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ABSTRACT

Hearings of the Committee on Education and Labor on the proposed Student Loan Assistance Amendments of 1982 are presented. The bill (S. 2655) is designed to provide increased maximum limitations for student loans under Part B of Title IV of the Higher Education Act of 1965 for certain students who lost benefits under the Social Security Act as a result of amendments made by the Omnibus Budget Reconciliation Act of 1981. Students whose benefits are being gradually reduced would also be eligible to receive up to $2,000 a year in supplemental loan money, but would not receive more than the annual benefits they are entitled to as a social security beneficiary. S. 2655 is based completely on need, to be determined by the Department of Education, based on the current Guaranteed Student Loan program need tests. Additionally, the aid will not be duplicative since the student would have to borrow the current maximum $2,500 loan amount before becoming eligible to borrow under the supplemental program. Testimonies and prepared statements of senators and a college president are included, along with a Congressional Budget Office estimate of the cost of the proposed amendments. (SW)

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STUDENT LOAN ASSISTANCE AMENDMENTS OF 1982

HEARING

BEFORE THE

SUBCOMMITTEE ON
EDUCATION, ARTS AND HUMANITIES

OF THE

COMMITTEE ON
LABOR AND HUMAN RESOURCES
UNITED STATES SENATE

NINETY-SEVENTH CONGRESS

SECOND SESSION

ON

S. 2655

TO PROVIDE INCREASED MAXIMUM LIMITATIONS FOR STUDENT LOANS UNDER PART B OF TITLE IV OF THE HIGHER EDUCATION ACT OF 1965 FOR CERTAIN STUDENTS WHO LOST BENEFITS UNDER THE SOCIAL SECURITY ACT AS A RESULT OF AMENDMENTS MADE BY THE OMNIBUS BUDGET RECONCILIATION ACT OF 1981

SEPTEMBER 30, 1982

U.S. DEPARTMENT OF EDUCATION
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STUDENT LOAN ASSISTANCE AMENDMENTS OF 1982

THURSDAY, SEPTEMBER 30, 1982

U.S. SENATE,
SUBCOMMITTEE ON EDUCATION, ARTS AND HUMANITIES,
COMMITTEE ON LABOR AND HUMAN RESOURCES,
Washington, D.C.

The subcommittee met, pursuant to notice, at 10:05 a.m., in room 4232, Dirksen Senate Office Building, Senator Robert T. Stafford (chairman of the subcommittee) presiding.

Present: Senators Stafford and Pell.

Senator STAFFORD. The Subcommittee on Education, Arts and Humanities will please come to order.

The hearing this morning is on S. 2655, Student Loan Assistance Amendments of 1982, sponsored by our distinguished colleague and friend, the Honorable Wendell H. Ford, U.S. Senator. Senator Ford, we are very happy to welcome you here. I believe you are accompanied by Dr. Donald Zacharias.

I was telling the staff earlier that the name Zacharias sticks in my memory because in the early parts of World War II I encountered a Captain Zacharias who commanded one of our cruisers in an excursion west of Honolulu. I do not know whether he was related to you or not.

Mr. ZACHARIAS. I wish I could claim him. No, he is not, as far as I know.

Senator STAFFORD. I know he enjoyed recounting the fact that he was listening to President Roosevelt making statements over the radio about the Japanese saying we will hit them again and again and again. Each time Roosevelt said again, another stick of bombs from some Japanese bombers went off near Captain Zacharias' ship.

This bill which we are considering today will make changes in the Higher Education Act of 1965 and assist social security beneficiaries in pursuing their education. Specifically, this bill would increase the maximum limitations of student loans for those students who have lost education benefits under the Social Security Act. Several of the current student loan programs would be affected by these amendments.

As chairman of the Subcommittee on Education, I welcome the Senator from Kentucky and look forward to listening to his testimony on this important bill.

Without objection, at this point in the record we will insert a statement from my colleague, Senator Pell.

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[The prepared statement of Senator Pell follows:]

STATEMENT OF HON. CLAIRBORNE PELL, A U.S. SENATOR FROM THE STATE OF RHODE ISLAND

Senator PELL. Mr. Chairman. I want to take this opportunity to commend both you and Senator Ford—Senator Ford for introducing this very important legislation—and you for holding this timely hearing and recognizing the serious situation with which we are confronted in this area.

I am proud to be a cosponsor of S. 2655. It would make supplement guaranteed student loans available to students who have had their social security student benefits eliminated as a result of the provisions of the Omnibus Budget Reconciliation Act of 1981. Students whose benefits are being gradually reduced would also be eligible to receive up to $2,000 a year in supplemental loan money, but would not receive more than the annual benefits he or she would be entitled to receive as a social security beneficiary.

This legislation would have a profoundly beneficial impact in my home State of Rhode Island. About 2,800 Rhode Island students are having their social security student benefits gradually reduced, and have already had their benefits cut by one-fourth. Another 1,000 new freshmen who in past years would have been eligible for social security student benefits today receive nothing at all.

I have strongly supported the restoration of social security student benefits, and I shall most certainly continue to do so in the future. It is a tragedy today that we have broken a pledge we made to mothers and fathers years ago. We pledged that their untimely death, sometimes in military service to this Nation, would not leave their children unprotected. We said that through programs such as social security benefits, their children would have the opportunity to afford and pursue a higher education. Now, with a parent or parents gone and unable to speak up and remind us of that pledge, those children are seeing that pledge being broken and their rightful benefits being eliminated.

This measure will not totally rectify the inequitable situation that now exists with respect to social security student benefits. It will, however, help make sure that a young man or woman whose benefits have either been cut or eliminated will not face having to drop out of college. An alternative will exist in terms of a supplemental loan program so that these young people can have some hope of being able to continue their education. It is an important interim or stopgap measure, which I hope will receive favorable consideration.

Mr. Chairman, I look forward to the testimony that will be offered this morning, and I again commend my colleague from Kentucky for his foresight and compassion in introducing this measure.

Senator STAFFORD. Senator Ford, welcome.

STATEMENT OF HON. WENDELL H. FORD, A U.S. SENATOR FROM THE STATE OF KENTUCKY

Senator FORD. Thank you, Mr. Chairman. I am very pleased to be here to testify in behalf of S. 2655, the Student Loan Assistance Amendments of 1982, which I introduced on June 22 of this year.

By the way, Mr. Chairman, this legislation has 13 cosponsors, 4 of whom are members of this subcommittee. I want to commend you personally and the members of the subcommittee for moving so expeditiously on this important issue, and I thank you for inviting me to testify this morning.

I have a full statement which I ask to be included in the record. I will summarize that.

Senator STAFFORD. Without objection, we will place your full statement in the record, and you may summarize.

[Material referred to follows:]

Senator FORD. Mr. Chairman, last year in the Omnibus Budget Reconciliation Act of 1982, Congress eliminated the Social Security student benefit effective May 1 of this year. With very little warning, and in some cases with actual misinformation, hundreds of thousands of students had their educational future placed in jeopardy. Clearly, Mr. Chairman, this action was nothing short of a promise broken by the Government, a reneging of an agreement this Government made with the Social Security-covered worker that in the event of his or her death, disability, or retirement, the children would receive Government assistant in obtaining a college education. No matter what one thinks about the merits of the Social Security student benefit program, and whether it should have been established to begin with, or expanded, or eliminated, the important point here is that these families made financial arrangements based on that Government agreement.

The administration recommended terminating the Social Security student benefit based on a 1979 Government Accounting Office report. Mr. Chairman, here is the important point: That report made a two-part recommendation, And I stress two-part.

First, the GAO report recommended that the Social Security student benefit for postsecondary students be discontinued. The second part is that GAO recommended that sufficient financial aid resources be made available to the then Office of Education to make up for the lost benefits. Mr. Chairman, this is the crucial issue, I think: that any elimination of these student benefits be accompanied by steps to ensure that sufficient alternative resources would be available to those students who lost their benefits.

This, Mr. Chairman, has clearly not been the case. For fiscal year 1982, the year elimination of the Social Security student benefit for future students took place, five of the six student aid programs identified by the GAO as possible Social Security student benefit replacement programs experienced funding cuts. And the fiscal year 1982 cuts were only a continuation of the cuts made in the fiscal year 1981 budget and a portent of proposed further cuts contained in the President's fiscal year 1983 budget request.

The argument has been made that the availability of Federal student financial assistance, other than the Social Security student benefit, has increased greatly since 1965, from less than $300 million in 1965 to about $7 billion in fiscal year 1981. These figures, however, do not adequately represent what has actually occurred over those years.

During this time, tuition and related costs increased 248 percent at public institutions and by 291 percent at private institutions during the same period. Most recently, costs for the 1981–82 school

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year were up 13 percent over the previous year at public institutions and up 13.1 percent at private institutions. The College Board estimates the total cost of attending college in this 1982-83 school year will be an average of 11 percent higher. With these trends, and the recent cuts in other student financial aid programs, it is clear that the second part of the GAO recommendation has not been met.

Yet there is an even more compelling reason to enact legislation such as S. 2655 to provide additional assistance to those former Social Security student beneficiaries. Recent studies by the National Institute of Independent Colleges and Universities show an alarming decrease in the number of low-income students attending those traditionally higher-cost institutions. The NIICU survey found that recent reductions in Federal student financial aid, along with recent eligibility restrictions and ever-increasing college costs, substantially reduced the number and proportion of low-income students attending independent colleges and universities in 1981.

In the 1979-80 school year, 32.3 percent of the total undergraduate enrollment at these schools came from families with adjusted gross income of $24,000 or less. By the 1981-82 school year, this percentage had declined to 21.1 percent. It is important to note that according to the GAO report, approximately 90 percent of Social Security student benefit recipients came from families with incomes of less than $25,000.

Mr. Chairman, I am afraid that we are heading down a course where access to higher education is limited to only the wealthy. This subcommittee knows better than I that such a national policy would fly in the face of all the progress we have made in this country to make a higher education available to all. Because of this and because I believe that the hasty termination of the Social Security student benefit represents nothing less than Government backing out on its word, I introduced S. 2655, the Student Loan Assistance Amendments of 1982.

Mr. Chairman, I have at least a couple more pages here. I do not want to take any more of your time. I ask that the balance of my statement be included in the record.

[The prepared statement of Senator Ford follows:]

Testimony of Senator Wendell H. Ford
Subcommittee on Education, Arts, and Humanities
S. 2655, The Student Loan Assistance Amendments of 1982
September 30, 1982

Mr. Chairman: I am very pleased to be here today to testify on behalf of S. 2655, the Student Loan Assistance Amendments of 1982, which I introduced on June 22nd of this year. This legislation has 13 cosponsors, 4 of which are members of this Subcommittee. I want to commend you and the members of the Subcommittee for moving so expeditiously on this important issue and I thank you for inviting me to testify this morning.

Last year, in the Omnibus Budget Reconciliation Act of 1981, Congress eliminated the Social Security Student Benefit effective May 1 of this year. With very little warning, and in some cases with actual misinformation, hundreds of thousands of students had their educational future placed in jeopardy. Clearly, Mr. Chairman, this action was nothing short of a promise broken by our government -- a reneging on an agreement this government made with the Social Security-covered worker that in the event of his death, disability, or retirement, his children would receive government assistance in obtaining a college education. Mo matter what one thinks about the merits of the Social Security Student Benefit program, and whether it should have ever been established to begin with, or expanded, or eliminated, the important point is that these families made financial arrangements based on that government agreement.

As word of the elimination of the student benefit filtered down to the states, I began to hear from families and students across Kentucky who had made postsecondary education plans based on the continuation of the student benefit. It soon became very clear to me that many high school seniors would not be able to make arrangements to enroll in a postsecondary curriculum by the May 1 deadline, and that for many more of the current child beneficiaries, the hope and dream of a college education was now gone. Mr. Chairman, literally overnight, with little committee debate and no floor debate, the rug was pulled out from under these families and students.

The Administration recommended terminating the Social Security Student Benefit based on a 1979 Government Accounting Office report. That report made a two-part recommendation, and I stress two-part. First, the GAO report recommended that the Social Security Student Benefit for postsecondary students be discontinued. Secondly, GAO recommended that sufficient financial aid resources be made available to the then-Office of Education, to make up for the lost benefits. This is the crucial issue: that any elimination of these student benefits be accompanied by steps to assure that sufficient alternative resources would be available to those students who lost these benefits.

This has clearly not been the case. For fiscal year 1982, the year elimination of the Social Security Student Benefit for future

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students took place, five of the six student aid programs identified by GAO as possible Social Security Student Benefit replacement programs experienced funding cuts. And the fiscal year 1982 cuts were only a continuation of cuts made in the fiscal year 1981 budget and a portent of proposed further cuts contained in the President's fiscal year 1983 budget request.

The argument has been made that the availability of federal student financial assistance, other than the Social Security Student Benefit, has increased greatly since 1965, from less than $300 million in 1965 to about $7 billion in FY 81. These figures, however, do not adequately represent what has actually occurred over those years. During this time, tuition and related costs increased 248% at public institutions and by 291% at private institutions. Most recently, costs for the 1981-82 school year were up 13% over the previous year at public institutions and up 13.1% at private institutions. And the College Board estimates the total cost of attending college in this, the 1982-83 school year, will be an average of 11% higher. With these trends, and the recent cuts in other student financial aid programs, it is clear that the second part of the GAO recommendation has not been met.

Yet there is an even more compelling reason to enact legislation, such as S. 2655, to provide additional assistance to these former Social Security student beneficiaries. Recent studies by the National Institute of Independent Colleges and Universities show an alarming decrease in the number of low income students attending those traditionally higher cost institutions. The NIICU survey found that recent reductions in federal student financial assistance, along with recent eligibility restrictions and ever inceasing college costs, substantially reduced the number and proportion of low income students attending independent colleges and universities in 1981-82. In the 1979-80 school year, 32.3% of the total undergraduate enrollment came from families with adjusted gross income of $24,000 or less. By the 1981-82 school year, this percentage had declined to 21.1%. It is important to note that according to the GAO report, approximately 90% of Social Security Student Benefit recipients came from families with incomes of less than $25,000. And these figures do not yet reflect elimination of the student benefit; but I think anyone can guess what similar statistics might show for school years following the elimination of the benefits.

I am afraid that we are heading down a course where access to higher education is limited to only the wealthy. This Subcommittee knows better than I that such a national policy would fly in the face of all the progress we have made in this country to make a higher education available to all. Why should a student be forced to forgo a college education altogether or curtail his ambition to attend an institution outside his community or state simply because he has lost a parent through death, disability or retirement -- a parent who paid into a Social Security system that promised if something happened to that worker, his children's college education would be provided for? Why should such a student, who has lost an income-earning parent and therefore a major source of family

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income maintenance, be forced to give up his aspirations of attending college simply because he has lost the benefits that were promised to his parent? Why should a capable student who aspires to attend a Harvard or a state university be denied that opportunity simply because his family has a community-college budget and the government assistance he counted on is now gone.

Mr. Chairman, I firmly believe that for such a student to forgo the opportunity to better himself, and consequently our entire economy, through the attainment of a college education, is not only not in the best interest of this Country, but violates the traditional belief of this Nation that equal educational opportunity must be available to all. Because of this, and because I believe that the hasty termination of the Social Security Student Benefit represents nothing less than government backing out on its word to the Social Security-covered worker, I introduced S. 2655, the Student Loan Assistance Amendments of 1982.

This legislation will enable all persons receiving Social Security child benefits, as of any month prior to September 1981, to apply upon enrollment in a postsecondary institution for a supplemental Guaranteed Student Loan. This bill would increase the annual maximum available to eligible Social Security child beneficiaries to the lesser of $2,000 or the annual amount of the Social Security Student Benefit that the child would have been entitled to if not for provisions of the Omnibus Budget Reconciliation Act of 1981. Recognizing current budgetary constraints, and past criticisms of the Social Security Student Benefit Program, this bill provides that the supplemental loan amount be subject to a determination of need, based on the current GSL needs analysis, and will apply to all students regardless of family income level. This is a modest proposal which is not meant to simply reinstate the student benefit under a different name, but to provide assistance to those students who have truly been adversely impacted by the elimination of these benefits, benefits our government promised would be there. The Congressional Budget Office cost estimates for this legislation project a $2 million increase in outlays to the GSL program in fiscal year 1983, increasing to $155 million in fiscal year 1987. Attached is a copy of the CBO cost estimates for S. 2655.

The Subcommittee has asked me to comment on this approach relative to present law or other proposals. I want to highly commend you, Mr. Chairman, and the Subcommittee, for focusing on this particular issue. Once it has been established that a remedy for the lost Social Security Student Benefit is warranted, and I believe that this has been clearly demonstrated, the most important issue that Congress must address is what form a replacement, or supplemental student aid program should take. This question is at the heart of the issue, and at the heart of this bill.

There can be no doubt that the Social Security system was, and still is, facing serious financial problems, and the elimination of the Social Security Student Benefit provided an ideal target for budget cuts in ~~the~~ program. The Administration estimated the projected savings in Social Security benefits costs from the elimination of the student benefit at $2.1 billion per year. The basic question, then, is whether any restoration of funds should be absorbed by the Social Security budget, or the student fiancial aid budget. I do not need to tell this Subcommittee how important the investment is that we make in the higher education of today's students. I do not need to tell this Subcommittee that an opportunity for a college education should not be limited to only the wealthy. And although it has been argued that the Social Security Student Benefit was not meant to be an education benefit, it is clear to me that without it, many students will not be able to pursue their higher education.

The assumption made by the Reagan Administration was that no substitute program was needed, that the current student financial aid programs would be able to absorb the additional need. In light of recent and anticipated budget cuts, and increasing tuition and related costs, this is obviously not the case. But more importantly, this government owes those students affected by these hasty changes a little more than that -- they are deserving of at least a program that earmarks funds for their special needs, which in some small way attempts to honor that promise made to the Social Security-covered worker that his children would have the opportunity to pursue a college education.

There are two overriding concerns in creating such a program: 1) that we not simply continue the inadequacies of the former program which did not base assistance on need; and 2) that such a program, in light of current fiscal restraints and record-breaking deficits, be fiscally realistic and responsible. This was no easy task.

My first choice of such a program would have been a 100% reinstatement of the lost benefit. But this option is neither viable nor fiscally realistic and would not really address the issue of the student's unmet need. A second alternative would have been to replace the lost benefit with a grant of some type, such as an expanded Pell grant. Legislation of this nature has been introduced in the House, however, no action has been taken on it as of yet. My concern with this approach is that with budgetary contraints, a newly created program, dependent upon an annual appropriation, would receive last priority in funding, and perhaps such limited funding that very few of the affected students would be helped. Such a grant program would require a substantial appropriation -- a requirement that would probably make it a fiscally unrealistic proposal in these times.

A student benefit replacement program should be one which would not be duplicative with current programs, one that would be based on need, and more importantly, reach the maximum number of students at the least cost to the already heavily-deficited federal budget. Such a program is provided by S. 2655. It is a simple extension of the GSL program and because the GSL program is a loan, and not a grant or benefit, it is funded by private capitalization with federal expenditures for interest allowances and subsidies.

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S. 2655 was designed to address the major criticism of the former Social Security Student benefit; it is based completely on need, to be determined by the Department of Education based upon the current GSL needs tests. Because it is a loan program, it will serve the maximum number of students at the least cost to the federal government. Additionally, the aid will not be duplicative since the student would have to borrow the current maximum $2,500 loan amount before becoming eligible to borrow under the supplemental program.

In the past three months my staff has been in contact with education and financial aid organizations, private lenders and others involved with student financial aid. The response to this legislation has been very positive. Attached are comments I have received from such groups. One concern has been voiced, however, which I think deserves comment. One of the unfortunate consequences of a loan program is that it ultimately increases student indebtedness. In the case of S. 2655, the maximum GSL debt which an undergraduate could incur would increase by $10,000, while the maximum debt a graduate could incur would increase by $15,000, including borrowing as an undergraduate. Of course, this does not mean that all students would borrow the full amount available under this program. However, no provisions were made in this bill to allow for extended repayment of this increased indebtedness. Clearly, this is one aspect of the bill that must be addressed and I look forward to working with this Subcommittee in perfecting this legislation to correct this oversight.

I share the concerns that such increased indebtedness places a significant burden on the newly graduated student, and is an issue which must be studied carefully. However, increased student indebtedness is a function of increasing tuition and education costs and is an issue which must be dealt with not in just the narrow context of this bill, but as a growing problem which results from a combination of factors. It is a problem that has plagued the student aid programs for a long time and is just now being addressed. Recent initiatives by the Department of Education, such as stepped up collection procedures, will go far to address this problem. Additionally, proposed changes in the Sallie Mae program providing for consolidation of loans and extended repayment periods, would also have addressed this issue. I commend you, Mr. Chairman, for the work you have done in this area, and I am hopeful that the loan consolidation provisions can be enacted early in the next session.

Although student indebtedness is a serious concern, it is unavoidable in these times of increasing higher educational costs and decreasing federal funds to student aid programs other than loan programs. I do not believe, however, that this reason alone should prohibit us from providing assistance to those students who truly deserve and desire to better themselves through a college education, but no longer can because the benefits they counted on have been eliminated.

Mr. Chairman, S. 2655, the Student Loan Assistance Amendments of 1982, is a very modest bill in light of the jeopardy these former student beneficiaries are placed in with respect to obtaining a

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college education. It is a very modest bill in light of the permanent damage done to our economy and our nation by a stratification of educational opportunity to higher education based on income level. This bill is not designed to reach all former student beneficiaries, but it is designed to reach those aspiring young minds who strive to better themselves -- those young people who, along with their families, made plans to pursue a higher education based on a promise of government assistance.

I am most grateful to you, Mr. Chairman, and this Subcommittee, for holding these hearings to focus attention on the plight of these students. I look forward to working with you to address the special needs of these students.

SUMMARY

Section 1

Section 1 amends Section 425 (a) of Title IV of the Higher Education Act of 1965 by adding a new Subsection 425A. This subsection provides for an increased maximum limitation for student loans under the Guaranteed Student Loan (GSL) Program to certain students and/or children who lost their eligibility for student benefits under the Social Security Act as a result of provisions of the Omnibus Budget Reconciliation Act of 1981. The former Social Security Student Benefit Program provided for an extension of child's benefits to those beneficiaries attending a postsecondary institution on a full-time basis. Students were eligible for these extended benefits after age 18 and up until age 22, or for several months beyond age 22 if the student had not completed his 4-year college degree. Provisions of the Omnibus Budget Reconciliation Act of 1981 eliminated these student benefits to any child beneficiary not attending a postsecondary institution on a full-time basis as of May 1, 1982. Additionally, current student beneficiaries will have their benefits reduced by 25% annually over 4 years and no benefits will be paid after April 1985.

Subsection (a)

This subsection increases the loan amount available under current law for the Guaranteed Student Loan Program. Currently, undergraduate students are eligible to receive a maximum loan of $2,500 per academic year, or its equivalent. This subsection provides that this maximum yearly amoung be increased by $2,000.

This subsection also defines the scope of the "Student Assistance Amendments of 1982" by defining a student, for the purposes of this bill, as an individual who was entitled to child benefits under Sec. 202(d) of the Social Security Act for any month prior to September 1981 (enactment of the Omnibus Budget Reconciliation Act of 1981); OR, any student who would have received student benefits if not for provisions of the Omnibus Budget Reconciliation Act of 1981.

Subsection (a) also limits the total amount of the supplemental loan available under this bill to any student in one academic year, or its equivalent, to the lesser of $2,000 minus the amount received that year in Social Security student benefits; OR, the lesser amount of $2,000 or the total amount of benefits the child beneficiary would have been eligible for if not for provisions of the Omnibus

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Budget Reconciliation Act of 1981.

Finally, this subsection increases the aggregate loan amount for undergraduate and graduate students under the Guaranteed Student Loan Program to reflect the supplemental borrowing power provided by this bill. Currently, undergraduates can incur a maximum GSL debt of $12,500. This maximum would be increased by $10,000. A graduate or professional student can incur a maximum GSL debt of $25,000, including undergraduate borrowing. This limit would be increased by $15,000.

Subsection (b)

This subsection provides that a needs analysis must be provided to the lender by the eligible institution for all students applying for the supplemental loan amounts as provided by the bill. Currently, the GSL program requires a needs analysis for those student applicants from families with adjusted gross income greater than $30,000. For these students, the loan amount is based on this determination of need. This subsection would not change that requirement for the initial $2,500 yearly GSL loan amount. However, all students, regardless of family income level, who apply for the supplemental loan amount as provided by this bill would have to undergo a needs analysis to determine the amount of their supplemental loan. Therefore, regardless of the student's borrowing eligibility under the initial GSL program, he or she would be limited to borrowing only that amount determined to be need under the supplemental loan provisions of this bill.

Finally, this subsection provides that a student's estimated cost of assistance; a student's financial assistance; and the determination of need will be determined in the same manner as prescribed by current law for the GSL program.

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CONGRESSIONAL BUDGET OFFICE
U.S. CONGRESS
WASHINGTON, D.C. 20515

Alice M. Rivlin
Director

June 3, 1982

The Honorable Wendell Ford
United States Senate
Washington, D.C. 20510

Dear Senator Ford:

In response to your letter of April 16, 1982, we have prepared the attached estimate of the proposed Student Loan Assistance Amendments of 1982.

We will be glad to answer any questions you have on the attached estimate.

Sincerely,

Alice M. Rivlin
Director

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CBO Estimate of the Proposed
Student Loan Amendments of 1982

This estimate is based on bill language provided by Senator Ford on April 16, 1982.

The proposed Student Loan Assistance Amendments of 1982 would amend the current guaranteed student loan (GSL) program by creating a new loan program for the college and university students whose social security benefits were either reduced or eliminated in the 1981 reconciliation act. This amendment would increase the current GSL annual borrowing limit of $2,500 to a maximum of $4,500 for these students in order to compensate for reductions in cash benefits. Any additional borrowing above the current limits would be subject to a financial need analysis under current program definitions and limited to the level of the reduction in cash social security benefits, up to $2,000.

Before the passage of the Omnibus Reconciliation Act of 1981, roughly 600,000 college and university students in fiscal year 1983 would have received approximately $3,000 each in social security student benefits. Under current law, however, two-thirds of these students will have their benefits reduced by over $1,000 in 1983. The remaining third, new freshmen students, are ineligible for any social security student benefits. By 1985, none of the 550,000 college and university students who would have received benefits under prior law would be eligible for any social security student benefits.

About 70 percent of these students are from families with incomes below $20,000. Depending on the amount of other grant aid, many of these students would have some assessed financial need. Over the next few years, however, most of them would probably increase their borrowing within current GSL program guidelines. In fact, CBO's current law baseline projections for GSL already assume increases in borrowing as a result of the changes made in the 1981 law to social security student benefits. Thus, CBO's estimate of the additional loan volume and costs associated with this amendment reflects further increases in borrowing due solely to the increased borrowing limits in the bill.

In 1983, CBO expects that those students who would increase their GSL borrowing as a result of this bill would be those who had the largest reduction in cash benefits and who attend either private schools or out-of-state schools where education costs are relatively high. By 1987, many of the 550,000 students who would have been eligible for social security benefits are expected to increase their borrowing to cover the loss of cash benefits and the higher cost of education. Loan volume in 1983 is projected to increase from a current law level of $6.8 billion to $6.9 billion. By 1987 the current law volume of $6.5 billion is projected to increase to $7.2 billion as a result of this amendment.

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Table 1 below shows the five year projection of cost increases to the GSL program as a result of this bill. The above mentioned increases in loan volume are not federal costs because the federal government only guarantees those loans. Rather, the federal costs include the additional interest subsidies and special allowances paid to lenders as a result of increased borrowing by these students. As shown in Table 1, these interest subsidies would increase outlays by $2 million in 1983 and by $155 million in 1987.

TABLE 1. CBO ESTIMATE OF THE GSL CURRENT LAW COST AND THE IMPACT OF THE STUDENT LOAN ASSISTANCE AMENDMENTS OF 1982, UNDER CBO ECONOMIC ASSUMPTIONS (By fiscal year, in millions of dollars)

		1983	1984	1985	1986	1987
Current Law	BA	3,903	4,345	4,050	3,773	3,531
	O	3,670	4,311	4,158	3,843	3,592
Incremental Cost of the Student Loan Assistance Amendments of 1982	BA	5	32	61	113	168
	O	2	26	53	100	155

The College Board
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Washington Office

1982 AUG 10 AM 8 28

August 5, 1982

Senator Wendell H. Ford
United States Senate
Suite 4107
Washington, D.C. 20515

Dear Senator Ford:

Thank you for your July 23 letter requesting this office's review of S.2655 which you are sponsoring to provide for supplemental guaranteed student loans.

Your summary of the bill's operation and the Congressional Budget Office (CBO) fiscal analysis are excellent, and your bill appears to be well constructed to meet its stated purpose. Accordingly, my colleagues Larry Gladieux, Executive Director, and Janet S. Hansen, Associate Director for Policy Analysis, and I cannot suggest substantive or technical changes in the bill.

However, a larger policy issue which affects the bill indirectly is the matter of growing student indebtedness. We are concerned about the increasing trend toward credit financing of higher education and the need in the years ahead to establish prudent limits on student (and family) borrowing against future earnings to pay college costs. While its laudable aim is to assure opportunity for needy students, one possible effect of S.2655 is to allow a student who may already be highly indebted to take on even more debt. Many educators and financial analysts are concerned about burdening students with responsibility for repaying excessive student loan debts after completing their postsecondary education.

Even though this is an issue which S.2655 alone cannot resolve, it is one which deserves the continuing attention of educational policy makers and members of Congress.

A unique feature of this office is the ability to provide objective analysis of public policy issues to College Board members and elected officials such as yourself. While we are not in a position to offer any endorsement on behalf of the College Board's 2,500 member schools and colleges, we are glad to be helpful in any way we can and commend you for raising an important issue. Thank you for the opportunity to review S.2655, and please call if we can be of further assistance.

Sincerely,

Darryl G. Greer

Darryl G. Greer
Associate Director for
Government Relations

DGG/iw

A nonprofit educational association serving students, schools, and colleges through programs designed to expand educational opportunity

Senator STAFFORD. It has been included in the record.

Senator FORD. Mr. Chairman, if I may, I would like to introduce a very distinguished educator in our State, one who came to us a few years ago, as president of a very outstanding university, one that works very closely with our communities, with consortiums that are beginning to prove very beneficial to communities such as mine. Dr. Zacharias has a very distinguished background in education.

I like a fighter. Dr. Zacharias may not be related to your captain, but this fellow leads a charge in the effort to make his institution outstanding in all areas. Mr. Chairman, it is my pleasure to present to you the President of Western Kentucky University, Dr. Zacharias.

Mr. ZACHARIAS. Thank you, Senator.

Senator STAFFORD. Dr. Zacharias, we are very happy to welcome you here. As my colleague, Senator Ford, knows, this is an especially difficult morning for Members of the Senate. We are all supposed to be in about three places at once, including this Senator. We are trying to wind down our affairs for the election period.

You are most welcome here. We are prepared to hear your testimony.

STATEMENT OF DONALD W. ZACHARIAS, PRESIDENT, WESTERN KENTUCKY UNIVERSITY

Mr. ZACHARIAS. Thank you, Senator.

I want to pick up on the discussion of names for just a moment. The name of Stafford is highly respected in the higher education community. I had the honor of hearing you speak, I believe, about 1 year ago when you addressed a gathering of university educators. We certainly are extremely grateful to you for the effort that you have shown on behalf of higher education and support for students.

I want to assure you that your reputation is widely known in higher education. We appreciate your leadership. On behalf of all the students who have been helped by your efforts, I want to express their gratitude.

I know when you are in these surroundings sometimes you are not always aware of what is happening, and you do not have the privilege of walking on the campus and seeing the smiles of students and having the opportunity to interact with them on a day-by-day basis. But I assure you there are some outstanding young people on our campuses.

As I am sure you know, Senator Ford is highly regarded in his home State. When he served as Governor, he established a reputation of supporting higher education. I can assure you and all his colleagues that when he speaks on behalf of higher education, it is because he, too, has been a leader in education and providing funding when he was Governor. So, he is not a recent convert to the importance of higher education, let me say.

There is another Zacharias. That captain you talked about went on to become an admiral and wrote a book called "Behind Closed Doors," and was one of the first people to help analyze the Japanese code and established the naval intelligence system, as you may well know. There is a violinist, and I cannot claim any rela-

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tionship to him either. There is also another one by the name of Gerald Zacharias, who is a distinguished educator in science at MIT, and I appreciate what he has done in education.

Senator STAFFORD. I congratulate you at looking at some of the other Zachariases and finding they are so distinguished. I began to look at the Stafford clan, and I soon resolved I had better not go back too far.

Mr. ZACHARIAS. There are three things I would like to comment on just very briefly in presenting this need. First, I would like to give a brief profile of Western Kentucky University because I think it has characteristics that are shared by many universities in this country. Then I would like to talk a little about the overview of the financial need for students on our campus. Finally, I would like to cite some examples of how the social security program has helped some of our students.

Western Kentucky University is one of eight comprehensive universities in the State. We have about 13,000 students. We offer associate, baccalaureate, and master's degrees, as you would expect to find at an institution like ours. We have a reputation that causes us to attract students from Kentucky, Tennessee, and Indiana, and most midwestern and southern States. The majority of our students come from two major metropolitan areas: Louisville, Ky., and Nashville, Tenn. We are only 60 miles from Nashville. The rest of the students come from small towns and rural areas in Kentucky.

As you might guess, the value systems of those particular students are strongly grounded in traditional attitudes. I mention this, Mr. Chairman, to be sure that the committee understands something of the profile of the kinds of young people that we are talking about. They are interested in work, self-improvement, respect for others, and they have strong religious convictions. It is a campus where, I might point out, last week we had a "Free Enterprise Fair." We had three days of seminars and speeches extolling the virtues of the American business system and capitalism. The keynote address was given by Steve Bell of ABC News. We had several owners of businesses ranging from the president of a noted distillery in Kentucky all the way through a major hospital corporation, the Humana Corp. In fact, a few years ago, then Governor Ronald Reagan was keynote speaker at this particular fair and received an enthusiastic response.

I think that gives you some overview of the kind of interaction that occurs on this campus.

With this in mind, let me talk about the need profile of some of the students. In accordance with the information provided by the College Scholarship Service data—and that is one of the most reliable systems we have for collecting data—we show an aggregate need for dependent students of something on the order of $13.4 million. If you take all our grants and loan programs combined, we were able to provide a support of $10.3 million, obviously leaving an unfunded need on the order of $3.1 million on our campus alone.

Thirty-five percent of Western's students come from families with annual incomes of less than $15,000. College Scholarship Service data show that 551 Western students are social security

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beneficiaries. However, our student financial aid office estimates that we probably have something on the order of 700, because there are additional data that do not come through the College Scholarship Service. That gives you an idea of the scope of the impact that this legislation would have on our campus. For the entire State, of course, the impact is greater. The Social Security Administration calendar for 1981 shows that Kentucky has something approximating 9,600 students who received payments through social security.

I come now to my reason for supporting this particular legislation. First, I think the students find themselves in this special category because of parental disability, death, or retirement. It is a circumstance, in other words, over which they have little direct control. It is one which can impair their effectiveness for a lifetime. In my opinion, it is also society's loss.

Second, the current manner—and this is a matter of great concern to us on the campus—for calculating social security income places an unfair penalty upon a low-income family. I asked our financial aid office to give me some examples. Here is one. In 1982–83, a student whose family income totals only $9,568 and who also receives social security benefits of $2,296 does not qualify for a Pell grant or State grant. At Western, this student would qualify for a guaranteed student loan of $1,113. Now, what is interesting about this is that in 1981–82 that same student—and this is an actual case—qualified for a Pell grant of $1,058 and institutional work for $430. My point is simply that, if a student in this situation is to earn a college degree, he or she must have access to increased levels of financial aid similar to what was available in 1981–82.

My third reason for supporting this legislation is based upon my own conversation and observation of students who qualify for social security benefits and how these students have performed in college. I have taken two examples. For obvious reasons, I cannot give a lot of details, or these individuals could be identified on the campus; and I want them to remain anonymous. I assure you they are actual cases. The first is one of a minority student from a large family. She has an excellent high school record in Kentucky and a history of work throughout high school. This student is now enrolled in a college premed curriculum and has the mental ability to succeed. Without financial aid and an opportunity for limited work, college would not have been an option. As a professional, she will more than repay in taxes what Federal funds have been invested in her career. She is an outstanding young lady and brings a great deal of special benefit to the campus, to say nothing of what I think she will do for her State and for her Nation.

The second student is a senior with a professional major. Her father died early in his career, leaving a family of four children with minimum support. The mother chose not to remarry. This young lady has had several campus leadership positions. She is one of the most charming, delightful, and effective young people on our campus. She has included in her activities participation in raising scholarship funds from alumni to help other students. I think she is keenly aware of the importance of financial aid because of what it has meant in her own life. She has applied her skills in various offices on campus and made a distinct contribution by developing leadership skills in other people. She is one of the best examples I can think of to illustrate what comes from this kind of assistance.

These are not isolated examples, I am confident. They are the kinds of people on campuses throughout the country. I have the honor of talking about my own university, but I want to emphasize that this is something that I am sure is characteristic of universities throughout the country.

Finally, I want to report that we recognize the importance of campuses finding alternative sources of funding for students with financial need. You may have had an opportunity to see in the Wall Street Journal of September 24 an article by Anne McKay-Smith describing some innovative ways universities are trying to help students finance a college education, fully realizing that both students and universities are feeling the crunch. As you recall, in that particular article there were examples of efforts underway at Princeton and Harvard to raise additional scholarship funds. They, too, are keenly aware of the responsibility. At Western, we are doing what we can to help students. In the past year, Western more than doubled the total contributions to the university through its development program. I do not give you the actual figures in my report, but we went from $340,000 to $760,000 in 1 year. We are expanding our efforts again this year.

In the meantime, we are grateful for the support that our students have received since 1965. I hope you will help us assure students like the ones I have described that a college education is still available to them even if it means having to accept the funds in the form of a loan.

I believe, also, there is reliable evidence being made public that shows that the majority of the American people strongly support Federal aid to education. In a poll by the Group Attitudes Corp. and reported in the Chronicle of Higher Education, dated yesterday, 77.4 percent of those surveyed favored loans to middle-income families, only 10 percent opposed, and 8.6 percent were undecided. In the same poll, 70.6 percent favored grants to low-income students, and 66.4 percent favored support for institutions with a large percentage of low-income students.

Mr. Chairman, I believe the American people still recognize the value of access to education because they, like those of us who work on the campuses, see the transforming power of education in the lives of people and in the history of the world.

Thank you, Mr. Chairman, for the opportunity to express my views. May I also say that I want to express the same kind of gratitude to Senator Pell, who has now entered the room, for the tremendous advantage that our young people receive as the result of your leadership in providing systems of financial aid. We appreciate it.

Senator STAFFORD. Thank you very much. That is an excellent statement.

I have no questions. I am impressed with what you said and with the bill which our colleague, Senator Ford, has introduced.

Without objection, a statement prepared by Senator Jennings Randolph will be inserted into the record.

[The prepared statement of Senator Randolph follows:]

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PREPARED STATEMENT
SENATOR JENNINGS RANDOLPH (D-WV)
SUBCOMMITTEE ON EDUCATION, ARTS & HUMANITIES
COMMITTEE ON LABOR AND HUMAN RESOURCES
UNITED STATES SENATE
ROOM 4232 DIRKSEN SENATE BUILDING
PUBLIC HEARING -- S. 2655, STUDENT LOAN ASSISTANCE AMENDMENTS

MR. CHAIRMAN, I AM PLEASED TO PROVIDE MY PREPARED STATEMENT FOR THIS HEARING RECORD ON S. 2655, THE STUDENT LOAN ASSISTANCE AMENDMENTS, WHICH I COSPONSOR. THE BILL, INTRODUCED BY MY ABLE COLLEAGUE, SENATOR WENDELL FORD OF KENTUCKY, BRIEFLY DESCRIBED, SEEKS TO PROVIDE BENEFITS TO COLLEGE-BOUND STUDENTS WITH EXTREME FINANCIAL NEED -- A NEED CREATED BY ACTIONS OF THE CONGRESS TO WITHDRAW AND PHASE-OUT CERTAIN TUITION BENEFITS PROVIDED FOR UNDER THE SOCIAL SEUCIRYT ACT.

THE BILL WOULDPERMIT THOSE STUDENTS AFFECTED BY THESE CONGRESSIONALLY MANDATED CHANGES IN THE SOCIAL SECURITY ACT, WITHDRAWING TUITION AID FOR THOSE STUDENTS NOT IN SCHOOL BY MAY 1ST OF THIS YEAR, TO BORROW ADDITIONAL MONIES UNDER THE GUARANTEED LOAN PROGRAM.

FOR THOSE STUDENTS ONLY, THE GSL ANNUAL MAXIMUM AMOUNT FOR UNDERGRADUATE STUDY WOULD BE INCREASED FROM $2,500 PER YEAR TO $4,500 A YEAR -- AN INCREASED BORROWING POWER OF $2,000 PER STUDENT.

I HAVE SUPPORTED LEGISLATION OVER THE PAST YEAR THAT TRIED, IN VAIN, TO RESTORE SOME OF THESE STUDENT BENEFITS BY EXTENDING THE EFFECTIVE DATE OF THE CHANGES TO OCTOBER 1 OF THIS YEAR, RATHER THAN THE MAY 1ST EFFECTIVE DATE. NEEDLESS TO SAY, THOSE EFFORTS FAILED WHEN CONSIDERED BY THE FULL SENATE.

THE IMPACT ON COLLEGE-AGE YOUTHS WHO ARE THE SURVIVING CHILDREN OF DECEASED PARENTS, OR THE CHILDREN OF PARTIALLY OR TOTALLY DISABLED PARENT OR PARENTS, HAS BEEN CRUEL IN THE EXTREME. PARENTS WHO HAD COME TO BELIEVE THEY COULD RELY ON THE SOCIAL SECURITY ACT AND ITS PROVISION FOR STUDENT TUITION NEEDS -- BASED ON THEIR BELIEF THAT THESE WERE CONSIDERED EARNED BENEFITS RESULTING FROM THEIR PARENTAL CONTRIBUTIONS TO THE TRUST FUND DURING THEIR WORKING LIVES -- LEARNED HARSHLY THAT IN ALL CASES THEIR CHILDREN, EITHER IMMEDIATELY, OR IN THE IMMEDIATE FUTURE, WOULD HAVE SUCH AID WITHDRAWN AND NO LONGE ALLOWED.

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THE ADMINISTRATION, OF COURSE, USING THEIR USUAL RHETORIC THAT IS MEANINGLESS IN THE REAL WORLD, INSISTED THAT SUCH STUDENTS COULD QUALIFY IMMEDIATELY FOR OTHER STUDENT AID UNDER PROGRAMS THAT PROVIDES TUITION ASSISTANCE BASED ON EXTREME FINANCIAL NEED FOR LOW-INCOME STUDENTS -- WHILE AT THE SAME TIME WERE STRONGLY PURSUING DRASTIC CUTS IN THOSE VERY SAME PROGRAMS SO THAT FEWER STUDENTS WOULD OR COULD BE SERVED.

NOT ONLY WERE THESE STUDENT BENEFITS VERY SUDDENLY ABOLISHED, BUT THE DELAY AND MISLEADING MANNER IN WHICH STUDENTS WERE INFORMED OF THE CHANGES IN LAW BY BOTH THE DEPARTMENT OF SOCIAL SECURITY AND THE DEPARTMENT OF EDUCATION, WAS UNCONSCIONABLE. AMPLE TIME WAS NOT GIVEN FOR THOSE STUDENTS TO PLAN FOR OBTAINING FUNDS FROM OTHER SOURCES, AND INDEED FEW SOURCES WERE AVAILABLE TO THEM.

PERMITTING THESE STUDENTS WHO NORMALLY WOULD BE ELIGIBLE FOR DIRECT GRANTS FOR TUITION, WITH NO REPAYMENT REQUIRED, TO BORROW UP TO $4,500 UNDER THE GSL PROGRAM WILL SERVE THEIR NEEDS, BUT LEAVE THEM WITH A LOAN INDEBTEDNESS OVER A FOUR-YEAR UNDERGRADUATE PERIOD, NOT TO MENTION GRADUATE SCHOOL, THAT SHOULD NEVER HAVE BEEN REQUIRED OF THEM. BY THE VERY FACT OF THEIR BEING CHILDREN OF DISABLED PARENTS -- DISABILITIES DERIVING FROM THE WORKPLACE, OLD AGE, OR SERVICE IN THE ARMED FORCES -- OR IN MANY CASES STUDENTS WHO HAVE BEEN ORPHANED, SHOULD HAVE PERMITTED THEM THE CONTINUING ELIGIBILITY FOR GRANT-IN-AID THAT REQUIRES NO REPAYMENT.

BUT COLLEGE TUITIONS THAT ARE INCREASINGLY ON THE RISE TODAY, HAVE RESULTED IN STUDENTS, NO MATTER HOW POOR THEIR CIRCUMSTANCES, HAVING TO RELY ON HIGH-INTEREST LOAN PROGRAMS EVEN AFTER ESTABLISHING ELIGIBILITY UNDER EXISTING GRANTS IN AID PROGRAMS. THIS IS DOUBLY TRUE OF STUDENTS FORMERLY ELIGIBLE UNDER THE SOCIAL SECURITY ACT FOR SUCH AID.

MR. CHAIRMAN, I AM ALL FOR RESPONSIBLE SPENDING AND FISCAL RESTRAINT ON THE PART OF GOVERNMENT, AND ALTHOUGH I HAVE TRIED WHEN MY CONSCIENCE WOULD PERMIT TO VOTE FOR CHANGES IN STUDENT AID PROGRAMS THAT REQUIRE MORE ACCOUNTABILITY FOR THIS FEDERAL EXPENDITURE, I CANNOT IN GOOD FAITH AGREE THAT THESE STUDENTS, THROUGH NO FALULT OF THEIR OWN, SHOULD BE CALLED UPON TO BEAR THE ADDITIONAL BURDEN OF CUTTING FEDERAL DEFICITS BY GIVING UP THEIR SOCIAL SECURITY STUDENT BENEFITS. I WONDER WHY IT IS THAT -- OVER AND OVER AGAIN -- WE ARE ASKED TO BALANCE THE BUDGET ON THE BACKS OF THOSE WHO CAN LEAST AFFORD IT?

HOW CAN WE BEST HELP THOSE STUDENTS? WE MAY NOT BE ABLE TO MAKE OUTRIGHT GRANTS IN AID TO THEM FOR COLLEGE TUITION, BUT WE CAN SURELY PERMIT THEM ADDITIONAL BORROWING POWER TO ASSURE THEIR ACCESS TO EDUCATINAL OPPORTUNITY.

AS I HAVE EARLIER STATED, MR. CHAIRMAN, I GRIEVE OVER THE FACT THAT THESE STUDENTS -- MORE DESERVING ON THE BASIS OF NEED THAN ANY OTHER SEGMENT OF OUR POPULATION OF COLLEGE-AGE YOUTH -- WILL HAVE MASSIVE LOANS TO PAY BACK WHEN THEY COMPLETE THEIR EDUCATIONS AND ENTER THE WORK FORCE -- BUT SOMETHING MUST BE DONE. AND SINCE THESE GUARANTEED LOANS CARRY A 9 PERCENT INTEREST RATE, AND A 5 PERCENT LOAN ORIGINATION FEE IMPOSED ON EACH BORROWING STUDENT, WE CANNOT BE ACCUSED OF PROPOSING A SO-CALLED "GIVE AWAY" PROGRAM AS HAS BEEN SAID ABOUT THE STUDENT BENEFITS PREVIOUSLY ALLOWED UNDER THE SOCIAL SECURITY ACT.

IF THESE YOUNG PEOPLE ARE TO HAVE A CHOICE OF INSTITUTIONS THEY DESIRE TO ATTEND -- FOR EXAMPLE A PRIVATE COLLEGE OR UNIVERSITY WHERE TUITIONS ARE HIGHER -- THEN IT IS ESSENTIAL THAT WE PROVIDE THEM WITH SUFFICIENT FUNDS TO PERMIT THEM TO MAKE THAT CHOICE.

I WISH WE COULD HOPE THAT SUFFICIENT FUNDS WOULD BE AVAILABLE TO THESE STUDENTS, SO SUDDENLY STRICKEN FROM THE SOCIAL SECURITY ROLLS, UNDER EXISTING GRANT PROGRAMS, SO THAT BORROWING WOULDNOT BE NECESSARY -- FOR OUR GRANT-IN-AID PROGRAMS FOR STUDENTS ARE MEANT TO SERVE THOSE WITH THE GREATEST FINANCIAL NEED -- WHO COME FROM ECONOMICALLY DISADVANTAGED, LOW AND FIXED-INCOME HOMES. BUT SUCH IS NOT THE CASE.

I THANK THE CHAIRMAN FOR THIS OPPORTUNITY TO EXPRESS MY SUPPORT FOR S. 2655, THE STUDENT LOAN ASSISTANCE AMENDMENTS.

Senator STAFFORD. Senator Pell, do you have any questions or comments?

Senator PELL. Thank you, Mr. Chairman. I would just like to congratulate you on holding this hearing at this time, with the Senate winding down. I particularly congratulate Senator Ford for introducing this legislation. It is much needed and really fills a tremendous gap. He recognizes the serious issue with which we are confronted.

I know this legislation will have a very, very profound effect and beneficial impact on my own State of Rhode Island. About 2,800 Rhode Island students are having their social security student benefits gradually reduced sort of salami fashion, a quarter each year. Another thousand new freshmen who in past years would be eligible for social security student benefits today receive none at all.

I think that this bill goes in the right direction and helps fulfill the contract we made with the parents of the students who are affected. I congratulate you on introducing this legislation. I look forward to supporting it.

Senator STAFFORD. Thank you very much, Senator Pell.

For our colleagues who cannot be here this morning, we will reserve the right to submit questions in writing to you gentlemen, if that is agreeable.

Mr. ZACHARIAS. It certainly is.

Senator STAFFORD. We assure you that staff and all members will review your testimony this morning. We appreciate your appearance.

If there is nothing further, the subcommittee will stand adjourned.

[Whereupon, at 10:30 a.m., the subcommittee was adjourned.]

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