872 | 646 | 0 | - 350 | - 47 |
| 6,000 - 8,999 | 10,300 | 7,686 | 746 | 10,300 | 7,354 | 714 | 0 | - 332 | - 32 |
| 9,000 - 11,999 | 12,428 | 9,363 | 753 | 12,428 | 9,172 | 738 | 0 | - 191 | - 15 |
| 12,000 - 14,999 | 14,160 | 10,053 | 710 | 14,160 | 9,965 | 704 | 0 | - 88 | - 6 |
| 15,000 - 17,999 | 16,352 | 10,020 | 613 | 16,352 | 9,977 | 610 | 0 | - 43 | - 3 |
| 18,000 - 20,999 | 16,936 | 9,552 | 564 | 16,936 | 9,539 | 563 | 0 | - 13 | - 1 |
| 21,000 - 23,999 | 10,068 | 5,449 | 541 | 10,068 | 5,447 | 541 | 0 | - 2 | 0 |
| 24,000 ABOVE | 11,744 | 6,354 | 541 | 11,744 | 6,353 | 541 | 0 | - 1 | 0 |
| TOTAL DEPENDENT STUDENTS | 103,300 | $66,897 | $648 | 103,300 | $65,774 | $637 | 0 | -$1,123 | -$11 |
| OTHER APPLICANTS | | | | | | | | | |
| VETERANS | 4,604 | 4,880 | 1,060 | 4,532 | 4,870 | 1,075 | -72 | - 10 | +$15 |
| SELF-SUPPORTING | 12,076 | 9,406 | 779 | 12,076 | 8,925 | 739 | 0 | - 481 | - 40 |
| TOTAL PROGRAM | 119,980 | $81,183 | $677 | 119,908 | $79,569 | $664 | -72 | -$1,614 | -$13 |

IMPACT OF REMOVING BEOG ONE-HALF COST LIMIT
** STATE GRANT PROGRAM DATA **
BY TYPE OF INSTITUTION

| | WITH ONE-HALF COST LIMIT | | | WITHOUT ONE-HALF COST LIMIT | | | NET CHANGE | | |
|---|---|---|---|---|---|---|---|---|---|
| | AWARDS | VALUE (THOUSANDS) | FULL-YEAR AVERAGE | AWARDS | VALUE (THOUSANDS) | FULL-YEAR AVERAGE | AWARDS | VALUE (THOUSANDS) | FULL-YEAR AVERAGE |
| PENNSYLVANIA | | | | | | | | | |
| Independent Four-Year | 40,304 | $43,000 | $1,067 | 40,304 | $42,999 | $1,067 | 0 | -$ 1 | $ 0 |
| State Owned | 19,548 | 6,989 | 358 | 19,548 | 6,292 | 322 | 0 | - 697 | - 36 |
| State Related | 27,092 | 13,966 | 515 | 27,052 | 13,544 | 501 | -40 | - 422 | - 14 |
| Independent Two-Year | 2,072 | 1,767 | 853 | 2,064 | 1,758 | 852 | - 8 | - 9 | - 1 |
| Community | 7,712 | 2,331 | 302 | 7,708 | 1,977 | 257 | - 4 | - 354 | - 45 |
| Nursing | 2,336 | 1,180 | 505 | 2,336 | 1,138 | 487 | 0 | - 42 | - 18 |
| Business/Technical | 6,148 | 4,054 | 659 | 6,128 | 4,002 | 653 | -20 | - 52 | - 6 |
| TOTAL PENNSYLVANIA | 105,212 | $73,287 | $ 697 | 105,104 | $71,710 | $ 682 | -72 | -$1,577 | -$15 |
| TOTAL OUT-OF-STATE | 14,768 | 7,896 | 535 | 14,768 | 7,859 | 532 | 0 | - 37 | - 3 |
| TOTAL PROGRAM | 119,980 | $81,183 | $ 677 | 119,908 | $79,369 | $ 664 | -72 | -$1,614 | -$13 |

TITLE IV - STUDENT ASSISTANCE

Part A, Subpart 1 - Basic Educational Opportunity Grants. Employing a Federally-established need analysis system, this program is authorized to provide grants of up to $1800 to undergraduates enrolled on at least a half-time basis. No grant can exceed half the cost of attendance. This is essentially a student aid entitlement for undergraduates with need.

Statute: 20 USC 1070a

Funding History: 1/

| Year | Authorization | Appropriation | Budget Request |
|---|---|---|---|
| 1973 | (Such sums as | $ 122,100,000 | $ 701,800,000 2/ |
| 1974 | necessary) | 475,000,000 | 959,000,000 2/ |
| 1975 | " | 840,200,000 | 1,300,000,000 |
| 1976 | " | 1,325,800,000 | 1,050,000,000 |
| 1977 | " | 1,903,900,000 | 1,100,000,000 |
| 1978 | " | 2,160,000,000 | 2,316,000,000 |
| 1979 | " | 2,626,900,000 | 2,177,000,000 |

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[illegible]Draft of Annual Evanuation Report on Programs Administered by the U.S. OFfice of Education, FY 1978, U.S. Department of HEW, Office of Education, Office of Planning, Budgeting, and Evaluation; and budget documents for various years.

2/ Combined amount for College Work-Study, Educational Opportunity Grants, and Cooperative Education.

TITLE IV - STUDENT ASSISTANCE

Part A, Subpart 2 - Supplemental Educational Opportunity Grants. Through a State-based allotment formula, funds for the Supplemental Grant Program are disbursed to individual campuses. Financial aid officers control the awarding of these funds to students. Needy undergraduate students enrolled on at least a half-time basis are eligible for up to $1,500, or half the sum of the total amount of aid provided to the student, whichever is less. A maximum of $4,000 can be awarded through the undergraduate years, except in certain circumstances. Prior to Education Amendments of 1972, these grants were Educational Opportunity Grants.

Statute: 20 USC 1070b-1070b-3

Funding History: 1/

| Year | Authorization | Appropriation | Budget Request |
|---|---|---|---|
| 1966 | $ 70,000,000 2/ | $ 58,000,000 | $ 0 |
| 1967 | 70,000,000 2/ | 112,000,000 | 122,000,000 |
| 1968 | 70,000,000 2/ | 140,600,000 | 159,600,000 |
| 1969 | 70,000,000 2/ | 124,000,000 | 158,100,000 |
| 1970 | 125,000,000 2/ | 164,600,000 | 175,600,000 |
| 1971 | 170,000,000 2/ | 167,700,000 | 185,600,000 |
| 1972 | 170,000,000 2/ | 220,300,000 | 971,300,000 3/ |
| 1973 | 200,000,000 2/ | 210,300,000 | 701,800,000 3/ |
| 1974 | 200,000,000 2/ | 210,300,000 | 0 |
| 1975 | 200,000,000 2/ | 240,300,000 | 0 |
| 1976 | 200,000,000 2/ | 240,093,000 | 0 |
| 1977 | 200,000,000 2/ | 250,093,000 | 0 |
| 1978 | 200,000,000 2/ | 270,093,000 | 240,093,000 |
| 1979 | 200,000,000 2/ | 340,100,000 | 270,093,000 |

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1/ Draft of Annual Evaluation Report on Programs Administered by the U.S. Office of Education, FY 1978, U.S. Dept. of HEW, Office of Education, Office of Planning, Budgeting and Evaluation; and budget documents for various years.

2/ For initial year grants plus such sums as may be needed for continuing grants.

3/ Combined amount for College Work-Study, Educational Opportunity Grants and Cooperative Education.

TITLE IV - STUDENT ASSISTANCE

Part A, Subpart 3 - Grants to States for State Student Incentives. States are provided, under the State Student Incentive Grant Programs, with funds, on a 1-to-1 matching basis for the support of State-run, need-based, undergraduate student aid programs.

Statute: 20 USC 1070c-1070c4

Funding History: 1/

| Year | Authorization | Appropriation | Budget Request |
|---|---|---|---|
| 1973 | $50,000,000 2/ | 0 | 0 |
| 1974 | 50,000,000 2/ | $19,000,000 | 0 |
| 1975 | 50,000,000 2/ | 20,000,000 | 0 |
| 1976 | 50,000,000 2/ | 44,000,000 | $44,000,000 |
| 1977 | 50,000,000 2/ | 60,000,000 | 44,000,000 |
| 1978 | 50,000,000 2/ | 63,750,000 | 44,000,000 |
| 1979 | 50,000,000 2/ | 76,750,000 | 76,750,000 |

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1/ Annual Evaluation Report on Programs Administered by the U.S. Office of Education, FY 1977, U.S. Dept. of HEW, Office of Education, Office of Planning, Budgeting and Evaluation; and budget documents for various years.

2/ Plus such sums as may be needed for continuation grants.

## BASIC EDUCATION OPPORTUNITY GRANT (BEOG)

Appropriations History:

FEDERAL FUNDING OF THE BEOG PROGRAM
FY 1975 - FY 1980

| Year | Appropriation | Number of Institutions | Number of Recipients |
|---|---|---|---|
| FY 1975 | $ 660,000,000 | 4,720 | 1,228,034[4] |
| FY 1976 | 1,325,800,000 | 5,133[4] | 1,945,454[4] |
| FY 1977 | 1,903,900,000 | 5,316[4] | N.A. |
| FY 1978 | 2,160,000,000[1] | N.A. | N.A. |
| FY 1979 | 2,626,900,000[2] | N.A. | N.A. |
| FY 1980 | 1,796,000,000[3] | N.A. | N.A. |

Description of Program:

The Basic Education Opportunity Grant program[5] provides grants to assist qualified undergraduate students to finance their postsecondary education. BEOG has been fully funded since 1975-76. In 1975-76 and 1976-77, the maximum grant to eligible students was $1400. The maximum award available for the 1978-79 academic year is $1600.

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[1] U.S. Department of Health, Education, and Welfare, Office of Education, Office of Planning, Budgeting and Evaluation, Annual Evaluation Report on Programs Administered in the U.S. Office of Education, Fiscal Year 1977 (Washington, D.C.: G.P.O., 1978), p. 218.

[2] The Chronicle of Higher Education (October 16, 1978), p. 17.

[3] The Budget of the U.S. Government FY 1980. The 1980 budget assumes the availability of $726 million in funds from prior year appropriations for reappropriations. These funds will support a total program cost of $2,444 million in 1980.

[4] Data on institutions and recipients from the Division of Policy and Program Development, Basic Grants Branch, Office of Education. The number indicates those institutions which actually distribute BEOG funds.

[5] Authorized by the Education Amendments of 1972 and the Education Amendments of 1976 to the Higher Education Act of 1965 (Title IV; P.L. 92-318; as amended P.L. 94-482).

For the 1979-80 academic year, Congress mandated major changes in the BEOG expected family contribution schedule[6] in its middle-income student aid legislation. The new family contribution schedule expands the income and asset eligibility, in addition to lowering the tax rate on discretionary income (10.5 percent), thereby increasing eligibility of middle income families to the Basic Grant Program. For example, a typical four-member family with one child in college with an adjusted income of $25,000 and up to $25,000 in assets should be eligible for at least a $250 Basic Grant.

As originally required in the law, at full funding, a Basic Grant entitlement cannot exceed $1600 in 1978-79 minus the expected family contribution. A further stipulation is that the BEOG cannot exceed one-half of the actual cost of education, which includes tuition and fees, books and supplies, room and board, and a personal allowance. The minimum award at full funding is $200.[7] In the event that full funding is not achieved, as was the case in the first two years of the program (1973-74 and 1974-75), reduction factors are applied to prorate the students' entitlement downward based on the existing appropriation.

## Eligibility

Basic Grants are available to all qualified undergraduate students who are enrolled in an eligible institution on at least a half-time basis. Participating institutions include colleges, universities, and other post-secondary vocational, technical and proprietary institutions which meet federal eligibility requirements. Eligibility usually extends throughout four years of undergraduate study, but may be extended to five years under special circumstances.[8]

Contact: Division of Policy and Program Development, Basic Grants Branch, Bureau of Student Financial Assistance, Office of Education, Washington, D.C. 20202. Telephone: (202) 245-1744.

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[6] By law, the family contribution schedules for BEOG, indicating the formula for determining the expected family contribution, must be submitted by the Commissioner of Education to Congress for approval each year.

[7] H.E.W., Annual Evaluation Report, p. 218.

[8] Ibid., p. 218-219.

DISTRIBUTION OF BEOG FUNDING BY INSTITUTIONAL CONTROL AND TYPE
FY 1975 - FY 1977

| | 1975 - 1976 (FY 1975) [9] | | 1976 - 1977 (FY 1976) [11] | | 1977 - 1978 (FY 1977) [13] | |
|---|---|---|---|---|---|---|
| TYPE OF INSTITUTION | Amount | % of Total Amt | Amount | % of Total Amt | Amount | % of Total Amt |
| PUBLIC | $609,030,990 | 65.0% | $ 975,811,283 | 66.0% | $1,005,688,240 | 66.0% |
| Universities | 303,867,790 | [illegible]0.0 | [illegible]2,110,951 | 55.0 | 559,937,569 | 56.0 |
| Other Four-Year | 61,166,253 | [illegible] | 99,211,363 | 10.0 | 101,125,008 | 10.0 |
| Two-Year | 240,745,336 | 40.0 | 340,030,509 | 35.0 | 340,272,326 | 34.0 |
| One-Year (But Less Than Two-Year) | 2,668,679 | 0.4 | 3,543,585 | 0.4 | 3,386,008 | 0.3 |
| Six-Months (But Less Than One-Year) | 582,932 | 0.1 | 914,875 | 0.1 | 967,329 | 0.1 |
| INDEPENDENT | $232,704,448 | 25.0% | $ 362,291,820 | 25.0% | $ 377,530,288 | 25.0% |
| Universities | 81,300,848 | 35.0 | 132,916,069 | 37.0 | 145,110,388 | 38.0 |
| Other Four-Year | 123,449,132 | 53.0 | 192,166,158 | 53.0 | 195,948,318 | 52.0 |
| Two-Year | 27,266,227 | 12.0 | 35,885,270 | 10.0 | 35,165,269 | 9.0 |
| One-Year (But Less Than Two-Year) | 319,126 | 0.1 | 838,126 | 0.2 | 840,687 | 0.2 |
| Six-Months (But Less Than One-Year) | 369,115 | 0.2 | 486,197 | 0.1 | 465,626 | 0.1 |
| PROPRIETARY | $ 84,502,038 | 9.0% | $ 119,345,285 | 8.0% | $ 136,882,548 | 9.0% |
| Universities | 75,951 | 0.1 | 751,323 | 0.6 | 558,436 | 0.4 |
| Other Four-Year | 3,443,486 | 4.0 | 5,137,697 | 4.0 | 6,141,884 | 4.0 |
| Two-Year | 30,539,615 | 36.0 | 42,493,020 | 36.0 | 46,133,464 | 34.0 |
| One-Year (But Less Than Two-Year) | 18,200,576 | 22.0 | 22,788,967 | 19.0 | 23,086,416 | 17.0 |
| Six-Months (But Less Than One-Year) | 32,242,410 | 38.0 | 48,174,278 | 40.0 | 60,962,348 | 45.0 |
| Other | $ 3,348,689 | 0.4% | $ 6,403,680 | 0.4% | $ 30,800 | 0.0% |
| Alternate Disbursement | $ 6,956,969 | 0.7% | $ 9,962,319 | 0.7% | $ 14,568,344 | 1.0% |
| TOTAL | $936,543,134[10] | 100.1% | $1,473,814,387[12] | 100.1% | $1,534,700,220 | 101.0% |

. Variations from 100% are due to rounding.

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[9] Department of Health, Education, and Welfare, Office of Education, Bureau of Student Financial Assistance, Basic Educational Opportunity Grant Program, End-of-Year Report (February 1977).

[10] Includes $660,000,000 originally appropriated plus $180,200,000 in supplemental appropriations, plus $171,300,000 carried over from FY 1974.

[11] Department of Health, Education, and Welfare, Office of Education, Bureau of Student Financial Assistance, Basic Educational Opportunity Grant Program, End-of-Year Report (February 1978).

[12] Includes $715,000,000 originally appropriated plus $610,800,000 in supplemental appropriations plus $211,700,000 borrowed from FY 1977 funds.

[13] Department of Health, Education, and Welfare, Office of Education, Bureau of Student Financial Assistance, Basic Educational Opportunity Grant Program, Institutional Agreement and Authorization Report (October 13, 1978).

DISTRIBUTION OF BEOG FUNDING BY INSTITUTIONAL CONTROL AND STATE
(FY 1975 - FY 1976)[14]

| | 1975 - 1976 (FY 1975) | | | | | 1976 - 1977 (FY 1976) | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| State | Public | Independent | Proprietary | Other | Total | Public | Independent | Proprietary | Other | Total |
| TOTAL | $609,030,990 | $232,704,448 | $84,502,038 | $3,348,689 | $929,586,165 | $975,811,283 | $362,291,820 | $119,345,285 | $6,403,680 | $1,463,852,068 |
| Alabama | 14,413,061 | 6,483,274 | 1,679,710 | 0 | 22,576,045 | 22,599,701 | 9,278,065 | 2,032,504 | 0 | 33,910,270 |
| Alaska | 199,551 | 142,798 | 19,564 | 0 | 361,913 | 398,530 | 95,000 | 16,858 | 0 | 510,388 |
| Arizona | 7,585,767 | 209,526 | 2,552,116 | 0 | 10,347,409 | 13,710,039 | 413,525 | 3,054,031 | 0 | 17,177,595 |
| Arkansas | 7,501,658 | 1,785,903 | 263,290 | 0 | 9,550,851 | 11,898,735 | 2,819,420 | 514,088 | 0 | 15,232,243 |
| California | 57,181,055 | 10,165,353 | 10,993,319 | 454,189 | 78,793,916 | 94,363,173 | 15,853,568 | 15,579,510 | 814,687 | 126,610,948 |
| Colorado | 7,850,948 | 477,050 | 1,035,498 | 82,732 | 9,446,228 | 13,513,154 | 951,758 | 1,795,123 | 89,259 | 16,349,294 |
| Connecticut | 3,798,939 | 1,913,283 | 708,358 | 0 | 6,540,580 | 6,786,896 | 3,030,910 | 1,225,195 | 0 | 11,043,001 |
| Delaware | 1,707,530 | 324,344 | 0 | 0 | 2,031,974 | 2,165,284 | 353,935 | 286,920 | 0 | 2,806,139 |
| District of Columbia | 1,232,030 | 2,634,548 | 1,084,025 | 0 | 4,950,603 | 2,078,199 | 4,511,900 | 1,521,044 | 0 | 8,111,143 |
| Florida | 19,575,686 | 4,509,364 | 1,072,044 | 0 | 25,157,094 | 35,329,633 | 8,160,111 | 1,737,466 | 0 | 45,227,208 |
| Georgia | 11,895,457 | 6,006,443 | 1,317,391 | 60,911 | 19,280,202 | 18,069,002 | 8,131,401 | 1,864,173 | 57,182 | 28,121,758 |
| Hawaii | 1,250,615 | 317,155 | 117,972 | 0 | 1,685,742 | 2,318,933 | 432,904 | 196,293 | 0 | 2,948,130 |
| Idaho | 1,779,698 | 303,342 | 5,595 | 0 | 2,088,635 | 3,185,420 | 405,433 | 14,171 | 0 | 3,605,024 |
| Illinois | 24,503,447 | 11,000,285 | 2,769,633 | 37,173 | 38,310,538 | 40,708,860 | 18,468,719 | 4,218,320 | 26,404 | 63,422,303 |
| Indiana | 8,615,005 | 3,726,219 | 2,835,174 | 3,975 | 15,180,373 | 12,171,129 | 5,335,628 | 4,359,623 | 2,459,385 | 24,325,765 |
| Iowa | 5,851,808 | 4,121,596 | 235,758 | 0 | 10,209,162 | 8,364,901 | 6,156,241 | 431,369 | 0 | 14,952,511 |
| Kansas | 6,567,381 | 2,566,261 | 646,324 | 548 | 9,780,514 | 9,892,394 | 4,217,768 | 1,058,511 | 8,071 | 15,176,744 |
| Kentucky | 8,411,964 | 3,396,142 | 2,620,617 | 0 | 14,428,723 | 14,290,987 | 5,310,555 | 2,765,350 | 0 | 22,366,892 |
| Louisiana | 17,045,300 | 2,547,566 | 2,362,371 | 285,617 | 22,240,854 | 25,453,795 | 3,616,505 | 3,097,048 | 425,321 | 32,592,679 |
| Maine | 2,950,075 | 998,329 | 337,372 | 4,866 | 4,290,642 | 4,788,298 | 1,502,888 | 423,383 | 4,926 | 6,719,495 |
| Maryland | 12,307,607 | 1,680,892 | 411,848 | 56,300 | 14,456,647 | 19,552,630 | 2,807,462 | 696,033 | 0 | 23,056,125 |
| Massachusetts | 11,349,666 | 11,172,521 | 2,307,206 | 70,168 | 24,899,561 | 18,551,474 | 17,629,913 | 2,911,201 | 94,262 | 39,186,850 |
| Michigan | 27,259,513 | 6,840,435 | 2,080,536 | 47,568 | 36,228,052 | 41,003,870 | 9,958,286 | 2,798,783 | 11,161 | 55,772,100 |
| Minnesota | 11,586,042 | 3,721,316 | 979,785 | 106,424 | 16,393,567 | 19,851,424 | 5,480,534 | 1,404,453 | 223,330 | 26,959,741 |
| Mississippi | 16,482,448 | 2,762,202 | 501,092 | 0 | 19,745,742 | 24,722,711 | 4,167,708 | 694,716 | 0 | 29,585,135 |
| Missouri | 12,456,360 | 4,486,363 | 1,238,969 | 59,298 | 18,222,990 | 19,607,072 | 7,051,047 | 2,254,551 | 86,825 | 28,999,495 |
| Montana | 2,205,518 | 407,083 | 211,046 | 0 | 2,823,707 | 3,873,181 | 571,685 | 220,763 | 0 | 4,665,629 |
| Nebraska | 4,276,062 | 1,537,700 | 790,842 | 22,475 | 6,627,079 | 6,445,210 | 2,155,746 | 555,005 | 38,983 | 9,194,944 |
| Nevada | 998,491 | 33,210 | 154,267 | 16,168 | 1,202,136 | 1,664,929 | 64,203 | 254,379 | 31,062 | 2,014,573 |
| New Hampshire | 1,594,329 | 1,111,404 | 174,498 | 0 | 2,880,231 | 2,627,724 | 1,810,747 | 234,256 | 0 | 4,672,727 |
| New Jersey | 17,014,276 | 4,098,977 | 3,125,398 | 26,539 | 24,265,190 | 25,909,055 | 6,779,157 | 4,983,996 | 59,219 | 37,731,427 |
| New Mexico | 6,114,614 | 669,513 | 357,573 | 0 | 7,141,700 | 10,001,004 | 1,199,066 | 524,264 | 0 | 11,724,334 |
| New York | 60,446,664 | 23,729,299 | 14,288,045 | 480,882 | 98,944,890 | 108,383,567 | 42,896,422 | 19,908,257 | 538,331 | 171,726,577 |
| North Carolina | 18,104,251 | 8,471,608 | 930,567 | 161,156 | 27,667,582 | 26,313,545 | 12,320,086 | 1,380,630 | 14,322 | 40,028,591 |
| North Dakota | 2,188,042 | 533,[illegible] | 137,375 | 23,168 | 2,881,870 | 4,084,133 | 756,456 | 209,653 | 21,204 | 5,071,535 |
| Ohio | 22,206,779 | 8,019,575 | 2,853,992 | 280,001 | 33,360,347 | 34,140,165 | 12,715,376 | 4,153,467 | 183,234 | 51,192,244 |
| Oklahoma | 11,694,259 | 2,446,823 | 1,059,295 | 44,317 | 15,244,694 | 18,960,012 | 3,420,181 | 1,140,401 | 61,056 | 23,581,660 |
| Oregon | 8,374,903 | 1,168,816 | 777,612 | 27,287 | 10,348,618 | 13,581,301 | 1,926,821 | 90[illegible]7 | 63,027 | 16,479,936 |
| Pennsylvania | 27,184,110 | 13,143,832 | 7,787,155 | 162,116 | 48,277,213 | 39,395,654 | 19,704,327 | 9,610,504 | 230,621 | 68,941,106 |
| Rhode Island | 2,084,538 | 1,450,327 | 312,717 | 0 | 3,847,582 | 3,340,610 | 2,409,219 | 551,929 | 0 | 6,301,758 |
| South Carolina | 8,952,950 | 6,221,703 | 821,811 | 0 | 15,996,464 | 12,303,621 | 8,522,682 | 2,037,332 | 0 | 22,863,635 |
| South Dakota | 2,889,061 | 1,219,718 | 257,440 | 5,524 | 4,371,743 | 5,019,930 | 1,966,250 | 285,749 | 4,305 | 7,276,234 |
| Tennessee | 10,479,158 | 7,686,513 | 2,155,827 | 141,687 | 20,463,185 | 17,756,416 | 10,977,573 | 2,809,367 | 30,539 | 31,573,895 |
| Texas | 39,144,474 | 9,620,144 | 3,795,463 | 135,711 | 52,695,792 | 58,007,117 | 14,736,048 | 5,424,248 | 127,606 | 78,196,019 |
| Utah | 2,657,111 | 115,331 | 165,022 | 0 | 2,937,464 | 6,229,818 | 209,960 | 314,922 | 0 | 6,754,700 |
| Vermont | 1,235,588 | 840,063 | 0 | 27,654 | 2,103,305 | 2,224,356 | 1,356,939 | 15,728 | 14,363 | 3,611,386 |
| Virginia | 10,557,954 | 3,397,144 | 942,546 | 224,276 | 15,221,920 | 16,753,110 | 5,104,460 | 1,861,962 | 244,909 | 23,964,441 |
| Washington | 9,060,635 | 1,674,248 | 1,289,122 | 47,913 | 12,071,918 | 14,874,246 | 2,732,047 | 1,550,201 | 95,135 | 19,251,629 |
| West Virginia | 4,367,404 | 1,345,920 | 774,943 | 0 | 6,488,267 | 6,516,709 | 1,828,380 | 724,348 | 0 | 9,069,437 |
| Wisconsin | 11,730,095 | 2,588,050 | 795,175 | 252,046 | 15,365,366 | 20,898,974 | 3,847,917 | 1,222,013 | 324,861 | 26,093,765 |
| Wyoming | 841,913 | 0 | 71,373 | 0 | 913,286 | 1,461,361 | 0 | 92,019 | 0 | 1,553,380 |
| Guam | 567,474 | 0 | 0 | 0 | 567,474 | 858,792 | 0 | 0 | 0 | 858,792 |
| Puerto Rico | 19,953,988 | 36,899,652 | 297,367 | 0 | 57,151,007 | 27,125,293 | 56,138,877 | 1,440,379 | 0 | 84,704,549 |
| Virgin Islands | 97,853 | 0 | 0 | 0 | 97,853 | 212,355 | 0 | 0 | 0 | 212,355 |
| All Other | 429,725 | 0 | 0 | 0 | 429,725 | 652,853 | 0 | 0 | 0 | 652,853 |

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[14] Basic Educational Opportunity Grant Program. End-of-Year Report (February 1977 and February 1978).

DISTRIBUTION OF BEOG FUNDING BY INSTITUTIONAL CONTROL AND STATE

1977 - 1978
(FY 1977)

| | Public | Independent | Proprietary | Other | Total |
|---|---|---|---|---|---|
| TOTAL | $1,008,535,047 | $385,473,624 | $140,660,749 | $30,800 | $1,534,700,220 |
| Alabama | 24,244,825 | 9,523,851 | 2,282,174 | 0 | 36,050,850 |
| Alaska | 477,926 | 89,046 | 23,127 | 0 | 590,099 |
| Arizona | 14,747,010 | 464,604 | 3,227,719 | 0 | 18,439,333 |
| Arkansas | 11,882,788 | 2,932,566 | 1,006,251 | 0 | 15,821,605 |
| California | 93,473,680 | 16,829,299 | 17,331,369 | 7,800 | 127,642,148 |
| Colorado | 13,646,773 | 1,038,683 | 1,841,490 | 0 | 16,526 946 |
| Connecticut | 7,238,410 | 3,159,980 | 1,466,732 | 0 | 11,865,122 |
| Delaware | 2,113,961 | 335,376 | 292,951 | 0 | 2,742,288 |
| District of Columbia | 2,284,847 | 5,305,765 | 3,977,657 | 0 | 11,568,269 |
| Florida | 39,795,970 | 9,048,346 | 2,762,024 | 0 | 51,606,340 |
| Georgia | 19,169,526 | 8,439,881 | 2,306,767 | 0 | 29,616,174 |
| Hawaii | 2,693,596 | 443,993 | 222,292 | 0 | 3,359,881 |
| Idaho | 3,355,187 | 1,366,963 | 17,281 | 0 | 4,739,431 |
| Illinois | 42,412,498 | 18,803,591 | 4,977,951 | 0 | 66,194,040 |
| Indiana | 14,771,866 | 4,887,693 | 4,624,287 | 0 | 24,283,846 |
| Iowa | 8,353,492 | 6,361,803 | 471,988 | 0 | 15,187,283 |
| Kansas | 10,686,890 | 3,533,399 | 1,251,665 | 0 | 15,471,954 |
| Kentucky | 15,220,619 | 5,121,866 | 3,146,718 | 0 | 23,489,203 |
| Louisiana | 26,708,855 | 3,647,381 | 4,853,477 | 0 | 35,209,713 |
| Maine | 4,805,216 | 1,438,702 | 578,294 | 0 | 6,822,212 |
| Maryland | 20,943,834 | 2,413,957 | 837,155 | 8,000 | 24,202,946 |
| Massachusetts | 20,084,149 | 18,994,492 | 3,768,920 | 0 | 42,847,561 |
| Michigan | 40,329,608 | 9,721,185 | 2,979,551 | 0 | 53,030,344 |
| Minnesota | 19,944,635 | 5,445,064 | 1,459,639 | 0 | 26,849,338 |
| Mississippi | 25,729,413 | 4,172,533 | 1,049,519 | 0 | 30,951,465 |
| Missouri | 18,517,879 | 7,575,986 | 2,069,000 | 0 | 28,162,865 |
| Montana | 4,083,261 | 529,644 | 180,881 | 0 | 4,793,786 |
| Nebraska | 6,720,163 | 2,261,578 | 837,402 | 0 | 9,819,143 |
| Nevada | 1,733,103 | 92,003 | 236,665 | 0 | 2,061,771 |
| New Hampshire | 2,467,767 | 1,791,487 | 212,782 | 0 | 4,472,036 |
| New Jersey | 27,331,260 | 6,914,586 | 5,642,569 | 0 | 39,888,415 |
| New Mexico | 10,193,021 | 1,344,001 | 606,497 | 0 | 12,143,519 |
| New York | 116,535,711 | 47,069,123 | 23,308,634 | 0 | 189,913,468 |
| North Carolina | 27,335,324 | 11,961,852 | 1,760,659 | 0 | 41,057,835 |
| North Dakota | 4,360,080 | 812,927 | 240,942 | 0 | 5,413,949 |
| Ohio | 34,498,685 | 12,638,519 | 4,955,046 | 15,000 | 52,107,250 |
| Oklahoma | 19,194,503 | 3,324,297 | 1,115,125 | 0 | 23,633,925 |
| Oregon | 13,360,206 | 2,038,583 | 996,056 | 0 | 16,394,845 |
| Pennsylvania | 38,836,024 | 19,278,086 | 10,427,128 | 0 | 68,541,238 |
| Rhode Island | 3,562,713 | 2,587,154 | 703,508 | 0 | 6,853,375 |
| South Carolina | 13,743,207 | 8,079,376 | 2,691,232 | 0 | 24,513,815 |
| South Dakota | 5,412,421 | 1,898,575 | 306,214 | 0 | 7,617,210 |
| Tennessee | 18,298,868 | 10,860,330 | 3,366,188 | 0 | 32,525,386 |
| Texas | 58,054,453 | 14,559,167 | 5,299,165 | [illegible] | 77,912,785 |
| Utah | 5,344,256 | 3,526,596 | 217,697 | 0 | 9,088,549 |
| Vermont | 2,133,680 | 1,459,855 | 83,831 | 0 | 3,677,366 |
| Virginia | 17,622,384 | 5,625,258 | 1,777,916 | 0 | 25,025,558 |
| Washington | 14,730,689 | 2,769,068 | 1,723,726 | 0 | 19,223,483 |
| West Virginia | 6,224,529 | 1,713,134 | 775,753 | 0 | 8,713,416 |
| Wisconsin | 20,791,799 | 3,798,363 | 1,308,640 | 0 | 25,898,802 |
| Wyoming | 1,498,974 | 0 | 97,129 | 0 | 1,596,103 |
| American Samoa | 30,243 | 0 | 0 | 0 | 30,243 |
| Guam | 910,581 | 0 | 0 | 0 | 910,581 |
| Misc. Pacific Islands | 508,566 | 0 | 0 | 0 | 508,566 |
| Puerto Rico | 29,121,146 | 67,444,057 | 2,963,366 | 0 | 99,578,569 |
| Virgin Islands | 263,977 | 0 | 0 | 0 | 263,977 |

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[15] Basic Educational Opportunity Grant Program, Institutional Agreement and Authorization Report (October 13, 1978).

## SUPPLEMENTAL EDUCATIONAL OPPORTUNITY GRANTS (SEOG)

### Appropriations History:

FEDERAL FUNDING OF THE SEOG PROGRAM
(FY 1975 - FY 1980)

| Fiscal Year | Appropriation | Number of Institutions | Number of Recipients |
|---|---|---|---|
| 1975 | $240,300,000 | 3,197 | 449,232 |
| 1976 | 240,093,000 | 3,517 | 442,573 |
| 1977 | 250,093,000 | 3,700 | 459,768 |
| 1978 | 270,093,000[1] | 3,587[4] | 261,286[4] |
| 1979 | 340,100,000[2] | N.A. | N.A. |
| 1980 | 340,100,000[3] | N.A. | N.A. |

### Description of Program:

The Supplemental Educational Opportunity Grant program[5] provides financial assistance to students of exceptional financial need to attend postsecondary institutions. Federal grants are made to institutions who then select students for the awards. The maximum SEOG award is $1500 a year or one-half of the total student assistance provided from other sources, either private or public, whichever is the lesser. SEOG grants can be awarded on a continuing basis to students up to a maximum of $4000 over four academic years or $5000 in cases where a student's required program extends over five academic years.

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[1] U.S. Department of Health, Education, and Welfare, Office of Education, Office of Planning, Budgeting and Evaluation, Annual Evaluation Report on Programs Administered in the U.S. Office of Education, Fiscal Year 1977 (Washington, D.C.; G.P.O., 1978), 0.226.

[2] The Chronicle of Higher Education (October 16, 1978), p.17.

[3] The Budget of the U.S. Government FY 1980.

[4] Data on institutions and recipients from financial management section of Division of Program Operations, Office of Educ[illegible]n.

[5] Authorized by the Higher Education Amendments of 1972 and the Education Amendments of 1076 to the Higher Education Act of 1965 (Title IV; P.L. 92-318 as amended P.L. 92-482).

Supplemental grants for initial year awards are allotted among the states in the same ratio as a states' full-time and full-time equivalent enrollment is to the national fulltime and fulltime equivalent enrollment. Continuing year awards are allotted according to regulations promulgated by the Commissioner of Education.[6]

Eligibility:

SEOG awards are limited to students who have been accepted as undergraduates, who maintain satisfactory progress, and who are enrolled at least half-time. SEOG grants are limited to students who otherwise would financially be unable to pursue a program of study at that institution without such assistance.[7]

Contact: Campus and State Grant, Division of Policy and Program Development, Bureau of Student Financial Assistance, Office of Education, Washington, D.C. 20202. Telephone: (202) 245-9717.

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[6] H.E.W., Annual Evaluation Report, p.226.

[7] Ibid., p.226.

## DISTRIBUTION OF SEOG FUNDING BY INSTITUTIONAL CONTROL AND TYPE
## FY 1975 - FY 1978[8]

| | 1975-1976 (FY 1975) | | 1976-1977 (FY 1976) | | 1977-1978 (FY 1977) | | 1978-1979 (FY 1978) | |
|---|---|---|---|---|---|---|---|---|
| Type of Institution | Amount | % of Total Amt | Amount | % of Total Amt | Amount | % of Total Amt | Amount | % of Total Amt |
| PUBLIC | $142,960,549 | 59% | $138,181,940 | 58% | $134,646,960 | 54% | $140,298,172 | 52% |
| Universities | 86,984,184 | 61 | 84,055,156 | 61 | 81,814,633 | 61 | 83,737,238 | 60 |
| Four-Year | 19,540,692 | 14 | 17,907,816 | 13 | 18,535,086 | 14 | 19,092,929 | 14 |
| Two-Year | 33,361,341 | 23 | 33,221,022 | 24 | 31,729,307 | 24 | 34,490,724 | 25 |
| Voc-Tech | 3,074,332 | 2 | 2,997,946 | 2 | 2,567,934 | 2 | 2,977,281 | 2 |
| INDEPENDENT | $ 80,621,544 | 34% | $ 82,219,037 | 34% | $ 93,458,824 | 37% | $103,585,593 | 38% |
| Universities | 32,297,682 | 40 | 33,453,156 | 41 | 40,688,228 | 44 | 45,861,554 | 44 |
| Four-Year | 41,859,424 | 52 | 42,009,381 | 51 | 45,640,810 | 49 | 50,155,436 | 48 |
| Two-Year | 6,464,438 | 8 | 6,756,500 | 8 | 7,129,786 | 7 | 7,568,603 | 7 |
| PROPRIETARY | $ 16,714,908 | 7% | $ 19,688,842 | 8% | $ 21,862,750 | 9% | $ 26,076,032 | 10% |
| TOTAL | $240,297,001 | 100% | $240,089,819 | 100% | $249,968,534 | 100% | $269,959,797 | 100% |

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[8] Data from Robert R. Coates, Chief, Financial Management Section, Division of Program Operation, Office of Education, Department of Health, Education, and Welfare.

DISTRIBUTION OF SEOG FUNDING BY INSTITUTIONAL CONTROL AND STATE
FY 1975 - FY 1976[9]

| | 1975-1976 (FY 1975) | | | | 1976-1977 (FY 1976) | | | |
|---|---|---|---|---|---|---|---|---|
| | Public | Independent | Proprietary | Total | Public | Independent | Proprietary | Total |
| TOTAL | $142,960,549 | $80,621,544 | $16,714,908 | $240,297,001 | $138,181,940 | $82,219,037 | $19,680,842 | $240,089,819 |
| Alabama | 1,240,814 | 1,860,280 | 452,225 | 3,553,319 | 1,410,821 | 1,760,058 | 375,702 | 3,546,581 |
| Alaska | 354,198 | 30,450 | 4,661 | 389,309 | 328,293 | 20,215 | 4,318 | 352,826 |
| Arizona | 1,830,204 | 91,579 | 549,196 | 2,470,979 | 2,212,531 | 53,498 | 566,735 | 2,832,764 |
| Arkansas | 986,594 | 356,517 | 46,719 | 1,389,830 | 885,594 | 290,877 | 58,658 | 1,235,129 |
| California | 18,184,507 | 4,592,469 | 3,576,095 | 26,353,071 | 18,166,843 | 4,259,393 | 4,408,073 | 26,834,309 |
| Colorado | 2,657,894 | 355,540 | 760,714 | 3,774,148 | 2,406,370 | 573,021 | 755,979 | 3,735,370 |
| Connecticut | 1,458,998 | 1,224,526 | 161,678 | 2,845,202 | 1,225,380 | 1,673,910 | 134,453 | 3,033,743 |
| Delaware | 443,100 | 176,318 | 0 | 619,418 | 424,872 | 160,696 | 0 | 585,568 |
| District of Columbia | 914,362 | 624,767 | 138,898 | 1,678,027 | 829,993 | 756,332 | 134,699 | 1,721,024 |
| Florida | 3,183,261 | 2,111,497 | 279,636 | 5,574,394 | 3,140,007 | 2,290,758 | 259,373 | 5,690,138 |
| Georgia | 1,378,192 | 1,863,897 | 372,671 | 3,614,760 | 1,205,871 | 1,895,423 | 417,308 | 3,518,602 |
| Hawaii | 592,977 | 248,053 | 12,976 | 854,006 | 630,620 | 155,516 | 37,994 | 824,130 |
| Idaho | 603,674 | 128,748 | 20,239 | 752,661 | 540,961 | 148,635 | 21,790 | 711,386 |
| Illinois | 6,423,695 | 4,270,294 | 817,463 | 11,511,452 | 6,064,041 | 4,024,875 | 862,453 | 10,951,369 |
| Indiana | 3,135,295 | 1,843,259 | 203,504 | 5,182,058 | 3,241,450 | 1,739,554 | 310,389 | 5,291,393 |
| Iowa | 1,358,612 | 2,091,843 | 74,265 | 3,524,720 | 1,223,540 | 2,229,683 | 93,014 | 3,546,237 |
| Kansas | 1,452,009 | 931,286 | 46,549 | 2,429,844 | 1,486,794 | 998,740 | 74,228 | [illegible]59,762 |
| Kentucky | 1,541,756 | 695,660 | 350,429 | 2,587,845 | 1,484,030 | 680,463 | 380,920 | 2,545,413 |
| Louisiana | 2,130,259 | 873,127 | 464,820 | 3,468,206 | 1,711,196 | 690,705 | 619,570 | 3,021,471 |
| Maine | 3,790,259 | 727,201 | 37,860 | 4,555,400 | 3,561,306 | 884,317 | 37,163 | 4,482,786 |
| Maryland | 3,041,861 | 1,006,625 | 111,303 | 4,159,789 | 2,922,445 | 1,203,246 | 103,065 | 4,228,756 |
| Massachusetts | 4,498,964 | 5,260,786 | 306,589 | 10,066,339 | 3,921,966 | 5,843,689 | 279,511 | 10,045,166 |
| Michigan | 6,563,733 | 3,869,794 | 438,107 | 10,871,634 | 6,623,815 | 3,939,574 | 461,260 | 11,024,649 |
| Minnesota | 4,373,660 | 2,601,044 | 134,682 | 7,109,386 | 4,188,878 | 2,673,947 | 259,254 | 7,122,079 |
| Mississippi | 2,311,282 | 762,461 | 36,737 | 3,110,480 | 1,959,922 | 779,464 | 32,571 | 2,771,957 |
| Missouri | 2,282,718 | 1,917,419 | 247,152 | 4,447,289 | 2,082,232 | 1,860,855 | 313,505 | 4,256,592 |
| Montana | 535,688 | 175,753 | 19,368 | 730,809 | 573,954 | 152,339 | 16,762 | 743,055 |
| Nebraska | 706,824 | 726,356 | 131,892 | 1,565,072 | 647,297 | 741,256 | 125,500 | 1,514,053 |
| Nevada | 344,617 | 0 | 100,769 | 445,386 | 298,220 | 0 | 138,769 | 436,989 |
| New Hampshire | 987,289 | 591,682 | 18,025 | 1,596,996 | 1,211,760 | 672,477 | 29,119 | 1,913,356 |
| New Jersey | 3,276,816 | 1,456,131 | 392,983 | 5,125,930 | 2,957,786 | 1,426,093 | 520,683 | 4,904,562 |
| New Mexico | 1,888,343 | 496,660 | 26,632 | 2,411,635 | 1,646,156 | 525,960 | 41,878 | 2,213,994 |
| New York | 10,023,302 | 7,381,2[illegible]2 | 942,567 | 18,347,081 | 9,632,903 | 7,711,990 | 1,179,422 | 18,524,315 |
| North Carolina | 2,861,166 | 2,453,64[illegible] | 147,962 | 5,462,769 | 2,702,865 | 2,360,452 | 133,622 | 5,196,939 |
| North Dakota | 1,498,246 | 401,114 | 44,284 | 1,943,644 | 1,472,600 | 393,423 | 45,508 | 1,911,531 |
| Ohio | 4,479,062 | 4,027,365 | 800,102 | 9,306,529 | 4,467,163 | 3,955,440 | 923,219 | 9,345,822 |
| Oklahoma | 1,687,886 | 846,167 | 132,182 | 2,666,235 | 1,507,917 | 770,120 | 183,279 | 2,461,316 |
| Oregon | 3,361,645 | 815,764 | 215,090 | 4,392,499 | 3,889,435 | 816,065 | 243,047 | 4,948,547 |
| Pennsylvania | 3,892,102 | 5,049,890 | 938,089 | 9,880,081 | 3,705,270 | 5,096,087 | 1,192,906 | 9,994,263 |
| Rhode Island | 463,739 | 828,003 | 50,332 | 1,342,074 | 422,212 | 863,665 | 62,752 | 1,348,629 |
| South Carolina | 1,103,083 | 1,200,757 | 166,830 | 2,470,670 | 1,139,948 | 1,074,153 | 163,251 | 2,377,352 |
| South Dakota | 868,316 | 711,721 | 96,340 | 1,676,377 | 794,364 | 712,046 | 123,146 | 1,629,556 |
| Tennessee | 1,645,922 | 1,975,350 | 307,960 | 3,929,232 | 1,550,272 | 2,010,412 | 306,659 | 3,867,343 |
| Texas | 5,504,014 | 3,411,987 | 1,263,364 | 10,179,365 | 5,163,699 | 3,257,993 | 1,613,496 | 10,035,188 |
| Utah | 1,759,381 | 60,279 | 53,783 | 1,873,443 | 1,514,261 | 104,193 | 75,267 | 1,693,[illegible] |
| Vermont | 1,780,927 | 683,777 | 0 | 2,464,704 | 1,791,984 | 849,389 | 0 | 2,641,373 |
| Virginia | 1,959,681 | 1,370,514 | 595,470 | 3,925,665 | 1,759,802 | 1,[illegible]51,341 | 676,313 | 3,7[illegible].456 |
| Washington | 3,831,389 | 1,567,825 | 443,451 | 5,842,665 | 4,232,318 | 1,[illegible].716 | 522,338 | 6,[illegible]9,372 |
| West Virginia | 1,129,235 | 577,647 | 51,612 | 1,758,494 | 976,049 | 782,161 | 68,537 | 1,826,747 |
| Wisconsin | 8,165,401 | 1,315,159 | 106,381 | 9,586,941 | 7,846,374 | 1,472,477 | 171,29[illegible] | 9,490,143 |
| Wyoming | 407,084 | 0 | 9,493 | 411,577 | 396,162 | 0 | [illegible] | 406,714 |
| Guam | 33,854 | 0 | 0 | 33,854 | 46,990 | 0 | 0 | 46,990 |
| Puerto Rico | 2,012,663 | 1,981,270 | 14,779 | 4,008,712 | 1,925,071 | 1,787,345 | 119,[illegible]8 | 3,831,954 |
| Virgin Islands | 24,996 | 0 | 0 | 24,996 | 21,337 | 0 | 0 | 21,337 |

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[9] Data from Robert R. Coates, Chief, Financial Management Section, Division of Program Operations, Office of Education, Department of Health, Education, and Welfare.

## DISTRIBUTION OF SEOG FUNDING BY INSTITUTIONAL CONTROL AND STATE

FY 1977 - FY 1978[10]

| | 1977-1978 (FY 1977) | | | | 1978-1979 (FY 1978) | | | |
|---|---|---|---|---|---|---|---|---|
| | Public | Independent | Proprietary | Total | Public | Independent | Proprietary | Total |
| TOTAL | $134,646,960 | $93,458,824 | $21,862,750 | $249,968,534 | $140,298,172 | $103,585,593 | $26,076,032 | $269,959,797 |
| Alabama | 1,517,835 | 2,036,199 | 383,065 | 3,937,099 | 1,473,667 | 2,083,711 | 367,798 | 3,925,176 |
| Alaska | 232,828 | 35,997 | 4,211 | 273,036 | 325,377 | 32,369 | 3,588 | 361,334 |
| Arizona | 2,192,667 | 64,729 | 557,504 | 2,814,900 | 2,288,063 | 75,500 | 631,311 | 2,994,874 |
| Arkansas | 860,253 | 244,519 | 101,544 | 1,206,316 | 1,196,569 | 244,520 | 106,625 | 1,547,714 |
| California | 17,917,743 | 4,878,264 | 4,719,479 | 27,515,486 | 18,517,215 | 5,314,217 | 5,622,098 | 29,453,530 |
| Colorado | 2,312,533 | 719,181 | 789,536 | 3,821,250 | 2,460,759 | 619,566 | 917,179 | 3,997,503 |
| Connecticut | 929,975 | 1,959,062 | 187,191 | 3,076,218 | 1,028,716 | 2,050,308 | 304,741 | 3,383,765 |
| Delaware | 374,996 | 157,839 | 0 | 532,835 | 416,319 | 184,158 | 2,873 | 603,350 |
| District of Columbia | 754,589 | 775,483 | 169,222 | 1,699,294 | 726,979 | 855,227 | 180,691 | 1,762,897 |
| Florida | 3,347,030 | 2,391,778 | 329,032 | 6,067,840 | 3,506,619 | 2,853,390 | 384,589 | 6,744,598 |
| Georgia | 1,252,572 | 1,765,654 | 530,883 | 3,549,109 | 1,256,303 | 1,988,863 | 569,309 | 3,814,475 |
| Hawaii | 566,148 | 176,931 | 58,507 | 801,586 | 554,738 | 228,542 | 74,722 | 858,002 |
| Idaho | 544,845 | 160,755 | 34,270 | 739,870 | 592,315 | 181,420 | 53,951 | 827,686 |
| Illinois | 5,246,385 | 4,542,158 | 854,112 | 10,642,655 | 5,176,377 | 5,554,981 | 987,644 | 11,719,002 |
| Indiana | 3,115,937 | 1,804,892 | 307,580 | 5,228,409 | 3,066,104 | 2,001,223 | 419,606 | 5,486,933 |
| Iowa | 1,353,138 | 2,473,504 | 111,801 | 3,938,443 | 1,207,662 | 2,603,901 | 202,100 | 4,013,663 |
| Kansas | 1,351,511 | 997,412 | 125,874 | 2,474,797 | 1,503,884 | 1,066,596 | 147,041 | 2,717,521 |
| Kentucky | 1,523,915 | 694,736 | 361,655 | 2,580,306 | 1,557,955 | 778,533 | 412,874 | 2,749,362 |
| Louisiana | 1,412,838 | 631,021 | 767,938 | 2,811,797 | 1,331,706 | 896,749 | 862,571 | 3,091,028 |
| Maine | 3,197,166 | 950,349 | 40,523 | 4,188,038 | 3,584,476 | 1,212,396 | 69,700 | 4,866,572 |
| Maryland | 2,982,543 | 1,316,185 | 414,977 | 4,713,705 | 3,131,026 | 873,951 | 598,669 | 4,603,646 |
| Massachusetts | 3,638,128 | 7,361,033 | 289,494 | 11,288,655 | 4,084,850 | 7,855,086 | 455,216 | 12,395,152 |
| Michigan | 6,493,814 | 3,715,406 | 391,631 | 10,600,851 | 6,530,144 | 4,229,692 | 478,707 | 11,238,543 |
| Minnesota | 4,404,358 | 3,005,890 | 268,088 | 7,678,336 | 4,298,898 | 3,116,132 | 279,901 | 7,694,931 |
| Mississippi | 2,001,233 | 820,929 | 23,983 | 2,846,145 | 1,836,107 | 793,139 | 34,549 | 2,663,795 |
| Missouri | 1,707,354 | 2,234,578 | 428,788 | 4,370,720 | 1,628,254 | 2,458,266 | 529,839 | 4,616,359 |
| Montana | 527,525 | 139,041 | 20,640 | 687,206 | 532,042 | 162,662 | 18,551 | 713,255 |
| Nebraska | 574,631 | 756,861 | 138,521 | 1,470,013 | 575,161 | 880,376 | 150,791 | 1,606,328 |
| Nevada | 339,390 | 0 | 139,796 | 479,186 | 322,415 | 0 | 128,945 | 451,360 |
| New Hampshire | 1,687,939 | 808,996 | 28,846 | 2,525,781 | 1,906,888 | 982,218 | 37,861 | 2,926,967 |
| New Jersey | 2,363,602 | 1,810,619 | 609,811 | 4,784,032 | 2,401,882 | 1,860,801 | 849,846 | 5,112,529 |
| New Mexico | 1,793,504 | 354,260 | 69,478 | 2,217,242 | 1,858,757 | 412,593 | 74,453 | 2,345,803 |
| New York | 8,185,474 | 9,546,795 | 1,470,491 | 19,202,760 | 8,431,221 | 10,473,216 | 1,797,084 | 20,701,521 |
| North Carolina | 3,048,051 | 2,820,282 | 149,469 | 6,017,802 | 3,161,027 | 3,057,753 | 135,460 | 6,354,240 |
| North Dakota | 1,405,037 | 404,991 | 62,280 | 1,872,308 | 1,490,576 | 417,875 | 62,364 | 1,970,815 |
| Ohio | 3,867,991 | 4,846,819 | 916,809 | 9,631,619 | 3,881,245 | 5,461,987 | 1,183,448 | 10,526,680 |
| Oklahoma | 1,582,685 | 862,046 | 286,900 | 2,731,631 | 1,700,060 | 878,783 | 401,663 | 2,980,506 |
| Oregon | 4,322,215 | 886,412 | 290,032 | 5,498,659 | 4,248,310 | 977,271 | 353,961 | 5,579,542 |
| Pennsylvania | 3,469,768 | 6,876,195 | 1,095,855 | 11,441,818 | 3,733,627 | 8,224,136 | 1,318,981 | 13,276,744 |
| Rhode Island | 459,976 | 1,171,088 | 37,070 | 1,668,134 | 509,260 | 1,315,653 | 63,728 | 1,888,641 |
| South Carolina | 1,222,351 | 1,280,161 | 218,579 | 2,721,091 | 1,405,898 | 1,259,423 | 221,934 | 2,887,255 |
| South Dakota | 797,652 | 717,738 | 140,778 | 1,656,168 | 845,208 | 799,016 | 159,372 | 1,803,596 |
| Tennessee | 1,524,995 | 1,935,139 | 559,028 | 4,019,162 | 1,693,730 | 1,986,994 | 630,561 | 4,311,285 |
| Texas | 5,870,540 | 3,508,086 | 1,596,335 | 10,974,961 | 6,723,406 | 3,690,404 | 1,689,278 | 12,103,088 |
| Utah | 1,243,529 | 153,278 | 131,305 | 1,528,112 | 1,312,639 | 182,527 | 109,747 | 1,604,913 |
| Vermont | 1,929,481 | 1,044,915 | 11,635 | 2,986,031 | 2,277,950 | 1,080,239 | 0 | 3,358,189 |
| Virginia | 1,707,710 | 1,394,110 | 709,145 | 3,810,965 | 1,812,205 | 1,579,716 | 903,201 | 4,295,122 |
| Washington | 4,031,889 | 1,921,594 | 472,247 | 6,425,730 | 4,704,929 | 2,594,091 | 671,709 | 7,970,729 |
| West Virginia | 1,046,569 | 808,468 | 71,702 | 1,926,739 | 1,159,271 | 849,592 | 36,679 | 2,045,542 |
| Wisconsin | 8,238,463 | 1,626,086 | 179,992 | 10,044,541 | 8,443,633 | 1,816,099 | 174,948 | 10,434,680 |
| Wyoming | 430,842 | 0 | 8,987 | 439,829 | 382,131 | 0 | 9,000 | 391,131 |
| Guam | 62,691 | 0 | 0 | 62,691 | 40,309 | 0 | 0 | 40,309 |
| Puerto Rico | 1,657,514 | 1,870,370 | 196,131 | 3,724,015 | 1,438,665 | 2,489,733 | 194,575 | 4,122,973 |
| Virgin Islands | 22,612 | 0 | 0 | 22,612 | 24,645 | 0 | 0 | 24,645 |

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[10] Data from Robert R. Coates, Chief, Financial Management Section, Division of Program Operations, Office of Education, Department of Health, Education, and Welfare.

# STATE STUDENT INCENTIVE GRANT (SSIG)

Appropriations History:

FEDERAL FUNDING OF THE SSIG PROGRAM
FY 1975 - FY 1980

| Fiscal Year | Appropriation | Number of Recipients |
|---|---|---|
| 1975 | $ 20,000,000 | 83,381 |
| 1976 | 44,000,000 | 159,506 |
| 1977 | 60,000,000 | 240,000 (est.) |
| 1978 | 63,750,000[1] | 255,000 (est.) |
| 1979 | 76,750,000[2] | 307,000 (est.)[4] |
| 1980 | 76,750,000[3] | N.A |

Description of Program:

The State Student Incentive Grants program[5] provides assistance to students with "substantial financial need" to finance their postsecondary education at eligible institutions. The SSIG program was established to provide an incentive to states to establish or expand grant assistance programs to undergraduate students. The program is a 50-50 cost-sharing (state-federal) of funds in which federal funds are allotted

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[1] U.S. Department of Health, Education, and Welfare, Office of Education, Office of Planning, Budgeting and Evaluation, Annual Evaluation Report on Programs Administered by the U.S. Office of Education, Fiscal Year 1977 (Washington, D.C.: G.P.O., 1978), p. 32.

[2] The Chronicle of Higher Education (October 16, 1978), p.17.

[3] The Budget of the U.S. Government, FY 1980.

[4] Data from SSIG Program, Bureau of Student Financial Assistance, Office of Education.

[5] Authorized by the Education Amendments of 1972 and the Education Amendments of 1976 to the Higher Education Act of 1965 (Title IV; P.L. 92-318; as amended P.L. 94-482).

and/or reallotted based upon a formula which reflects current student enrollment patterns. Funds from states which do not use their current allotments are reallocated to other states. The funds are allocated to states which disburse them to postsecondary institutions to be awarded to students, although a state can use any distribution procedure that falls within the scope of the statute. Although states are responsible for the selection of recipients, the selection criteria are subject to review by the Commissioner of Education. The maximum grants permitted under the SSIG program is $1,500 per academic year.[6]

States must administer the funds through a single state agency and receive no federal allowance for administrative costs. In order to maintain state effort for initial awards, states must demonstrate that they have increased the amount of student grants more than the amount spent two fiscal years prior to its initial receipt of aid under the SSIG program.[7]

Eligibility:

As of the 1978-79 academic year, fifty-seven states and territories are eligible for grants under the SSIG program.[8] Grant assistance is given to students with "substantial financial need" and can be renewed throughout four years of undergraduate study. States are given leeway in determining the definition of "substantial need;" therefore, students from both low and middle incomes can be eligible for grants.[9]

Contact: Richard McVity, Director, State Student Incentive Grant Program, Bureau of Student Financial Assistance, Office of Education, Washington, D.C. 20202 Telephone: (202) 245-2201.

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[6] H.E.W., Annual Evaluation Report, p.232.

[7] Ibid., p. 233.

[8] Joseph D. Boyd, Tenth Annual Survey: State Scholarship and Grant Programs, National Association of State Scholarship Programs (November 1978), p. 1.

[9] H.E.W., Annual Evaluation Report, p. 233.

DISTRIBUTION OF SSIG FUNDING BY INSTITUTIONAL CONTROL AND STATE
FY 1975 - FY 1976

| | 1975 - 1976 (FY 1975)[10] | | | | | 1976 - 1977 (FY 1976)[11] | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Public | Independent | Proprietary | Other | Total | Public | Independent | Proprietary | Other | Total |
| TOTAL | $8,808,517 | $10,467,933 | $457,634 | $56,573 | $19,790,657 | $21,818,506 | $21,100,310 | $862,381 | $312,635 | $44,093,832 |
| Alabama | 219,525 | 34,800 | 7,824 | 0 | 262,149 | 200,970 | 28.350 | 5,490 | 0 | 234,810 |
| Alaska | 0 | 0 | 0 | 0 | 0 | 4,500 | 29,534 | 0 | 0 | 34,034 |
| Arizona | 0 | 0 | 0 | 0 | 0 | 355.008 | 11,664 | .17,969 | 0 | 619,193 |
| Arkansas | 73,188 | 27.837 | 0 | 0 | 101.025 | 77,400 | 45,462 | 0 | 0 | 122,862 |
| California | 1,486,300 | 1,481,400 | 169,600 | 0 | 3,137,300 | 1.544,889 | 4,401,377 | 322,522 | 0 | 6,268,788 |
| Colorado | 250,393 | 0 | 0 | 0 | 250,393 | 541.685 | 0 | 0 | 0 | 541.685 |
| Connecticut | 76,587 | 213.000 | 0 | 0 | 289,587 | 175.912 | 462.074 | 0 | 0 | 637,986 |
| Delaware | 48,418 | 12,350 | 0 | 0 | 60,768 | 119,523 | 33,000 | 0 | 0 | 152,523 |
| District of Columbia | 47,155 | 56,055 | 305 | 0 | 104,125 | 135,279 | 188,629 | 18,991 | 1.278 | 344,177 |
| Florida | 390,383 | 208,570 | 0 | 0 | 598,953 | 842,542 | 527,623 | 0 | 0 | 1.370,165 |
| Georgia | 198.921 | 87,[illegible]3 | 0 | 21,637 | 308.413 | 538,858 | 221.051 | 0 | 50,575 | 810.484 |
| Hawaii | 87.987 | 0 | 0 | 0 | 87.987 | 186.283 | 0 | 0 | 0 | 186.283 |
| Idaho | 35.309 | 14.470 | 499 | 0 | 50.278 | 103.379 | 24.298 | 676 | 14.650 | 143,003 |
| Illinois | 0 | 1,046.873 | 0 | 13,184 | 1,060.017 | 220.934 | 1,909,791 | 0 | 181,295 | 2,312.020 |
| Indiana | 188,613 | 237,792 | 0 | 0 | 426.405 | 437,261 | 534.800 | 0 | 0 | 972,061 |
| Iowa | 129,174 | 99,722 | 0 | 2.988 | 231,884 | 289,610 | 203,474 | 0 | 4,757 | 497.841 |
| Kansas | 157,875 | 66,325 | 0 | 5,750 | 229,950 | 0 | 480,808 | 0 | 0 | 480,808 |
| Kentucky | 118,374 | 110.109 | 6,825 | 687 | 235,997 | 397,760 | 145,586 | 1,833 | 1,725 | 546.904 |
| Louisiana | 200.643 | 31,629 | 0 | 0 | 232,272 | 230.380 | 48,734 | 0 | 0 | 279.114 |
| Maine | 9.158 | 61,353 | 6,381 | 0 | 76,892 | 21.000 | 120,873 | 24,827 | 0 | 166.700 |
| Maryland | 219.300 | 151,850 | 0 | 0 | 371.150 | 500,672 | 300,671 | 0 | 0 | 801,343 |
| Massachusetts | 180,950 | 526.685 | 1.575 | 0 | 709,210 | 364.550 | 1,216,738 | 4,500 | 0 | 1,585,788 |
| Michigan | 571.102 | 339,155 | 0 | 0 | 910.257 | 1,067,732 | 923.191 | 0 | 0 | 1,990.923 |
| Minnesota | 266.404 | 75,410 | 2.428 | 3,467 | 347.909 | 684.426 | 164.394 | 27.385 | 5.295 | 881.500 |
| Mississippi | 132.901. | 30.731 | 0 | 0 | 163,632 | 203,853 | 146.960 | 0 | 0 | 350,813 |
| Missouri | 53.569 | 388,799 | 0 | 0 | 411,637 | 1,430,040 | 730.907 | 0 | 0 | 873,947 |
| Montana | 39.704 | 0 | 0 | 0 | 39,704 | 73,121 | 0 | 0 | 0 | 73.121 |
| Nebraska | 128,758 | 0 | 0 | 0 | 128,758 | 296,032 | 78,707 | 0 | 0 | 374.739 |
| Nevada | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| New Hampshire | 0 | 0 | 0 | 0 | 0 | 66,137 | 57.497 | 8.300 | 2,750 | 134.684 |
| New Jersey | 295,216 | 248.875 | 0 | 0 | 544,091 | 929.667 | 300,000 | 0 | 0 | 1,229.667 |
| New Mexico | 0 | 0 | 0 | 0 | 0 | 0 | 96.950 | 0 | 0 | 96.950 |
| New York | 636.922 | 1.063.065 | 230.383 | 0 | 1,930.370 | 2,808,026 | 1.102.057 | 274,142 | 0 | 4,184.225 |
| North Carolina | 261,524 | 131.028 | 30,414 | 0 | 422,966 | 389.806 | 380.399 | 12.672 | 0 | 782.877 |
| North Dakota | 57,294 | 5.475 | 0 | 0 | 62.769 | 116.426 | 9.483 | 0 | 0 | 125.909 |
| Ohio | 270 | 847,200 | 0 | 0 | 847.470 | 467,159 | 1,332,793 | 0 | 0 | 1.799.952 |
| Oklahoma | 114,483 | 151,669 | 0 | 0 | 266.389 | 361,573 | 260,393 | 0 | 0 | 621,966 |
| Oregon | 258.132 | 23,850 | 0 | 0 | 281.982 | 555.147 | 50.980 | 0 | 0 | 606.127 |
| Pennsylvania | 0 | 941,027 | 0 | 0 | 941,027 | 761,123 | 1,071,607 | 139.674 | 34,910 | 2,007,314 |
| Rhode Island | 60,792 | 56.658 | 0 | 0 | 117,450 | 120,198 | 136.700 | 0 | 0 | 256.898 |
| South Carolina | 0 | 204,927 | 0 | 0 | 204.927 | 0 | 500,218 | 0 | 0 | 500.218 |
| South Dakota | 29,400 | 16.600 | 1.400 | 8,600 | 56.000 | 54.600 | 29,900 | 3,100 | 15.400 | 103.000 |
| Tennessee | 36.274 | 283,750 | 0 | 0 | 320.024 | 262.308 | 461.469 | 0 | 0 | 723,777 |
| Texas | 394.628 | 681.114 | 0 | 0 | 1,075,742 | 1,038.448 | 1,382.126 | 0 | 0 | 2,420,574 |
| Utah | 171,332 | 0 | 0 | 0 | 171,332 | 276,956 | 9.381 | 0 | 0 | 286,377 |
| Vermont | 39,125 | 19.925 | 0 | 0 | 59,038 | 98,750 | 19,500 | 0 | 0 | 118,250 |
| Virginia | 338.942 | 59,448 | 0 | 0 | 398,391 | 656,952 | 192,783 | 0 | 0 | 849.735 |
| Washington | 355,282 | 69.450 | 0 | 300 | 425,032 | 717.012 | 193,725 | 0 | 0 | 910.737 |
| West Virginia | 76,159 | 69,155 | 0 | 0 | 145,314 | 195.703 | 119.178 | 0 | 0 | 314.881 |
| Wisconsin | 272.167 | 199.309 | 0 | 0 | 471,476 | 781,180 | 194.716 | 0 | 0 | 975,896 |
| Wyoming | 17,376 | 0 | 0 | 0 | 17,376 | 7.378 | 0 | 0 | 0 | 7,328 |
| Guam | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Puerto Rico | 81,808 | 92.640 | 0 | 0 | 174.448 | 104.477 | 217,769 | 0 | 0 | 322.246 |
| Trust Territories | 0 | 0 | 0 | 0 | 0 | 0 | 620 | 0 | 0 | 620 |
| Virgin Islands | 500 | 0 | 0 | 0 | 500 | 5,931 | 1,400 | 0 | 0 | 7.331 |

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[10] U S Department of Health, Education, and Welfare, U S Office of Education, Bureau of Student Financial Assistance, Division of Student Financial Aid, State Student Incentive Grant Program. The Federal/State Partnership in Student Assistance Annual Report (August 1977).

[11] The Federal/State Partnership in Student Assistance Annual Report (August 1978)

## ESTIMATED DISTRIBUTION OF SSIG ALLOTMENTS BY STATE
## FY 1977 - FY 1978

| | FY 1977 Allotments & Reallotments | FY 1978 Basic Allotments |
|---|---|---|
| GRAND TOTALS | $59,969,617 | $63,750,000 |
| Alabama | 272,850 | 950,733 |
| Alaska | 0 | 75,046 |
| Arizona | 633,608 | 949,458 |
| Arkansas | 267,000 | 372,056 |
| California | 10,010,343 | 10,236,372 |
| Colorado | 785,796 | 834,908 |
| Connecticut | 789,435 | 810,605 |
| Delaware | 160,563 | 170,598 |
| District of Columbia | 436,597 | 463,884 |
| Florida | 1,859,362 | 1,901,344 |
| Georgia | 1,103,041 | 1,127,946 |
| Hawaii | 154,768 | 248,378 |
| Idaho | 180,805 | 206,157 |
| Illinois | 3,079,645 | 3,149,182 |
| Indiana | 1,185,655 | 1,212,426 |
| Iowa | 644,359 | 661,639 |
| Kansas | 675,344 | 690,593 |
| Kentucky | 742,244 | 759,003 |
| Louisana | 297,444 | 864,715 |
| Maine | 226,005 | 231,107 |
| Maryland | 1,070,957 | 1,099,677 |
| Massachusetts | 2,105,428 | 2,161,890 |
| Michigan | 2,640,905 | 2,711,728 |
| Minnesota | 1,142,037 | 1,167,824 |
| Mississippi | 532,081 | 554,711 |
| Missouri | 1,213,580 | 1,246,126 |
| Montana | 164,940 | 175,249 |
| Nebraska | 409,049 | 420,019 |
| Nevada | 81,176 | 203,344 |
| New Hampshire | 207,757 | 220,741 |
| New Jersey | 1,602,365 | 1,6[illegible]8,545 |
| New Mexico | 280,700 | 2[illegible]9,011 |
| New York | 6,137,049 | 6,275,620 |
| North Carolina | 1,285,213 | 1,370,509 |
| North Dakota | 159,682 | 163,287 |
| Ohio | 2,321,361 | 2,383,616 |
| Oklahoma | 881,522 | 936,617 |
| Oregon | 771,444 | 788,862 |
| Pennsylvania | 2,593,301 | 2,651,857 |
| Rhode Island | 326,103 | 346,484 |
| South Carolina | 730,958 | 776,643 |
| South Dakota | 118,000 | 172,868 |
| Tennessee | 996,835 | 1,019,343 |
| Texas | 3,307,966 | 3,382,659 |
| Utah | 439,036 | 466,475 |
| Vermont | 150,426 | 153,822 |
| Virginia | 1,232,897 | 1,309,953 |
| Washington | 1,219,131 | 1,246,658 |
| West Virginia | 414,268 | 423,622 |
| Wisconsin | 1,320,422 | 1,350,236 |
| Wyoming | 8,178 | 97,363 |
| American Samoa | 3,535 | 3,629 |
| Guam | 18,838 | 20,015 |
| Puerto Rico | 564,994 | 580,146 |
| Trust Territory | 3,663 | 2,426 |
| Virgin Islands | 8,956 | 10,950 |
| Northern Marianas | 0 | 1,335 |

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[12] Data was collected as of October, 1978, by the SSIG Program Office.

Mr. REEHER. All right, Mr. Chairman, we have submitted to the committee our recommended changes as well as our statement and we will appreciate the opportunity to address you today and we do look forward to working with the members of the committee and the staff as you consider recommendations from the other sectors of the financial aid community.

I have been asked today to specifically address BOEG, SEOG, and SSIG. I am sure you are aware that there is a State-Federal partnership in the areas of the BEOG program. It has been called the multiple data entry system. It is geared to provide better access to particularly public funds.

This came about because of a congressional direction called Thompson/Eshleman amendments that would bring together more closely the Federal-State partnership in gathering of data. This direction in multiple data entry brought about 34 State programs, working jointly with the Federal and in some cases institutional entities together to gather data.

The 34 States took basically three different approaches to multiple data entry; 32 of those States utilized either the CSS or the ACT form. And in an overprint on a portion of the CSS or ACT form they solicited the types of questions that the States needed to run their own State programs.

In the case of Pennsylvania we have entered directly into the multiple data entry, and in the case of California they have used the CSS form along with a separate State form to gather State required data. And then California has a common form to gather institutional data.

We think that the multiple data entry system has worked. Nationally we have had a reduction of three million duplicate forms in the first year of its operation and there is only a 6-percent overlay during that first year in duplicate forms.

Pennsylvania, as a multiple data entry entity, did a study of the constituent groups to see what the reaction to multiple data entry was. Now, the U.S. office has also done a study but that is basically from a statistical point of view.

In the Pennsylvania program, we went out to the aid officers, the high school counselors, and the applicants, 89 percent of the applicants on renewal, those who had been in the old system, on renewal said the new system was simpler, 77 percent of the financial aid officers indicated the system was simpler. And 87 percent of the financial aid officers indicated they favored the role of the State agency in multiple data entry.

As far as high school counselors were concerned, 93 percent favored the State agency role and 87 percent felt that the system of multiple data entry was simpler.

I would like to address some of the gains that have come about because of this Federal-State partnership. And I don't mean to slight the institutional role in the Federal-State-institutional partnership, but I am rather speaking from the governmental point of view at this hearing.

In 1977-78 there were BEOG recipients who did not receive a State grant—they were receiving Federal money but not State money—we received the names and addresses of those BEOG recipients from the BEOG administrators. We sent them each a multiple data entry system form on which to apply for State aid as well as renew their Federal grant. And after everything settled down, we found that we had 4,342 new State grant recipients who had never applied to Pennsylvania. They received $2.9 million in State aid for the first time.

The interesting thing here, although they had never applied for State aid before, got into the system through multiple data entry, the average income was $6,933 for that group as compared with our total file income of $11,480. So through multiple data entry a substantial number of low-income kids who were in the basic grant program, came into the State grant program.

We recently completed the 1979-80 file. As you know, the chairman and this committee were instrumental in developing the idea and bringing forth MISAA, middle income student assistance grant program. You may not be aware the basic grant program does not send out renewal applications. The people that were eligible last year have to get into the system by themselves this year.

Also, if the parameters change and a student was ineligible in 1 year, they are not automatically placed into the application process the following year. So what we did, we took the multiple data entry file, we identified 37,000 students who had applied to basic grant in 1978-79, had a complete application, but did not receive a basic grant. And we sent them a renewal or a new multiple data entry application and said in effect MISAA is here. You ought to reapply even though you were not eligible last year. You may be eligible under the new parameters of MISAA.

As of May 21, we have received 14,000 applications; 7,165 are those who have gone through the basic grant process; 3,600 of them are recipients of basic grants worth $2.6 million.

Additionally, 2,700 of them are receiving $1.2 million in State grants.

Now, the interesting thing here, 90 percent of these students were dependent on their parents. The parental income is 33 percent higher than the average in the basic grant file. The average income of these students, brought into the system through MISAA and multiple data entry is $19,520 as opposed to the average file of $14,478. So we think that your MISSA program is working.

We think there is a good demonstration here of what the Federal-State partnership can bring about. We do realize that the first year of multiple data entry had its problems. I don't know whether the committee realizes it or not, but that was a very hurried up first year. All the vendors that were entering into multiple data entry did so without a contract. Everybody was on the hook. We experienced the new edits of data and the validation process. And I think after those things shuffled out, that the multiple data entry did work.

We found in Pennsylvania that students being held up for State grant consideration at this time last year we had 18,000 held up because of the slow flow through the basic grant national processor. This year that number is cut to one-third, or roughly 6,000.

You are also aware, I am sure, that multiple data entry has moved toward a common form and from a common form is now moving toward a single form. The single form is geared basically to collecting data for Federal eligibility in the BEOG program and the college based programs.

Multiple data entry, on the other hand, is geared toward the tripartite partnership, Federal/State/institutional data gathering. We have to realize BEOG is not an outright entitlement program. We often say it is but if you compare it with social security and the GI bill, you realize it is not outright entitlement but really entitlement flavored a little bit with what we have traditionally called the need analysis concept.

The financial aid office on campus is a little bit different than the BEOG program administrator in that in the basic grant program in effect the committee and the Congress say: These are the eligibility standards. You find eligible students and we will fund each one of those. At the campus level there are limited funds, and for that reason the campus aid officer, more so than the basic grant or the State grant adminstrator, has to look for more detail and better ways to assure that there is equity in the administration of their campus based programs because their funds are limited.

For that reason, there is now a pretty good controversy between the U.S. office and their counterparts in the financial aid community because of the single form.

Personally I feel that the timing of this is really the root of the evil as far as the controversy between the U.S. Office of Education and the financial aid community. And we would recommend that in the future any further Federal intrusions as far as the campus administration or as far as the State administration of financial aid are concerned, the intrusion should be subject to legislative oversight. Either regulations should be subjected, these things should be done through regulations with the right and chance to respond, the regulations should be subjected to congressional review, or there should in reauthorization be a very definitive indication of the various roles of the three parts taking part in the partnership, the Federal, State, and institution.

There are a couple of questions related to the basic grant program that the community has been concerned with. We have done some quick and dirty research in Pennsylvania in order to try to bring some data to you on two of these items. Moving the basic grant minimum from $200 to $100 and addressing the question of removal of half cost.

Our cost study is attached to our testimony. The bottom line on the two studies, and this is Pennsylvania basic grant file, which is fairly representative of Pennsylvania because for 4 years we have required each State grant applicant to apply for basic grants before they came to us, the $100 minimum creates in our State a 4-percent increase in the number of grants.

The grants fall across all sectors, public and private. Generally, as you go above $12,000 family income level, you see a larger number of basic grants.

We looked at the removal of one-half cost. We have policy concerns here because as the basic grant absorbs more and more of the cost of education, we are finding that most of the cost of education is absorbed by BEOG in the public sector and for the low-income student. And there is danger in removing those two types of students from what have been broad, comprehensive State grant programs.

For example, in our community college with removal of half cost, the basic grant maximum award would go from $1,050 up to $1,800. Our study shows that in doing this, 92 percent of the new basic grant dollars created would go to the State subsidized colleges. Ninety-one percent of the State money that we would redirect in order to prevent over-awards would come out of the State subsidized colleges.

At the $12,000 family income and below, 80 percent of the new BEOG dollars would fall below $12,000. Eighty-seven percent of the State money that we would redirect, would be redirected away from the families below $12,000.

For example, in our community college, getting an $1,800 BEOG and a $100 State grant to apply toward a $2,110 cost, this means that grant money would pay the $610 tuition and fees and the student would receive a check in the amount of $1,209 to finance their cost of commuting, books, and so forth.

So we feel that the State grant program would be pretty much forced out of that area as far as the State grant award would be concerned.

Another thing that has been bandied about for some time, maybe the last 18 months, is the base year in the SSIG program. We don't believe you have a base year problem. This committee authorized $50 million the initial year to grow to $200 million at the close of 4 years. The only problem is the Appropriations Committee did not do its job. They did not follow the directions of the authorizing committee.

We have a recommendation before you that would tie SSIG funding to BEOG funding. We think that maybe the most urgently needed item as far as Federal support at this time in the SSIG program would be to come up with something that would give us, would assure us maintenance of State effort, maintenance of the State grant programs during declining State support for higher education.

We would suggest that if you go with that, there is no need to address the base year question. We would suggest, first of all, that the first $100 million in the basic grant program would go by the current formula coupled with a maintenance of effort.

You might take 1976, 1977, 1978 funding level of each State and establish an average. And as long as a State would maintain that average, they would get their share of the first $100 million. And that would again be based upon the current allocation formula.

Above $100 million our association recommends that you would move toward a formula that would be based on high school seniors since they are the ones who graduate and receive the State awards. We think a two-tiered approach like this would hold harmless those States who have benefited by the existing formula at this point and the second tier could help those who have been disadvantaged.

There has been some talk about tying congressional policy to the SSIG. A very good example is the all/nonprofits. We think that there should not be that kind of Federal policy tied into the SSIG.

It really should be a program where you are encouraging State appropriations and helping to maintain the State funding level.

There has been some talk about bringing in new groups, the less than half-time student, the graduate student and others that are not eligible for the basic grant program. We would caution you there that you would lose the building base which basic grants offer the State grant program. The State grant would, in those areas, not be built upon basic grant as it is now. You would be removing the State grant and the matching SSIG from certain of your basic grant recipients and you would be denying the financial aid officer the packaging concept they now have, that is the basic grant plus the State grant with the college administered programs built into those.

There seems to be ~~a feeling~~ that we need to do something in the SSIG program to encourage State funding. We don't think that is the case, at least in my area it is not.

Totally across the Nation the SSIG is 7.7 percent Federal money and 92.3 State money. Since the SSIG went into operation, the State awards, the value of State awards is up 80 percent, the number of State awards are up 53 percent, the State only dollars for getting SSIG is up 81 percent and we have moved from 31 to 57 States and territories each operating their own program. We are 100 percent there.

In the top five States there is very little Federal money. In New York the Federal allocation is 2 percent of their program. It is 4 percent of the program in Illinois, Pennsylvania, Minnesota, and Vermont; in fact in 15 States the Federal money is 10 percent or less of the total dollars going into the State program. And there are only 16 States where there are sufficient Federal funds to reach the 50-50 match.

There has been some discussion about BEOG impact on the State effort, particularly the concern that States will increase their tuition charges in order to capture Federal dollars. We would suggest that Congress might want to look at either an institutional grant or at a State grant that would be tied to, well, it could be tied to a number of things. You might relate the size of the Federal grant for example, to the tuition level at the school. In other words, if we would pick the University of Pennsylvania, you might piggyback on the basic grant an institutional grant tying the size of the piggyback to the tuition level.

As the tuition leveled or reduced, the size of the Federal grant could be increased.

You might look at a grant to the States. It could be related to the direct appropriation for the cost of education that a State is making. It could be based upon the number and average of the State student grant or it might look at the State funding of construction costs or in fact, it could incorporate all three of those since States generally have not moved their policy the same as the Federal Government has.

The Federal Government has geared much of its support of higher ~~education~~, in fact the major part of it, toward student aid. States on the other hand, still have to maintain salaries, construction, maintenance, and so forth.

The half-cost study that we gave you shows a $7.7 million increase in the basic grants in Pennsylvania if we remove the half cost. That is equivalent to moving all of our public tuition to a point where each of the most needy students would get the $1,800 basic grant.

Removal of the one-half cost limitation would cost $7.7 million in Pennsylvania. If Pennsylvania increased the tuition in Pennsylvania that same way, it would cost the State grant program $24 million to do that.

The concept of a separate Federal grant to make sure that there is no move to capture extra BEOG dollars could be related to State grants versus that total cost of education or it could be State grants versus the total tuition charges. In fact, it could be State grants versus the basic grant dollars coming into that State. We think this is something that the committee ought to look at as a point to retard what seems to be the fear that States will move to increase tuition charges to capture more Federal dollars.

That is all I have, Mr. Chairman. I would be glad to respond to any questions at the proper time. Thank you.

Mr. WEISS. Well, we are now—I think that rather than start with Dr. Rhett's testimony, we have a vote now on the budget resolution coming back from the Conference Committee. So we will take a break and be back in the next 10 minutes or so.

[A short recess was taken.]

Mr. WEISS. I think we are ready to resume.

## STATEMENT OF HASKELL RHETT, ASSISTANT CHANCELLOR FOR STUDENT SERVICES, NEW JERSEY DEPARTMENT OF HIGHER EDUCATION AND STATE HIGHER EDUCATION EXECUTIVE OFFICERS

Mr. RHETT. I appreciate the opportunity to testify today and I am doing so on behalf of the State Higher Education Executive Officers, or SHEEO, and the New Jersey Department of Higher Education.

We filed statements from both groups with the subcommittee. With your permission, I will simply make a few comments about the priorities in those statements rather than repeat them.

Mr. WEISS. They will be entered in full in the record, without objection.

[The statements submitted by Mr. Rhett follow:]

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# STATE HIGHER EDUCATION EXECUTIVE OFFICERS

# POLICY STATEMENT ON STATE/FEDERAL RELATIONS AND REAUTHORIZATION OF THE HIGHER EDUCATION ACT OF 1965

Prepared and submitted by the Federal Relations Committee and approved by the Executive Committee for discussion and adoption by the SHEEO membership at the April 1979 spring meeting.

January 12, 1979

## *SHEEO POLICY STATEMENT ON STATE/FEDERAL RELATIONS AND REAUTHORIZATION OF THE HIGHER EDUCATION ACT OF 1965*

### I. GOALS FOR POSTSECONDARY EDUCATION POLICY FOR THE NATION

The State Higher Education Executive Officers Association (SHEEO) believes that the goals for postsecondary education policy for the nation should be:

1. To achieve equality of educational opportunity for all persons without regard to race, sex, age, national origin, ethnic or cultural heritage, handicapping condition, economic status or geographic location;
2. To achieve access for all persons capable of and interested in postsecondary education, and reasonable choice among postsecondary education institutions and programs appropriate to each person's educational needs, capabilities and interests;
3. To support excellence in instruction, research and service through institutions of postsecondary education in order to insure the health, welfare and security of the nation;
4. To develop an informed and educated citizenry; and
5. To insure strong and diverse systems of postsecondary education to meet the variety of society's postsecondary and higher education needs.

### II. PRIMARY RESPONSIBILITY OF THE STATES FOR POSTSECONDARY EDUCATION

Governance and finance of postsecondary education are primarily state responsibilities. This state role is implicit in the U.S. Constitution, has been reinforced by decisions of the federal courts and is reflected in state constitutions and statutes and in the historical and current patterns of education governance and finance.

States currently provide more than one-half of the total support, public and private, for postsecondary education in the United States.

Each individual state has a responsibility to develop a comprehensive set of policies and programs to achieve the above goals for postsecondary education in relation to the unique needs and circumstances of that state.

## III. RESPONSIBILITY OF THE FEDERAL GOVERNMENT IN POSTSECONDARY EDUCATION

Granting the primary role of the states, the federal role in postsecondary education should be:

1. To enunciate those goals, objectives and priorities that transcend the responsibilities and capabilities of individual states;
2. To develop and implement federal policies and programs that supplement, complement and support existing state efforts to fulfill postsecondary education responsibilities; and
3. To provide assistance and incentives to states to meet national goals, objectives and priorities in the context of differing state circumstances.

## IV. STATE/FEDERAL PLANNING AND POLICY FORMULATION INTERFACE

Planning for postsecondary education is and must be primarily a state responsibility. Throughout the nation states have established state postsecondary or higher education coordinating, governing or planning boards and agencies specifically charged with statewide planning responsibilities not just for public higher education institutions but in many states for postsecondary education as a whole. While the oldest of such boards was established in 1784, many of them were developed during the period of rapid expansion of the 1960's. Given current changing conditions--from a period of expansion to one of variable or decreasing enrollments, concern with tax limitations and increasing demands for accountability--

the objectives of statewide planning are changing but the need for such planning at the state level has become more acute.

Effective statewide planning, while a state responsibility, is also in the federal interest if federal postsecondary educational objectives are to be attained through complementation rather than conflict with state efforts. Since the Higher Education Facilities Act of 1963 the federal government has recognized the need for statewide planning in particular categorical areas. The Higher Education Act of 1965, in addition to statewide planning for facilities, called for such planning in relation to community service and continuing education and undergraduate equipment. In the Education Amendments of 1972 the federal government, for the first time, recognized its interest in comprehensive statewide planning for postsecondary education by authorizing the states to designate or establish state postsecondary education commissions (Section 1202) to reinforce statewide planning and encourage the extension of its scope to include all of postsecondary education. At the same time, it assigned additional specific categorical statewide planning (for community colleges and vocational and occupational education) to these state commissions. The Education Amendments of 1976 added categorical statewide planning for educational information centers but without specifically assigning it to state postsecondary education commissions.

The principle of federal interest in effective statewide planning is clearly established. However, in practice federal programs mandating statewide planning have at times tended (1) to be uncoordinated on the federal level, (2) to require planning for particular categorical programs without reference to other such programs, and/or (3) to encourage fragmentation on the state level through creation of additional state agencies. In other areas, such as desegregation (Adams vs. Califano), the principle of dealing primarily with state postsecondary or higher education agencies has been established on the grounds that solutions to such problems must be statewide rather than on an individual institutional basis. Other major programs have tended to ignore not only statewide planning but states altogether. The result is a mixed and conflicting picture in which the state/federal partnership is considerably less than a reality.

Even in the one program (Section 1202) designed to reinforce statewide planning in general funding has been minimal and instead of utilizing the state postsecondary education commissions as vehicles for cooperative federal/state planning, the federal government has tended to view the program as another minor categorical annoyance. In spite of this the program has reinforced the broadening of statewide planning to include all sectors of postsecondary education, has enabled states to add to information bases and, particularly where the commissions and the statewide coordinating or governing boards are the same agency, has enabled some states to bring federal/state planning concerns into the mainstream of statewide planning.

To complicate matters further, there frequently is little or no communication or coordination among programs at the federal level. Part of this is due to separate legislative histories and authorizations of particular programs. Primarily, however, it is related to a lack of communication within the Administration among persons charged with developing regulations and with program administration. Some part is also due to inter-agency rivalries and problems of turfdom among federal agencies. Such fragmentation on the federal level creates continuing problems and, in turn, tends--if states are not careful--to induce similar fragmentation on the state level. More effective coordination in regulation and program development at the federal level would greatly facilitate effective initiation and response at the state level.

## V. SUGGESTED PRINCIPLES FOR EFFECTIVE STATE/FEDERAL PARTNERSHIP

An effective state/federal partnership in postsecondary education requires that federal policies and programs adhere to the following principles:

1. Federal policies and programs should be designed to recognize the differences among states in:
    a. postsecondary education needs and problems;
    b. kinds of postsecondary education institutions;
    c. policies regarding financing of institutions and in providing financial assistance to students;
    d. laws and structures for statewide planning, coordination and governance of postsecondary education; and
    e. economic conditions and the fiscal capacity and effort in support of postsecondary education.
2. Federal laws should set forth the substantive objectives to be achieved by each federal program, but the structure and procedures for carrying out the program should be left for each state to establish in the light of local circumstances and its best judgment.
3. Federal policies should recognize, reinforce and assist existing state efforts toward comprehensive statewide planning for postsecondary education as essential for effective and efficient use of both state and federal postsecondary education resources.

4. Federal policies and programs should be planned, designed and implemented not in isolation from, but in the context of, the complex interrelationships among existing policies for governance and finance of postsecondary education in each individual state. Specifically:

   a. Federal student assistance programs should recognize and be coordinated with existing state programs, including both student assistance and institutional subsidy, to meet the needs of persons within each state.

   b. Federally required state planning should neither foster the creation of a multiplicity of state agencies, nor be isolated from existing state planning.

   c. Although federal programs may be separately authorized and separately administered, the programs are related to each other, and to other existing policies--a fact that should be recognized not only at the national level, but especially as the programs are implemented at the state and institutional levels.

   d. Federal requirements for development of state plans for categorical programs such as vocational education, community service and continuing education, educational information centers, facilities and equipment and community colleges should be related to, be an integral part of and grow out of comprehensive statewide planning for postsecondary education.

5. Federal programs should be enacted with reasonable assurance of sufficient funding and of continuity of funding throughout the life of the programs. Planning funds should be provided as soon as possible after enactment of new categorical programs.

6. Continuing and cooperative programs should be forward funded in a manner similar to current student aid programs. Through forward

funding the effectiveness of programs would be increased by providing sufficient lead time for agencies and institutions.

7. The Congress and the Executive Branch should involve and consult with state higher education executives at all stages of the federal policy process on matters with actual or potential impact on state postsecondary education policies. State higher education executives should share in the responsibility for initiating this involvement and consultation.

8. Either in the development of a new department of education or in reorganization of the current educational structure of the Department of Health, Education and Welfare, specific attention should be given to developing a mechanism for continuous and effective communication with state higher education agencies in relation to policy development, legislative proposals, recommendations for funding and guidelines development and administrative activities.

The federal education structure, whether the existing Education Division or a new department, should have a senior official with responsibility for involving the states in postsecondary education planning and policy development. The state-related functions of the federal government should be coordinated in a manner that facilitates coordination at the state level and effective communication with the states about the operation of the program.

A. SHEEO Recommendations for Improving State/Federal Partnership.

Planning for federal programs should be an integral part of statewide planning for postsecondary education. This will enable federal programs to reinforce rather than conflict with state policy and programs.

The State Higher Education Executive Officers recommend:

1. That the major federal programs for which statewide planning is essential be identified. Current federal law requires statewide plans for (a) community service and continuing education, (b) lifelong learning, (c) educational information centers, (d) undergraduate equipment, (e) facilities, (f) establishment and expansion of community colleges, (g) planning grants for state occupational education programs and (h) comprehensive statewide planning by state postsecondary education commissions. Although lifelong learning, community colleges and planning for occupational education have not been funded or activated, the law in each case specifies extended planning requirements. In addition, statewide planning should be developed for student aid and compensatory programs. All of these areas involve major, in some cases primary, state concern. The statewide board or agency assigned planning responsibilities in these areas should utilize whatever advisory procedures or structures are appropriate to the issues in question, particularly where the program or issue in question is not covered within the normal purview of the board.

2. That activities under programs included in the Higher Education Act of 1965 as amended not requiring statewide plans be reviewed by states for comment with regard to their relevance to state plans, objectives and goals.

3. That the statewide board or agency primarily responsible for higher and postsecondary education planning be explicitly utilized by the federal government to coordinate state and institutional participation in federal programs on the state level and to serve as a major focus for state/federal interaction in federal program development.

4. That the federal government respect the experience of the states in moving from representative to lay boards to reflect public interest and, while it can expect or require participation of all interested parties by whatever advisory groups are appropriate in the particular states, it should not mandate specific representation on boards where lay boards exist.

5. That the federal government provide funding for such boards or agencies commensurate with the federal responsibilities assigned to them.

6. That the Secretary of Health, Education and Welfare, the Assistant Secretary of Education and the Commissioner of Education take such steps as are necessary to insure communication, coordination and cooperation among departments, bureaus and agencies operating federal programs in postsecondary and higher education to encourage development of regulations and guidelines and program operations with due cognizance and complementation of each other and their impact on states.

B. SHEEO Recommendations for Categorical Programs

In relation to specific programs and areas, the State Higher Education Executive Officers make the following comments and recommendations:

1. Lifelong Learning and Educational Information

*a. Adult Education, Continuing Education and Lifelong Learning*

With the growing importance of adult and continuing education and the critical need at state, institutional and local levels for effective planning and coordination to meet the needs of older citizens (the changing student clientele), the State Higher Education Executive Officers recommend the consolidation of Titles IA, "Community Service and Continuing Education Program", and IB, "Lifelong Learning", into a single lifelong learning program with primary emphasis upon planning and the effective support of institutional and community programs. Congress has determined (Section 131, Education Amendments of 1976) that "planning is necessary at the national, state and local levels to assure effective use of existing resources in the light of changing characteristics and learning needs of the population."

Such programs as the current Title IA should reinforce the role of the state higher or postsecondary education agency presently responsible for planning in the state and should provide for planning funds and for allocation of program support of institutions and community service organizations through the agency in accordance with such planning. Planning for lifelong learning should be an integral part of statewide planning for postsecondary education as a whole and should take into account:

(1) Existing resources and changing needs;

(2) Complementing of institutions, agencies and programs; and,

(3) Information needs of citizens of all ages.

Because of the variety of citizens of all ages involved, it should be closely correlated with state planning for and development of educational information centers.

*Recommendation:* Consolidation of Title IA and Title IB and utilization of funding primarily for statewide planning, coordinating activities and development of resources for community service, adult, continuing education and lifelong learning.

b. *Educational Information Centers*

Provision of adequate integrated information on student aid, educational programs of all types, occupational options and labor market conditions is essential to effective access and choice for prospective students of any age. The State Higher Education Executive Officers urge continuation and expansion of the educational information centers program operated through the states. In order to make the best possible use of available resources, the efforts of all state-level information providers, whether federally or state funded, should be coordinated and, in some cases, consolidated.

Some confusion has arisen in relation to the term "centers." The word "center" as used in the title of the program should be interpreted not necessarily as a place, but as an integrative statewide effort to develop an effective network of information services. This conception should be reflected in the law. Further, other information provision requirements in federal law in postsecondary education should be related to, coordinated with or integrated into this section. These include educational opportunity centers and all career and vocational education information programs operated either under the U.S. Office of Education or the Department of Labor. Wherever possible such activities should be funded under a single grant to the state.

*Recommendation:* Continuation and expansion of educational information centers, consolidation of educational opportunity centers with educational information centers and coordination of educational information centers with all career and vocational information programs whether under the Office of Education of the Department of Labor.

2. Institutions and Facilities

*a. Developing Institutions*

Title III for strengthening developing institutions has been a direct federal/institutional program, including both public and private institutions. The State Higher Education Executive Officers should be informed about proposals submitted to and actions taken by the U.S. Commissioner of Education in relation to independent institutions and given the opportunity to comment on them in light of state planning priorities. In those cases where the allocation of Title III funds would be inconsistent with state plans or the implementation of affirmative action or desegregation plans, the states' comments to the federal government should be carefully reviewed before the funds are allocated. Before Title III developmental funds are granted to a public institution, a contract should be worked out with the state providing for state and federal cooperation over a multiyear period specifying federal, state and institutional commitment in the developmental phase and objectives to be obtained by the end of the period. Such a contract should clearly indicate the relation of the developmental plan for the institutions to the overall statewide plan for postsecondary education.

*Recommendation:* In relation to public institutions under the developing institutions program, provide for a contractual relation with the state for a multiyear period specifying federal, state and institutional commitment and objectives to be obtained; in relation to private institutions, provide for informing the state of all activities and ask for comment in light of state planning priorities.

b. *Equipment and Institutional Support*

Title VI, the undergraduate instructional equipment program, was not funded in fiscal year 1979 and in previous years the funding level was relatively low--$7.5 million in fiscal years 1977 and 1978. While questions may be raised about the justification and impact of such a small program, the grants often provided the critical margin for quality in small institutions, both public and private, faced with severe budget constraints. In a period of stabilizing and declining enrollments and increased competition for resources, the instructional equipment grants could make it possible for small institutions to replace or update audio-visual and laboratory equipment and other materials.

The State Higher Education Executive Officers recommend that Title VI be reauthorized, but that consideration be given to broadening the range of materials and activities that could be supported under the program. The Title could be one element within a consolidated program through which the federal government would enter into agreements with states to encourage comprehensive planning for postsecondary education and to expand state technical assistance and other activities designed to address the problems faced by institutions in a period of declining enrollments and increasing costs.

*Recommendation:* <u>Reauthorization of Title VI and incorporation of it into a consolidated program of assistance to needy institutions</u>.

c. *Facilities*

In the light of variability of enrollments projected for the next decade, the State Higher Education Executive Officers recommend funding for renovation and construction related to enrollment and clientele changes, change in function in existing facilities, deferred maintenance, achieving federal requirements by modification of facilities to meet the needs of handicapped persons and conservation of energy. Provision of funding for facilities related to conservation of energy, whether grants or loans, should be carefully coordinated with provisions of the

National Energy Act. Since reconstruction and renovation and energy conservation relate clearly to state planning and state priorities, it is essential that the facilities program continue to be operated through state higher and postsecondary agencies and that appropriate administrative funds for planning and operation be made available.

*Recommendation:* Reauthorization of Title VII and coordination of it with the National Energy Act.

3. Professional Programs

*a. Graduate Education*

Graduate education constitutes both a state and national resource and responsibility. It is appropriate, therefore, that the federal government contribute to the support of graduate education as proposed in Parts A and F of Title IX (although these parts have not been funded) and of graduate students as provided for in Part B. The State Higher Education Executive Officers support reauthorization of Title IX. However, given present concerns with (a) oversupply of graduate students in some areas and shortages in others, (b) state concerns with graduate program review to insure reinforcement and continuation of quality, and (c) state concerns with excessive program duplication, it is critically important that the federal government make such awards with the advice and consultation of state higher education planning and coordinating agencies.

While the present Part A requires that applicant institutions notify "the appropriate state commission" so that it has the opportunity to offer recommendations on the application to the Commissioner of Education, and that the commissioner must consider the consistency of applications with state, regional and national priorities, the State Higher Education

Executive Officers urge that this provision be made applicable to all parts of Title IX including fellowship programs and that the annual report of the commissioner to the Congress on the fellowship program and its impact be shared with the states.

*Recommendation:* Reauthorization of Title IX with the requirement that all actions under Title IX be reported to the states for comment and recommendation in relation to consistency with state, regional and national priorities.

b. *Teacher Education*

Federal programs related to teacher education should be planned and implemented in a manner that takes into consideration the impact of those programs on relevant state policy. The lack of such a review process has a negative impact on the ability of states to fulfill their responsibilities in postsecondary education. For example, the teacher center program in Title V has the potential of creating an entirely new teacher education system at the very time states are confronting policy issues related to declining enrollments, the changing mission of teachers' colleges and a decreasing demand for teachers.

The teacher center section of Title V provides that application from a teacher center policy board be approved by the state education agency. Two other sections of Title V require no state agency review whatsoever--the teacher corps program and the section on training for higher education personnel. The latter provision bypasses the states altogether and involves the U.S. Office of Education directly with institutions of higher education.

*Recommendation:* If the Act is reauthorized provision should be made that the state postsecondary or higher education agency be informed and asked to comment on all awards made in any teacher education programs.

4. State Role in Determining Institutional Eligibility for Federal Funds

The State Higher Education Executive Officers reassert the states' primary regulatory responsibility for licensing and/or authorizing institutions to operate and to grant degrees. State authorization, along with accreditation by an agency recognized by the U.S. Commissioner of Education as a reliable authority in relation to educational quality, has been recognized in federal legislation since 1952 as an essential condition of institutional eligibility to receive federal funds. Today, increased concern at state and federal levels with consumer protection in postsecondary education and with eliminating fraud and abuse by some institutions has made the strengthening of state regulatory operations in such authorization a matter of critical importance. The situation is further complicated by off-campus and out-of-state operation of institutions where quality control and adequacy of support services may vary considerably from that available on institutions' home campuses.

The federal government should continue to rely on current eligibility criteria including state authorization and accreditation by an accrediting agency recognized by the commissioner. The federal government should not develop a separate federal eligibility or certification system. However, in light of the dependence of the federal government on state authorization as an essential component in eligibility determination, the federal government should share in the operational and administrative costs of the authorization process and make provisions for effective information sharing among the states and with the federal government of state authorization actions.

> *Recommendation:* Continue and strengthen current institutional eligibility requirements for federal funding including state authorization and accreditation and share in the operational and administrative costs of the authorization process.

C. SHEEO Recommendations for State/Federal Programs in Student Assistance

The passage by the Congress of the Middle Income Student Assistance Act in the fall of 1978 provided a major expansion in the number of students who are eligible for assistance from the Basic Educational Opportunity Grant (BEOG) program. The position of the BEOG as the cornerstone of federal student assistance was strengthened, but several modifications in federal programs are needed so that the combination of federal/state/institutional student aid can meet the needs of the maximum number of students in the most efficient way possible.

The State Higher Education Executive Officers base their specific recommendations on the following assumptions which are in addition to the basic principles enunciated at the first of this document:

1. The federal government, the states and the institutions all have a responsibility for insuring access and choice through the operation of student assistance programs for students who have financial needs that exceed parental contributions and self-help capabilities.
2. A complete program of need-based student assistance should provide grants that cover part of students' economic needs and self-help opportunities (both work and loans) that, together with parental contributions, meet the remaining needs.
3. Because of the states' primary role in the support of education

and the provision of educational opportunity, states need to have a major role in coordinating student aid, even though a major part of the money for student aid comes from the federal government.

4. In operating student assistance programs, the federal government should respect the diversity of state laws and policies for providing educational opportunity. Federal laws and regulations should not limit different state approaches to achievement of national goals of educational opportunity.

*Recommendations for Reauthorization of the Student Assistance Part of the Higher Education Act:*

The federal Basic Educational Opportunity Grant (BEOG) program should continue as the basic award available to all needy students for attendance at any recognized postsecondary institution. The BEOG program should be continued as a program that meets only part of students' costs and only part of students' needs.

1. The maximum BEOG grant should be adjusted upward to take into account the rising price of education to the student. The price of education (tuition, books, room and board) to the student has risen by approximately 75 percent since 1972 when the BEOG program was established. The maximum BEOG award has increased only 28 percent in that same period. Further increases in the price of education will be inevitable as long as inflation continues. Therefore, the amount of the BEOG grant award also needs to be adjusted upward periodically, but not in a way that encourages further increases in tuition or living costs. A periodic adjustment in BEOG maximums for increases in price that have already occurred would be one noninflationary way of keeping the opportunity for full-time postsecondary education open to low-income students.

2. The BEOG program should become an entitlement program, fully funded for all students who meet the eligibility conditions. Past efforts to estimate the appropriation level required to fully fund the BEOG program have not been very successful. Changes in the family contributions schedule and administrative procedures (recently initiated validation procedures, for example) have also affected the number of students who obtain basic grants. In addition, shifts in enrollment have affected the number of eligible students, and enrollment changes are difficult to estimate. Changes in the BEOG program in the recent enactment of the Middle Income Assistance Act have further complicated the task of estimating needed appropriations. Estimates vary by as much as $1 billion.

With the commitment of the President to reducing the deficit and similar intentions indicated by the Congressional budget committees, the tendency will be to use the lowest reasonable estimates of outlays required to fully fund BEOG. Consequently, the President's budget requests and the regular appropriations bills may include a lower level of funding for BEOGs than may, in fact, be required. The usual pattern is for additional funding to be provided through a supplemental appropriation as the actual need for BEOG funding becomes apparent later in the fiscal year. Nevertheless, there is no obligation of the Congress to make such additional appropriations to insure full funding of the program. Students are faced with the uncertainty that the maximum awards may have to be reduced because of insufficient appropriations. If the BEOG program were a true entitlement, the Congress would be obligated to appropriate such funds as necessary to pay the maximum levels authorized by the law. This would give students confidence in planning and financing of their education and would assist planning and administration at the federal, state and institutional levels.

3. The State Student Incentive Grant (SSIG) program should be continued and expanded to assist all states in operating need-based grant programs of assistance. The State Student Incentive Grant (SSIG) program has been effective in getting states that did not have state grant programs to establish them. A number of the states have very small programs that have little effect in expanding opportunity. A number of other states have large programs that overmatch the federal funds by 10 to 20 times. Those states that have made a big effort in the past should not be penalized in the distribution of future additional federal funds to the SSIG program. Nor should the design of state grant programs to meet the special needs of that state be unduly limited by uniform federal rules that press all states into a similar mold. States should retain wide latitude to design student assistance programs that will complement federal and institutional programs.

4. The federal government should allocate funds for the college based programs (College Work-Study [CWS] and Supplementary E[illegible]ational Opportunity Grants [SEOG]) to states on an estimate of the unmet need among all students attending postsecondary institutions in the states. Unmet need should be calculated by subtracting parental contributions, self-help requirements and federal student aid payments including BEOG, the G.I. Bill and Social Security.

If state and institutional grant funds are deducted before calculating the amount of SEOG and work-study funds needed, there would be a negative incentive to both institutions and states to operate, or expand, their student assistance programs. The current method of federal allocation to states of funds for campus based programs does not lead to an equitable allocation of funds among states. The computation of unmet need at the institutional level is currently being developed by regulation. The law should be modified so that the total unmet need in the state, defined as indicated above, will be used for allocation to states.

5. States should have the responsibility for allocating funds for CWS and SEOG to the institutions within the state. At present allocations to institutions are made without any participation by state officials or without any opportunity for the award distribution to be coordinated with state grant awards or to reflect state policy objectives. Distribution of campus based award funds to institutions should be made by the states on the basis of uniform criteria that include unmet need for student assistance as one of the major criteria. The involvement of state officials in the establishment of criteria for distribution of student aid to institutions is important in enabling states to establish student aid policies that are complementary with federal programs, and that give the states an opportunity to design student aid and tuition policies that can best meet the needs of students and potential students.

6. States should have the option of conducting some of the administrative functions involved in BEOG awards under contract with the federal government. States that operate large state student aid programs have developed procedures for validating applications for state aid to avoid error and fraud. State validation procedures may duplicate some of the BEOG validation procedures and in some states these procedures are more comprehensive than the federal procedures. The credibility of state student aid programs is affected by the credibility of federal student aid programs and vice versa, so there is a mutual interest in developing effective procedures that reduce fraud and error and increase the acceptance of the program by education officials and the public. By making it possible for the federal government to contract with the states to

carry out various administrative procedures in relation to the BEOG program--including supplying information to students about student aid opportunities, providing adequate state publicity for the BEOG program, processing of applications, validation of application information and training of student aid officials--duplication of state and federal procedures can be minimized, the burden on applicants can be reduced and the coordination of federal, state and institutional programs can be facilitated.

7. The federal government should develop a comprehensive program of evaluation of the impact of student aid on access to, and opportunity for, higher education among all groups in the population. This program should be operated by the states in all states that have the capability to carry out the necessary evaluation. The federal government will provide more than $4.5 billion during the next fiscal year for grants, work-study and loan subsidies. The states will add another $800 million to $900 million in need-based grant awards and the institutions will provide between $1. and $1.5 billion of their own funds and tuition remissions for student aid. The effects of this major expenditure of funds on the access and participation of various economic classes, minority groups and others in postsecondary education are not adequately evaluated. How much do the combined federal, state and institutional programs change the participation of various groups in postsecondary education? How much do they change their persistence in postsecondary education? Are there big differences between states? Are some programs more cost effective than others? Answers to these important questions are not now available on a timely or complete basis. The federal government should provide funds to the states to develop adequate periodic evaluations of the impact of student aid programs on participation in various types of postsecondary education.

8. Current federal policy of encouraging the development and operation of state loan guarantee agencies should be continued. States have much closer relations with banks than the federal government does and are in a better position to encourage participation by the banks in the loan program. State guarantee agencies also have a better record than the federal government in keeping loan defaults down, although substantial reduction in default rates is still needed in a number of states. States should adopt procedures to improve the management of loan programs and reduce fraud and error in loan program operations. The federal government should continue the efforts to increase loan fund availability by providing a secondary market for loan paper through the Student Loan Marketing Association authority.

9. The National Direct Student Loan (NDSL) program should be converted to a state operated program designed to provide loan funds to qualified students who are unable to obtain loans in the private market through the guaranteed loan program. The terms and conditions of NDSL and guaranteed loans should be made identical as to interest rates, eligibility, repayment provisions, etc. Institutional student aid officers would continue to be the point of contact in applying for a loan, but the state loan guarantee agency would give final approval to the loan, handle all collections and receive capital contributions from the federal government. The state agency could also take over existing loans from institutions and administer repayments by institutions that did not wish to continue collection of student loan payments. The institutional 10 percent contribution to loans would be returned to institutions when they turned over existing loan paper to the state agency, less the institutions' share of any loans defaulted.

10. Eligibility requirements for loans should be tightened up to remove potential abuses that will reduce the credibility of the loan program. An income requirement should be reinstated to prevent well-to-do families, who have access to credit and familiarity in dealing with banks, from obtaining the majority of loans, thus reducing the access to loans of students with greater need. High risk students with great need, a marginal commitment to pursuit of an educational program and a poor credit rating should also be provided with other more appropriate forms of student aid, rather than loans. This should include greater access to work as a means of self-help and greater access to grant assistance, particularly during the first year of undergraduate study. Making loans to high risk students who subsequently have high default rates is costly and in addition reduces the credibility of the total loan program. Loans provide an important part of a total student aid program, but they should be used for persons whose probability of repayment is good.

# PRELIMINARY POSITIONS ON 1980 REAUTHORIZATION OF THE FEDERAL HIGHER EDUCATION ACT OF 1965, AS AMENDED

NEW JERSEY DEPARTMENT OF HIGHER EDUCATION
T. EDWARD HOLLANDER, CHANCELLOR

## OVERVIEW

While the 1960's were a time of accelerated expansion of higher education opportunities and facilities and the 1970's have been a time of selective growth and stabilization, projections for the 1980's indicate the very real possibility of a diminished sphere of higher education. Even optimistic expectations do not include expansion of the overall system or significant new resources. Faced with this forecast, it is prudent to set priorities, coordinate existing programs, and plan to capitalize on anticipated shifts in the system. The reauthorization process for the Higher Education Act provides an opportunity to exchange ideas on how federal concerns about higher education can be translated into federal statutes which will assist the states to better fulfill their planning, oversight, and coordinating responsibilities -- a role which will surely become more prominent and critical in the decades ahead.

In the context of federal postsecondary education legislation, the New Jersey Department of Higher Education is a comprehensive state agency with responsibilities that include the supervision, monitoring, or coordinating of authorized federal activities in this area. The Department acts as staff for the State Board of Higher Education, which is the 1202 Postsecondary Planning Commission in New Jersey, and also operates the Title I Continuing Education and Community Services program, the Educational Information Center program, the State Student Incentive Grant program, the State Student Financial Aid Training program, the Title VI Improvement of Undergraduate Instruction program, the Title VII Academic Facilities program, and the Guaranteed Student Loan program.

The Department agrees with the principles for postsecondary education policy formulated by the State Higher Education Executive Officers Association (SHEEO). The primary emphasis behind these principles, which are not repeated here, is that the governance and finance of postsecondary education are primarily state responsibilities. To meet this responsibility, New Jersey provides approximately one-half billion dollars annually to support a diverse and responsive system of public higher education, support independent institutions, and provide student assistance to New Jersey citizens. We are meeting the needs of higher education in New Jersey and, through the coordinating activities of the State Board of Higher Education, planning for the 1980's and beyond. Federal statutes, however, do not build on these efforts by integrating the federal concerns with state programs and planning efforts.

The broad objective, therefore, across all of the Department's recommended positions on reauthorization that are set forth below is that programs that are operated by state agencies should be coordinated at the ~~state~~ level, both in implementation and planning, while programs that are federally sponsored and operated by institutions should be approved at the state level to insure comprehensive planning, with relation to statewide needs. Federal concerns and activities in these areas dictate a close state-federal working relationship involving institutions of postsecondary education. Thus federal policies should recognize and assist existing state efforts, while acknowledging legitimate state differences in needs and policies.

The functioning of this partnership is usually not so much a matter of authorization as it is of regulation and implementation. Authorizing sections exist for the coordination of statewide planning in postsecondary education, but federally sponsored programs are usually operated separately, with federal regulations that emphasize program responsibilities and rarely allow for coordination of programs with overlapping objectives between states, the federal sector, and institutions.

The reauthorization approach should build on models that now exist in several titles of the current law. For example, the Educational Information Centers included in the 1976 Amendments provide assistance to states to address a need for better information (a federal concern shared by New Jersey), yet is flexible enough to be tailored to New Jersey's needs and existing efforts so that the result is both to meet the local need and enhance the capabilities of an existing resource (Thomas Edison College) rather than produce a separate, isolated federally sponsored center. Another example is the 1202 Postsecondary Planning Commission. Despite miniscule funding levels, this section has been a lever in New Jersey for coordinated planning and has stimulated policy research and development in areas such as facilities planning across vocational and collegiate sectors, comprehensive publications for students, and financing policies for postsecondary education. Federal support for such state-level activities must be continued and expanded if the challenging conditions of the 1980's are to be met with policies that directly address state and local needs.

Specific recommendations for the various Titles of the Higher Education Act are given below. Suggested legislative language to implement these preliminary recommendations has been developed where appropriate and is attached as Appendix A.

TITLE I - Community Service and Continuing Education Programs

- Parts A and B of this Title should be merged to form a new authorization level to focus federal concerns and state efforts on "non-traditional" adult students, those citizens currently in need of educational services but not served by traditional educational programs. This Title would retain the block grants to states and the present procedure of State Plans setting priorities for institutional project funding competition. The planning, assessing, and coordinating functions under the present Part B (not currently funded) would be assigned to state agencies under the general supervision and review of the 1202 Commission. Discretionary grants for both parts would be allocated to states on the existing Part A formula basis, with grants awarded after state approval of proposals.

- The authorized appropriation level for the merged program should be increased to $200 million.

- Authorizing language should be amended to enable institutions to attack more comprehensive problem areas but should also include specific population categories to be served.

- The annual State Plan for Title I should be coordinated and submitted through the state 1202 Planning Commission.

TITLE I - Community Service and Continuing Education Programs (continued)

. Present provisions for direct technical assistance from USOE should be amended so that such assistance is provided to institutions through the coordinating role of the state agency.

. The National Advisory Council for this Title should include broader representation of primary target populations and the institutions and agencies most significantly involved.

TITLE II - College Library Assistance and Library Training and Research

. Grants under Part A should be increased from $5,000 to $10,000 and should be awarded after proposal approval by the 1202 Planning Commission.

TITLE III - Strengthening Developing Institutions

. The authorization level should be increased from the present $120 million to $250 million.

. Eligibility criteria for the program should be clarified to make total amounts of need-based student aid a key factor, rather than the present reliance on Basic Grant awards in the formula. The qualifying level of education and general expense should also be expanded in the formula.

. The present 75% allocation to baccalaureate level institutions should also be reviewed with regard to demographic and enrollment data to assure adequate representation of two-year institutions.

TITLE III - Strengthening Developing Institutions (continued)

- Proposals should be approved by the 1202 Commission before funding.

TITLE IV - Student Assistance

General

- A new section should be added to authorize and create a public policy group, the federal Student Financial Assistance Board, composed of representatives of the public, postsecondary institutions, state agencies, student associations, and need analysis agencies. This Board would provide policy guidance and approve rules and regulations issued by Bureau of Student Financial Assistance, USOE. The Board would replace the present Advisory Committee and would assume the consensus function of the Coalition to Coordinate Student Financial Aid.

1. Basic Education Opportunity Grants

- Present authorizing language concerning experimental state operation of Basic Grant processing should be revised to expand and strengthen the present multiple data entry processing system.

- The maximum grant should be authorized to increase $100 a year beginning in FY 1982 to a maximum of $2,400 in FY 1987.

- Preamble language should be developed that recognizes the critical part Basic Grants play in meeting the indirect educational costs (room, board, books, transportation, etc.) of students. Specifically, the language should set a goal that students will receive a minimum of 70% of approved educational costs from a combination of Estimated Family Contribution, federal, state, and institutional grants.

TITLE IV - Student Assistance (continued)

This goal would assure a rationally derived annual appropriation for federal grant programs and give institutional financial aid officers guidance in packaging grants.

2. Supplemental Educational Opportunity Grants

- The authorized maximum grant should be increased from $1,500 to $2,000 per year.
- Appropriations for this section should be a mandated 10 per cent of Basic Grant appropriations, set in authorizing language.

3. State Student Incentive Grant

- The autonomy of state policy must be recognized by authorizing language that recognizes the precedence of state statutory approval powers for institutions, by modifying mandated inclusion of all non-profit institutions.
- The distinctions between initial and continuing year students should be dropped, and eligibility allowed for part-time students where state statutes and regulations allow.
- The state allotment should be based on the number of high school graduates within a state, not enrolled college students.
- The appropriation level of this program should be set as a mandated 10 per cent of Basic Grant appropriations in authorizing language.

TITLE IV - Student Assistance (continued)

4. Special Programs for Students from Disadvantaged Backgrounds

- Programs should be placed on a state/institutional matching basis (similar to SSIG) in order to provide an incentive for increased state and institutional efforts to aid students from disadvantaged backgrounds. Programs should be coordinated with existing state efforts and be approved by 1202 State Planning Commissions.

- The Service Learning Center section should be eliminated (it is currently not funded and such services can be provided through Educational Opportunity Centers and college programs).

- The authorized appropriation level should be increased to $400 million for the combined programs of Talent Search, Upward Bound, Special Programs and Educational Opportunity Centers.

- Student eligibility in regulations should be broadened to allow participation of students from a slightly higher income group, recognizing inflationary pressures on income.

5. Educational Opportunity Centers

- This program should be merged into the sections for "TRIO" programs, but with language that insures the coordinated development of any EOC with the statewide Educational Information Center.

6. Educational Information Centers

- Language should insure the development of EICs in coordination with 1202 State Planning Commissions, with State Plans approved by the Commission in each state.

TITLE IV - Student Assistance (continued)

7. Assistance to Institutions of Higher Education

   - This section should be dropped from authorization (never funded).

8. Veterans Cost of Instruction Program (VCIP)

   - The successful experience of the VCIP program providing services to Vietnam Era veterans should be expanded to include within its outreach component the concept of job development, training, and employment placement.

9. National Direct Student Loan Program

   - The terms and conditions of loans under this program should be altered to conform to the Guaranteed Student Loan Program, and no deferments should be allowed that are not in the GSL Program.

   - Federal capitalization of the NDSL Program should be discontinued. Instead colleges should be allowed to pool their current loanable capital in an account relationship with Guaranteed Student Loan agencies and then draw on a line of credit to make loans to students under Guaranteed Student Loan criteria. Guaranteed Student Loan agencies should then be allowed to recapitalize the NDSL funds by selling blocks of loans on public security markets at no less than 100% of par value.

TITLE IV - Student Assistance (continued)

10. Guaranteed Student Loan Program

- Authorized deferment should be provided for periods of medical internship and residency, to cut defaults due to lack of resources to pay interest due.

- State guaranty agencies could be free to spend the primary administrative cost allowance as determined to meet state needs. The Authorizing language now requiring expenditure of certain proportions on lender promotion, pre-claims assistance, and collections should be modified.

- The special allowance provided to lenders should continue to be linked with market conditions as dictated by the present formula, but removal of the present ceiling of 5% per annum should be considered in order to provide an equitable return to lenders based upon current money market conditions.

- The special allowance should include an additional one-half percent return to the lender for each loan that enters repayment, to provide compensation for the added cost incurred in converting a loan to billing and repayment procedures.

- Loan limits should be increased to $10,000 for undergraduate study and $20,000 for undergraduate and graduate study combined. Annual loan limits should remain unchanged.

- Greater flexibility should be allowed in establishing loan repayment schedules, by clarification of the forebearance language presently used.

TITLE IV - Student Assistance (continued)

- Other federal student loan programs should be brought into conformance with the GSLP by setting similar rates, terms, and conditions. Educational institutions would continue to serve as lenders for appropriate programs, including collection. In case of default, however, loans would be transferred to the state guaranty agency for disposition.

11. State Student Financial Aid Training

- All who are involved in the financial aid process should be eligible to be included in training activities.
- The state agency responsible for SSFAT should coordinate all federally-supported financial aid training in the state, especially with regard to curriculum and calendar.

TITLE V - Teacher Corps and Teacher Training Program

- Authorizing language should be changed to reflect full eligibility of institutions of higher education to establish teacher centers, to allow full representation of the most effective existing resource for training teachers. The present 10% restriction on funds going to colleges should be removed.

TITLE VI - Financial Assistance for the Improvement of Undergraduate Instruction

- Authorization language should restructure the program as a state-grant program, retaining the present state role in proposal review, but adding state level evaluation.
- The State Plan for this Title should be submitted as a coordinated component of the 1202 Planning Commission.

TITLE VIII - Cooperative Education Program

- Amend to provide that work can be parallel to study as well as alternating with periods of study.
- Authorizing language should be clarified to allow payments of compensation of students for employment by certified non-profit employers.
- The percentages of annual federal support should be reduced to encourage institutional fiscal commitment and transition to institutionally supported programs.

TITLE XII - General Provisions

1. Comprehensive Statewide Planning (Section 1203)
   - Authorizing language should be added requiring the Commission in each state to develop an overall plan for postsecondary education within the state and to coordinate and approve the State Plans required in all other Titles of federal postsecondary law. Thus a coordinated State Plan for each state would contain components covering the activities for each Title, but relating them all to an overall description of state needs and priorities. Actual program allocation and administrative communication would remain direct to programs in each Title, but the planning would be coordinated and programs approved through the Commission.

Mr. RHETT. There is a relationship between the experience we have had in States like New Jersey and other States that are represented in the SHEEO membership and the recommendations we have made for reauthorization. I would like to relate some of our experiences very briefly to the sort of recommendations that we are making, and I won't attempt to repeat them all. We found that in general States have, as I have testified earlier to this subcommittee, known strengths in certain areas of student aid administration that we tend to think form strong links in the State-Federal-institutional partnership.

These include processing on a statewide basis of applications and the issuance of eligibility notices, auditing, loan collections, and loan guarantees, which I won't further discuss today unless there are questions, and the coordination of level of aid, Federal, State, and campus based, to institutions along with coordination of policies that result in efficient packaging of student aid at the campus level.

In New Jersey we have had a rather painful transition over the last few years as we in full faith decided to pick up our end of the partnership. We do practically everything that a State can do to be a full partner with the Federal Government. We, by State legislation, consolidated five or six separate grant programs into a tuition aid grant program that typifies what we think is the State responsibility to aid students with tuition costs.

We coordinate that tuition aid grant program with the basic grant program to assure that there is not overpackaging of students.

We moved from what could have been up to six or eight applications into a common application form and a common need analysis methodology between the State and the campuses. We use the uniform methodology and we use one of the national need analysis services to process the common form and to relay the data to the BEOG by multiple data entry.

I will echo my colleague, Mr. Reeher's sentiments, that doing all of that was a very painful process. And all across the country States that attempted to play ball with the multiple data entry concept and go to a common form and in some cases a common need analysis methodology had late processing, some of them had errors in their processing, things that those of us who deal with the public every day find to be extremely serious problems.

I am happy to report that in the second year of this cycle, as we once again send our data to the basic grant program and use a common form, all is going very smoothly, which, of course, makes the more cynical of us look forward to the reauthorization and any changes of these programs with increased fear and loathing. There is a lot of stability that we have obtained and we would like to be protectionists toward some of it.

Some of the things to change, aside from the mechanics of processing that have hindered us, include some restrictions in the SSIG program. Ken referred to those earlier. For us the mandated responsibility of including all nonprofit institutions means for the State of New Jersey that we should include hospital schools of nursing, and vocational technical area schools, schools which have explicitly been excluded from the state programs by our state legislature after a long discussion and hearing process.

If the SSIG program were to continue to be a vehicle for Federal policy in this matter, we would have no choice but to be found to be in exception to these mandates and inevitably this incentive program would result not in an incentive to us, but in being dropped by the USOE as not being in conformance with the statute.

We are also concerned at the change in Federal forms that is being brought about at the present time. Again, that sort of unilateral change in a system that is now operating successfully is open to serious question in terms of its effects, which are in large part unknown on the processing, and the method by which the change is being implemented, which is not through rulemaking at the present time but simply through administrative action.

These kinds of experiences have led us to recommend in our positions on reauthorization certain common themes, which go back and forth between the State higher education executives and our State of New Jersey.

We call, and I won't try to give every detail here, for an expansion and simplification of the State student incentive grant program. We had some long dialog earlier in the subcommittee, I recall one between Congressman Buchanan and myself, on the mechanisms by which levels of effort could be measured, including rolling base years and two tiers and ins and outs and lefts and rights.

I am at a stage, and many States are, where we think simplification of these methods is called for as we move toward, as Ken said, the authorized levels of appropriation, which in themselves constitute a heavy matching burden on States. All of the mechanics that accompanied the initial growth of the program so States could get into the grant business; those who hadn't been in that area of endeavor, I think can be abandoned with reauthorization.

I think distinctions between initial and continuing students and highly mechanical efforts to define base years in history are not needed if the appropriation level is such, as in other categorical programs, that the State has to make a real match to participate in the program.

We also call for a State role in basic grant processing. Our efforts in this regard go back to the Thompson-Eshleman amendment which was successfully legislated but implemented in a modified form through multiple data entry, and then done in a form so that only one State was able to participate in it.

We would suggest language that is somewhat broader, and we would utilize the known and proven processing capabilities of State agencies to issue eligibility notices that are joint Federal and State notices to students. We can document the fact that we can turn these processing affairs around more quickly on a State level than any national processor can.

We also are calling for a State role in the allocation of campus based funds. There has been great progress in coming to a more equitable and justifiable formula basis for campus based Federal funds. We still think that the States have a role a play there in terms of almost an audit role, if you will. We know where the highest needs are in the institutions of the State. We know what the real enrollments are. We have our auditors in the field constantly not only for student aid dollars but for enrollment. We are in a good position to pass judgment on the requests for allocation of these funds.

This does not mean that we would want any of these funds, I hasten to add, but we think we can help in their equitable distribution.

Finally, I think we have a role we have not been called upon to play in the evaluation of the impact of financial aid. States such as New Jersey and Pennsylvania that have comprehensive computer files are able to simulate various options and assess impacts of Federal and State policies in a very rapid fashion, as evidenced by Ken Reeher's data presented today on a couple of possible options.

We would be glad to work with the subcommittee in exploring the effect on States of any of these reauthorization positions.

Finally, there is a position that New Jersey takes that has not been put forward as of yet by the State Higher Education Executive Officers and that is that we need to examine the governance of the title IV student aid programs. In my State, for instance, I am not only subject, as a member of the executive branch, to the ordinary legislative process of authorization and appropriation but our student aid programs are overseen by a public board, a board including members of the public appointed by the Governor, representatives of the institutions of higher education, and students as voting members.

The New Jersey position on reauthorization calls for an exploration of this same kind of public board, a nationwide student assistance board that would oversee the title IV programs, approve all the final regulations, and in effect be the Federal policy board for student assistance, taking over ad hoc roles played by the coalition to coordinate student aid, the advisory council on financial aid to USOE, and other more informal groups. This we think might act as a correction to some of the unilateral executive actions that we have seen taken by USOE in the student aid area.

I think that is a fair summary of what we think the priority items are in the statements. I would be glad to answer any questions on what the statement lays out in more detail.

Mr. WEISS. Thank you very much. Thank you for bearing with the sporadic operations of the hearings.

Mr. BUCHANAN. Just for the record, I will look at what you have recommended pertaining to SSIG. I am not personally set in concrete about what we ought to do, although we have picked up some support for the rolling base year idea, as you know.

I am very interested in making sure the SSIG program does provide incentives for States to increase their State grant appropriations, and that we find some mechanism, you know, to be certain that happens. And that we in the overall Federal program do something to assure maintenance of funds.

If we are just replacing State dollars with Federal dollars, we are not really accomplishing much. So I want to review very carefully what you have recommended.

Let me ask you this. Both of you have made reference to this. Do you feel the campuses will have sufficient time to adequately prepare for implementation of the new single application form for the 1980-81 year?

Mr. **Rhett**. May I answer that? I have been in meetings, it seems like many meetings in the last month or so, with institutions and other State agencies both at the national coalition level, the College Scholarship Service, and also in my State.

The universal opinion on behalf of the aid officers as they have represented it to me is that they have a serious problem with the timing of this form. And they have presented these views, I believe, through NASFAA and Dallas Martin has communicated those to HEW and given the list of reasons why we feel it is premature.

But there are some interesting and subtle things I have come up with as I had my own staff look at the effects on large programs such as New Jersey's tuition aid grant program. For instance, it is true that we could run our State grant program from the basic or module one form, the simple form. We would not see the supplemental form that virtually all the institutions in our State would require, which has vastly more detailed information. Indeed, that would not be processed but simply copied and sent to the institutions.

We think this would result in an enormous number of corrections being made on the campus to our grants as they become the holders of a far greater balance of information than we have in the central State agency.

And, indeed, one long range impact of this form might be to completely decentralize our programs, something which institutions in our State have asked us not to do in the past because of the workload it would impose on them by so doing.

So, it goes beyond the graphics of the form or the production of data elements.

From my past experience, where I worked in places such as Educational Testing Service and developed a number of new forms, I would have rather seen this form subjected to some field testing that included the entry of the data into a system to see the effects on the number of rejects or edits and defects and the need analysis used.

As it is, we seem to be marching into 1980-81 with very little knowledge of those kinds of effects on the systems and on the distribution data.

Ken?

Mr. **Reeher**. I might just relate to Pennsylvania, to the Pennsylvania picture. We looked at this thing and we tried to look ahead 4 or 5 years. In the coalitions' Uniform Methodology subcommittee meetings we tried to work out with the U.S. office that we would hang the State form onto the Federal form, in other words, take an 11 by 17 page and fold it twice and theirs would be two sides and ours would be the other two.

I have moved from that position and last month I got my board of directors to agree that we would go with the two page one sheet. And I don't know whether we did that correctly or not. I went through my executive committee to do it and the chairman of the board, not being chairman of the executive committee, was at the table beside me. And the gist of the questions were: if this thing, this new form posed by the board chairman is so good that you are trying to sell us now, why were you so dumb the last 4 years?

Move to the questions on veterans he points to the old State form. You have all of that massive thing on the veteran, you know, you inquire, "Where were you before you went into the service, where did you go when you came out and so on."

When did you get so smart to enable you to eliminate all those questions on the new form?

And I think that this really says in a nutshell what is wrong in the financial aid community. I think College Scholarship Service, American College Testing Program, ACTP, the various colleges and so forth have not had ample time to adjust their constituents to this really massive change. We have over the years built into our questions some details so that a person would know how to answer. They would get the specifics within the question such as that "by domicile" we mean and that kind of thing.

To get down to one form, much of the specifics are moved from the form and goes over into the instructions. And I think there is a real question of whether or not we were doing it the right way in the past and whether we will get as good a data under the new approach. That is the heart of the question.

And the other is that the constituencies of CSS and ACT have to be tested. They have to have their philosophies and so forth adjusted and sufficient time has not been there for the adjustment of constituents. I think that is the basic difference in the financial aid community.

Mr. BUCHANAN. Mr. Chairman, just one more question. I certainly hope the subcommittee will avail itself of whatever enlightenment it can receive in terms of your State, Dr. Hearn, and Pennsylvania. That is very useful information.

There is one consideration, Dr. Rhett. I would like to ask you do you feel your projections of the impact of the removal of the half cost in Pennsylvania is representative of the United States as a whole, or do you believe you are atypical?

Mr. REEHER. I think we are typical of particularly the Northeast where you have a large number of private institutions mixed with the public colleges.

Now, the States where it is all public, the impact would not be the same. I would say though, Mr. Buchanan, that our staff will perform to our capabilities any analyses that the subcommittee would like us to work on from time to time.

Mr. WEISS. Thank you very much. I think we will adjourn for the day. Thank you very much for your testimony and patience in bearing with us.

[Whereupon, at 12 noon, the committee was adjourned, subject to the call of the Chair.]

[Material submitted for inclusion in the record follows:]

**NASSGP**
**National Association of State Scholarship and Grant Programs**

**Kenneth Reeher**
***President***
**Pennsylvania**

**Ronald Jursa**
***President-Elect***
**Michigan**

**Lindsay Reimer**
***Treasurer***
**Colorado**

**Richard Stillwagon**
***Secretary***
**Missouri**

May 30, 1979

Honorable John H. Buchanan, Jr.
Room 2159 Rayburn House Office Building
Washington, D. C. 20515

Dear Congressman Buchanan:

During my testimony before the Subcommittee on Postsecondary Education, you inquired as to whether or not the study on the removal of the one-half cost limit in the Basic Grant Program as conducted by PHEAA might be representatative of the Basic Grant file nationally. Staff has reviewed this question and indicates to me that the 7.7% increase in program cost within Pennsylvania is probably low as a national estimate because of the relatively high college costs for all sectors of higher education in Pennsylvania. They suggest that a more appropriate national impact might be estimated at 10 to 12%.

I wanted to call this to your attention and I have enclosed an additional copy of the summary of our findings in this matter. Again, we want to thank you for the courtesies extended during our testimony.

With kindest personal regards, I remain

Sincerely,

Ken

Kenneth R. Reeher

KRR/eao
Enclosure

cc: Honorable William D. Ford ✓

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**Towne House**
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# PENNSYLVANIA HIGHER EDUCATION ASSISTANCE AGENCY
## REPORT

## IMPACT OF REMOVING BEOG ONE-HALF COST LIMIT
CHANGE IN AWARD DOLLAR FLOW
(ALL VALUES IN THOUSANDS)

### BY TYPE OF INSTITUTION

| | AWARD DOLLARS WITH ONE-HALF COST LIMIT | AWARD DOLLARS WITHOUT ONE-HALF COST LIMIT | NET CHANGE | PERCENT CHANGE |
|---|---|---|---|---|
| PENNSYLVANIA | | | | |
| INDEPENDENT FOUR-YEAR | $ 29,371 | $ 29,375 | +$ 4 | + 1.4% |
| STATE-OWNED | 18,388 | 20,906 | + 2,518 | +13.7 |
| STATE-RELATED | 24,112 | 25,650 | + 1,538 | + 6.4 |
| INDEPENDENT TWO-YEAR | 2,132 | 2,160 | + 28 | + 1.3 |
| COMMUNITY | 7,651 | 10,715 | + 3,064 | +40.0 |
| NURSING | 1,685 | 1,849 | + 164 | + 9.7 |
| BUSINESS/TECHNICAL | 5,793 | 6,038 | + 245 | + 4.2 |
| TOTAL PENNSYLVANIA | $ 89,123 | $ 96,693 | +$7,561 | + 8.5% |
| TOTAL OUT-OF-STATE | 11,079 | 11,271 | + 192 | + 1.7 |
| TOTAL PROGRAM | $100,211 | $107,964 | +$7,753 | + 7.7% |

### BY APPLICANT CATEGORY

| | | | | |
|---|---|---|---|---|
| DEPENDENT STUDENTS | | | | |
| BELOW $ 3,000 | $ 3,810 | $ 4,325 | +$ 515 | +13.5% |
| $ 3,000 - $ 5,999 | 9,991 | 11,493 | + 1,502 | +15.0 |
| $ 6,000 - $ 8,999 | 12,471 | 13,822 | + 1,351 | +10.8 |
| $ 9,000 - $11,999 | 12,747 | 13,576 | + 829 | + 6.5 |
| $12,000 - $14,999 | 12,106 | 12,538 | + 432 | + 3.6 |
| $15,000 - $17,999 | 11,928 | 12,204 | + 276 | + 2.3 |
| $18,000 - $20,999 | 10,193 | 10,356 | + 163 | + 1.6 |
| $21,000 - $23,999 | 6,043 | 6,118 | + 75 | + 1.2 |
| $24,000 ABOVE | 6,000 | 6,080 | + 80 | + 1.3 |
| TOTAL DEPENDENT STUDENTS | $ 85,289 | $ 90,512 | +$5,223 | + 6.1% |
| OTHER APPLICANTS | | | | |
| VETERANS | $ 2,290 | $ 2,630 | +$ 340 | +14.8% |
| SELF-SUPPORTING | 12,632 | 14,822 | + 2,190 | +17.3 |
| TOTAL PROGRAM | $100,211 | $107,964 | +$7,753 | + 7.7% |

## Procedures Used to Calculate
## Impact of Removing BEOG One-Half Cost Limit

1. Developed the appropriate BEOG Award Payment Schedule Criteria for developing the Award Payment Schedule are established in the BEOG enabling legislation: In this case the one-half cost factor was ignored. Essentially the BEOG eligibility indexes for "$3,600 and above" educational costs line on the Schedule occur at the "$1,800 and above" educational costs line.

2. Calculated the BEOG awards using (a) the revised BEOG Award Payment Schedule and (b) the regular one-half cost limit Award Payment Schedule. The authorized revised treatment of self-supporting student assets was not programmed into this computer run.

3. Developed comparative data by type of institution, PHEAA gross parents' income levels for dependent students, and other applicant categories to measure impact.

## Summary

1. No impact on the number of eligibles.

2. Eighty percent of the additional award dollars goes to students whose parents have a PHEAA gross (taxable plus non-taxable) income of less than $12,000.

3. Ninety-two percent of the additional award dollars goes to students enrolled at public sector colleges and universities.

4. The 7.7 percent increase in program costs in Pennsylvania is probably too low an estimate on a national basis because of the relatively high college costs for all sectors in Pennsylvania. A more appropriate national impact on program costs is estimated to be 10 to 12 percent.

national advisory council on women's educational programs

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July 11, 1979

Representative William D. Ford
Chairman
Subcommittee on Postsecondary Education
House Education and Labor Committee
2268 Rayburn House Office Building
Washington, D.C: 20515

Dear Mr. Ford:

The National Advisory Council on Women's Educational Programs is a presidentially appointed body created by Congress to advance educational equity for women and girls. In keeping with our mandate, the Council is committed to the elimination of disparate treatment of women in student financial assistance programs.

The Council has examined the extent to which women receive financial assistance through NDSL, BEOG, SEOG, and similar student aid programs. This examination was seriously limited because data indicating women's participation in student financial assistance programs were rarely available. Therefore, one of the Council's major recommendations was the critical need for Federal student aid programs to collect and report data by-sex-by-race/ethnicity and when appropriate, by age. The continued lack of such data will not only perpetuate those practices that have limited access of women and minorities to advanced educational opportunities, but will clearly retard future generations' participation in the labor market, especially in nontraditional occupations.

Another major concern governing student financial assistance programs is that legislation and policy have not adapted to the changing characteristics of a nontraditional student population. For example, despite the growing demand for postsecondary education on a less than half-time basis, this increasing student population is restricted from participating in Federal financial assistance programs. The most recent issue of the College Board Review notes that "...financial aid is still tailored to the traditional college-age student, and some women's groups assert that independent and part-time women students suffer disproportionately from the present limitation of BEOG's and other forms of aid to students who are able to consistently devote a great deal of time to their education."

The National Center for Educational Statistics data indicate that "in 1977 females comprised 49 percent of the college student body and 52 percent of the first-time entering students." The report projects that within the next 4 years the proportion of females enrolled in college will be comparable to male participation. In addition, data suggest that an increasing number of these women will be older than the typical college-age population. The National Coalition for Women and Girls in Education recently stated at a public DHEW meeting that "women constitute a much higher percentage of the part-time student population than men, and of the growth in part-time students over 35, the vast majority have been women during the past several years." If these trends continue, and it is generally assumed that they will, more women and particularly those attending college on a less than half-time basis will require some form of financial assistance. This strengthens the need for conclusive data on the total universe of need and the universe of aid available to fill that need.

This period of reauthorization of the Higher Education Act is an opportune time to ensure that women are not only benefiting from those programs targeted toward special populations, but that provisions are included in all student financial assistance programs to encourage less than half-time students to pursue advanced education. In order to bring financial assistance programs in line with the changing composition of the college population, the Council recommends that:

Title IV, Student Assistance

Basic Educational Opportunity Grants

The BEOG program be expanded to include support for less than half-time students.

Section 411(b)(B), which outlines the schedule for reduction in case of less than full funding, be deleted and that BEOG be defined as a true entitlement program, with appropriations being non-discretionary.

BEOG be increased to $2000 in FY 81, $2200 in FY 83 and $2400 in FY 85 and then adjusted in accordance with the CPI increases.

Distinction between independent and dependent student status be eliminated; and that criteria be established for determining expected levels of family contributions on the basis of a formula which does not penalize non-wage earning parents.

Supplemental Educational Opportunity Grants

The SEOG program be expanded to include support for less than half-time students.

Supplemental Educational Opportunity Grants (continued)

Distinction between independent and dependent student status be eliminated; and that criteria be established for determining expected levels of family contributions on the basis of a formula which does not penalize non-wage earning parents.

Maximum award be increased to $6000 for a normal period of 4 years.

State Student Incentive Grant Program

SSIGP be expanded to include support for less than half-time students.

Direct Loans to Students in Institutions of Higher Education

The program be maintained and the language be rewritten to further clarify the distinction between NDSL and GSL and to emphasize the position that NDSL is to be used as a supplement to GSL.

More flexible repayment terms be created by allowing borrowers to request leniency from lenders when they experience difficulty in repaying loans.

Title IX, Graduate Programs

All graduate programs under Title IX collect and report data by-sex-by-race/ethnicity.

Institutions be provided support to explore ways of increasing the participation of women and especially minority women in fellowship programs when their representation is not comparable to national enrollment in graduate institutions.

Greater emphasis be placed on increasing women in nontraditional fields by providing incentives to targeted institutions.

The Council will appreciate your assistance in assuring that Federal student financial assistance programs are more equitable. The Council strongly feels that this issue merits high priority in the reauthorization of the Higher Education Act.

Sincerely,

Eliza M. Carney

Eliza M. Carney
Council Chair