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IDENTIFIERS Brandeis University MA; Congress 97th; Hood College MD

ABSTRACT

Hearings of the Committee on Education and Labor on the status of college endowments are presented. Attention is focused on the private resources colleges and universities may have to fall back on during this period of reduced federal aid. A list of endowments of 192 colleges ranked by 1981 value, from a "Chronicle of Higher Education" article, is included, along with letters from approximately 20 colleges. In addition, testimonies of representatives of The Common Fund and the United Negro College Fund explain the College Endowment Funding Plan and how it could help achieve the puæposes of Title III of the Higher Education Act. This program would add $100 million to the endowment resources of the 41 member colleges of the United Negro College Fund. The problem of financial institutions' continued participation in student loan programs and the issue of assuring that unmet financial need does not bar access to education are addressed by Martha Church, a higher education representative. Statistics for Hood College on the impact of President Reagan's proposed funding cuts for 1982 and 1983 are presented. Finally, financial data from Brandeis University are presented on operating income and expenditures for selected years and 1982-1983 proposed operating budget. (SW)

OVERSIGHT ON COLLEGE ENDOWMENTS

HE

ED226685

HEARING

BEFORE THE

SUBCOMMITTEE ON POSTSECONDARY EDUCATION

OF THE

COMMITTEE ON EDUCATION AND LABOR HOUSE OF REPRESENTATIVES

NINETY-SEVENTH CONGRESS

SECOND SESSION

HEARING HELD IN WASHINGTON, D.C., ON APRIL 22, 1982

Printed for the use of the Committee on Education and Labor

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OVERSIGHT ON COLLEGE ENDOWMENTS

THURSDAY, APRIL 22, 1982

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

The subcommittee met, pursuant to call, at 9 a.m., in room 2261, Rayburn House Office Building, Hon. Paul Simon (chairman of the subcommittee) presiding.

Members present: Representatives Simon, Erdahl, and Weiss.

Staff present: William A. Blakey, counsel; and John Dean, senior legislative associate.

Mr. SIMON. The subcommittee will come to order.

The Subcommittee on Postsecondary Education today holds the first of what will be a continuing series of hearings on the question of college endowments.

I would like to enter my opening statement in the record.

[The opening statement of Chairman Simon follows:]

OPENING STATEMENT OF HON. PAUL SIMON, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF ILLINOIS, AND CHAIRMAN, SUBCOMMITTEE ON POSTSECONDARY EDUCATION

The Subcommittee on Postsecondary Education today begins an exploration into the status of college endowments of the Nation's postsecondary institutions. I am personally concerned that many of our smaller, private colleges and universities are in a poor financial position and will be unable to withstand a freeze in the Federal commitment to postsecondary education, much less further reductions in Federal student aid and in discretionary grant programs.

In the next five to ten years, institutions without significant endowments will be at risk as costs rise, enrollments decline or remain the same and demands for improvements in quality increase. We hope to learn during these hearings: The status of institutional endowments; what demands are being placed on these funds; how institutions plan to meet the need for increased endowment support; and what role, if any, the Federal government might play in this process.

I want to incorporate in the record at this point a table from the March 17, 1982, Chronicle of Higher Education which shows the endowments of 192 colleges ranked by their 1981 dollar value. I also want to include several letters from college and university presidents who have responded to my request for information of their institutional endowments. One of those presidents, Dr. Martha Church of Hood College will be testifying later.

We are pleased today to have the distinguished executive director of the United States Negro College Fund with us. UNCF's 42 member colleges have been in the forefront of extending postsecondary educational opportunities to low-income minority youngsters. UNCF's slogan "A Mind Is A Terrible Thing to Waste" has almost become synonymous with black college fundraising in recent years. Welcome Mr. Edley and your colleagues, especially Dr. Patterson whom I met and talked with yesterday.

Mr. SIMON. We have been focused on student aid and the budget situation as we understandably should be. Most of my time and the time of the staff is focused on the budget.

I think one of the dangers in this immediate situation of defending the fort, so to speak, is that we are not looking, we are not dreaming, we are not saying where do we go 10 years from now, where do we go long range. As I look at the long-range picture, when you simply see the demographics of the decline in the numbers of those who will be available from what is now the major student-age population, it suggests that a lot of our colleges, both public and private, are going to be in trouble; private, because they are so dependent on student enrollment and student assistance for financing, and public because as a former State legislator in Illinois, I know that when those enrollments go down, State legislators are going to say why should we be spending money on schools with declining enrollments. In fact, we already have that problem in a number of States.

I am concerned, second, as we look at what is happening, what endowments exist are being used more and more to assist students in their immediate problem, rather than to focus on how do we improve the quality of higher education.

Now, if at the Federal level we can assure access, and that is really what we are talking about right now on budget questions, then colleges, whether they are good colleges, or a rambling college or what college, can use that endowment for purposes of enrichment that are important to that college, but also important to the Nation.

The endowment picture looks to me increasingly like it is going to be extremely important. We have received some letters and information from various colleges, including a letter from Hood College. It is very interesting to look at the picture. One college wrote that their endowment is less than $25,000. Needless to say, that is not an adequate endowment.

Probably typical is a college in my State, Eureka College, which has one of the more famous alumni in this Nation. Eureka College has a $2 million to $3 million endowment.

I am not sure where we go. I am not sure what we do and I guess that is really the purpose of the hearing. Before we know it, even though it is down the pike a little ways yet, we are going to be at the point of reauthorizing the Higher Education Act.

One possibility is simply modifying title III a little.

I really am hoping that we can do something much more substantial to that and again I am not sure what it is. I think it should not be a long-range kind of a thing where the Federal Government is going to be tied up many years in enriching endowments. Maybe for a 3-year period on some kind of a graduated scale, we say to the colleges and universities of the country that we will match you for a short period up to *x* amount of dollars on your endowments.

I have many more questions than I have answers and, fortunately, we have people out there who have the answers. That is why we are here.

Before we proceed with our first witnesses, I would also like to enter into the record the Chronicle of Higher Education article which lists the endowments of I think it is the top 192 colleges as well as some letters I have received on the endowment picture from some of the colleges and universities.

[The list and letters follows:]

3/17/82 Chronicle of Higher Educ

Endowments of 192 Colleges Ranked by 1981 Value

1980 Rank	Institution	Market Value June 30, 1980	Market Value June 30, 1981
1	Harvard University	$1,584,580,000	$1,713,350,000
2.	University of Texas	1,261,320,000	1,485,090,000
3.	Yale University	668,800,000	792,600,000
4.	Princeton University	547,750,000	685,763,000
5.	Stanford University †	557,740,000	598,990,000
6.	Columbia University	553,000,000	590,400,000
7.	Massachusetts Institute of Technology	421,258,000	500,237,000
8.	University of Chicago	342,300,000	397,100,000
9	Rice University	329,035,000	378,865,000
10.	Cornell University	328,656,000	360,441,000
11	Northwestern University	275,238,000	320,552,000
12.	New York University †	281,473,000	278,351,000
13.	Rockefeller University	228,563,000	270,568,000
14.	Washington University	238,613,000	266,579,000
15.	Emory University †	265,818,000	252,859,000
16.	Johns Hopkins University	198,083,000	242,430,000
17.	Dartmouth College	187,609,000	234,055,000
18.	University of Pennsylvania	224,510,000	232,667,000
19.	University of Notre Dame	172,222,000	218,243,000
20.	California Institute of Technology	187,632,000	202,090,000
21	University of Virginia	152,311,000	179,697,000
22.	Vanderbilt University	154,493,000	174,715,000
23.	Duke University	135,082,000	153,950,000
24	McGill University	145,200,000	153,200,000
25	University of Delaware	131,915,000	143,996,000
26.	Case Western Reserve University	125,207,000	142,286,000
27	Brown University	123,356,000	139,484,000
28.	Wesleyan University	118,804,000	134,395,000
29.	Wellesley College	131,953,000	133,192,000
30.	Carnegie-Mellon University	119,195,000	132,468,000
31	Smith College	108,814,000	129,126,000
32	Swarthmore College	91,018,000	117,066,000
33	Williams College	96,805,000	117,044,000
34.	Southern Methodist University ‡	101,552,000	116,855,000
35.	University of Michigan	106,128,000	116,482,000
36	University of Minnesota	105,986,000	113,867,000
37	University of Pittsburgh	103,937,000	113,218,000
38.	Vassar College	86,445,000	104,834,000
39.	Rensselaer Polytechnic Institute	93,404,000	103,943,000
40.	University of Cincinnati	90,121,000	103,812,000
41	Oberlin College	93,064,000	103,102,000
42.	Berea College	88,538,000	97,534,000
43.	Amherst College	83,975,000	95,009,000
44.	University of Richmond	77,536,000	88,133,000
45.	Baylor University	not reported	87,500,000
46.	Grinnell College	43,332,000	85,552,000
47	The Ohio State University	76,342,000	84,794,000
48.	Loyola University of Chicago	65,156,000	83,815,000
49.	Wake Forest University	65,526,000	77,589,000
50.	Lehigh University	81,924,000	72,980,000
51	Pomona College	58,913,000	72,530,000
52	Brandeis University	67,009,000	72,528,000
53	Georgetown University	66,195,000	71,844,000
54.	Lafayette College	59,852,000	71,558,000
55.	Middlebury College	60,018,000	70,211,000
56.	Rochester Institute of Technology	59,549,000	64,656,000
57	Carleton College	53,970,000	61,966,000
58	State U. of New York, Buffalo	57,613,000	61,478,000
59.	Mount Holyoke College	58,203,000	61,449,000
60	Boston University	48,171,000	60,898,000
61	Wabash College	not reported	59,589,000
62	Thomas Jefferson University	52,825,000	58,995,000
63	Syracuse University	53,480,000	58,816,000
64	Academy of the New Church	40,901,000	55,797,000
65.	Bryn Mawr College ‡	45,336,000	55,521,000
66.	Bowdoin College	46,507,000	55,303,000
67	University of Illinois	19,557,000	52,672,000
68	Earlham College	43,890,000	49,719,000
69.	Hamilton College	41,241,000	49,658,000
70.	University of Miami ‡	38,546,000	47,707,000
71	Tufts University	not reported	47,249,000
72	Trinity College (Conn.)	42,992,000	47,181,000
73	Occidental College	37,743,000	46,555,000
74	Baylor College of Medicine	30,787,000	45,470,000
75	Cooper Union	39,750,000	44,393,000
76	Colorado College	31,534,000	44,181,000
77	University of North Carolina	not reported	43,605,000
78	University of Wisconsin System	37,453,000	43,267,000
79.	Rutgers The State U. of New Jersey	32,407,000	42,601,000
80.	Worcester Polytechnic Institute	38,085,000	41,547,000
81	Bucknell University	35,611,000	41,254,000
82	Radcliffe College	not reported	40,347,000
83	Colgate University ‡	34,904,000	39,653,000
84.	Haverford College	33,052,000	38,179,000
85.	Southwestern University	not reported	37,986,000
86	Hampton Institute	32,356,000	36,656,000
87.	Agnes Scott College	35,339,000	35,487,000
88.	Drew University	28,265,000	34,082,000
89.	University of Missouri	30,445,000	34,027,000
90.	University of Vermont	25,685,000	32,006,000
91.	Whitman College	28,262,000	31,760,000
92.	Claremont McKenna College	25,155,000	31,516,000
93.	Colby College	26,352,000	29,367,000
94.	University of Santa Clara	21,641,000	28,402,000
95.	Davidson College	25,263,000	27,856,000
96.	Lawrence University (Wisc.)	not reported	27,369,000
97.	Austin College ‡	not reported	27,152,000
98.	Ohio University	25,758,000	27,050,000
99.	University of Denver	$23,948,000	$27,014,000
100.	Teachers College, Columbia U ‡	25,283,000	26,485,000
101.	Barnard College	not reported	25,880,000
102.	University of Alabama System	not reported	25,795,000
103.	Berry College	21,156,000	25,535,000
104.	Rhode Island School of Design	18,135,000	24,858,000
105.	University of Tennessee-Knoxville	not reported	24,165,000
106.	College of Wooster	20,229,000	24,033,000
107	Simmons College	18,292,000	22,014,000
108.	Denison University	18,085,000	21,923,000
109.	George Washington University	19,064,000	21,834,000
110.	Spelman College	14,460,000	21,810,000
111	Sweet Briar College	18,812,000	20,946,000
112.	University of Maryland	17,574,000	20,714,000
113	University of Wisconsin Foundation	16,737,000	20,281,000
114	Marquette University	17,588,000	19,827,000
115	Cornell College	17,439,000	19,280,000
116.	Hendrix College	18,474,000	18,826,000
117	Ohio Wesleyan University	17,418,000	18,848,000
118.	Pennsylvania State University	15,478,000	18,320,000
119.	Wheaton College (Mass.)	18,119,000	17,856,000
120.	Dickinson College	17,426,000	17,825,000
121	Clark University	14,900,000	17,289,000
122.	Coe College	not reported	16,880,000
123.	University of Utah	not reported	16,883,000
124.	Reed College	13,293,000	16,786,000
125.	Wittenberg University	11,420,000	16,457,000
126.	Alma College	13,310,000	16,455,000
127	Franklin and Marshall College	12,883,000	16,218,000
128	Michigan State University	14,231,000	15,798,000
129.	Furman University	13,269,000	15,762,000
130	University of Tennessee-Chattanooga	not reported	15,814,000
131	Oregon State Board of Higher Ed.	15,088,000	15,377,000
132	University of Puget Sound †	13,707,000	15,088,000
133	Baldwin-Wallace College	12,740,000	14,894,000
134	Kalamazoo College	12,943,000	14,805,000
135.	Wentworth Institute of Tech.	not reported	14,577,000
136	University of Arizona	11,607,000	14,367,000
137.	Connecticut College	8,185,000	14,046,000
138.	Allegheny College	12,234,000	13,859,000
139.	University of Tulsa	11,858,000	13,537,000
140.	Indiana University	12,160,000	13,482,000
141	Norwich University	not reported	12,848,000
142	Temple University	11,707,000	12,722,000
143	C. of William and Mary Association	not reported	12,204,000
144	University of Maine	10,489,000	11,983,000
145.	Drake University ‡	12,086,000	11,875,000
146.	University of Dayton	8,997,000	11,403,000
147.	Washburn College	11,027,000	11,403,000
148	Mercer University	10,272,000	11,357,000
149	Whittier College	not reported	10,999,000
150.	Kenyon College	8,792,000	10,856,000
151.	Georgia Institute of Technology	10,758,000	10,810,000
152.	Hobart and William Smith Colleges	8,604,000	10,704,000
153.	University of Iowa Foundation	not reported	9,740,000
154.	Muhlenberg College	8,744,000	9,045,000
155.	University of Arkansas	5,895,000	9,005,000
156.	Saint Norbert College	8,099,000	8,658,000
157.	Saint Mary's College (Ind.)	not reported	8,845,000
158	Wells College	not reported	8,500,000
159.	North Carolina State University	not reported	8,408,000
160.	Alfred University	8,683,000	8,089,000
161	Ohio Northern University	7,277,000	7,884,000
162	Babson College	not reported	7,441,000
163.	Doane College	6,096,000	7,333,000
164.	Rollins College	not reported	7,314,000
165.	Skidmore College	not reported	7,288,000
166.	University of Nebraska	6,669,000	7,148,000
167.	University of Scranton	not reported	6,781,000
168.	Clarkson C. of Technology	6,324,000	6,603,000
169.	Augustana College	not reported	6,527,000
170.	Hope College	5,191,000	6,490,000
171.	Carroll College	5,866,000	6,102,000
172.	Moravian College	not reported	6,027,000
173	Loras College	not reported	6,013,000
174	University of Evansville	6,312,000	5,938,000
175.	American University	5,306,000	5,618,000
176	College of William and Mary	not reported	5,529,000
177	Washington State University	4,811,000	5,351,000
178	Medical College of Pennsylvania	4,960,000	5,212,000
179	University of Akron	3,580,000	3,940,000
180	University of Oregon Foundation	2,737,000	3,683,000
181	Philadelphia C. of Textiles and Science	3,522,000	3,599,000
182	Canisius College	not reported	3,538,000
183.	Chapman College ‡	2,925,000	3,157,000
184.	University of Tampa	2,286,000	2,928,000
185.	Trinity College (D.C.)	1,367,000	2,839,000
186	Western Michigan University	1,484,000	2,564,000
187.	Arizona State University	2,816,000	2,325,000
188.	Newberry College	2,221,000	2,055,000
189	Eastern Michigan University	1,637,000	1,938,000
190.	University of Mississippi	1,585,000	1,850,000
191	University of Connecticut	1,778,000	1,833,000
192	Monmouth College	1,398,000	1,472,000

† As of August 31
* As of July 31
‡ As of May 31

Note: Table includes only institutions participating in the voluntary comparative-performance study by the National Association of College and University Business Officers

HOOD

APR 15 1982

April 12, 1982

The Honorable Paul Simon, Chairman
House Committee on Education and Labor
Subcommittee on Postsecondary Education
320 Cannon House Office Building
Washington, DC 20515

APR 14 1982

Dear Mr. Simon:

I have received your newsletter, read it with care, and found the comprehensive chart one of the best I have seen. In response to your questions about our endowment and other efforts we have made to create a base from which to assist middle-income students, let me report in four areas:

1. The nature of Hood's endowed funds;
2. The impact of the proposed cuts on Hood students;
3. The response of Maryland banks (all neagtive);
4. Hood's plan to lend from its endowment, an unpalatable choice made necessary by the banks in Maryland (both local and state) desiring Hood to take all the risks of inflation, default, and floating prime, etc.

Hood's Endowment:

The College has approximately $10.4 million (market value) in endowment (and a projected $10.2 million budget for 1982-1983). Approximately $1.5 million is in the category of funds functioning as endowment; approximately $2.5 million is in a special restricted account for honor scholarships and faculty fellowships; a portion is restricted for a pension fund; and the remainder (approximately $6.8 million) is for the most part unrestricted in terms of use.

The portfolio is invested by Redwood Capital Management, Inc. in Baltimore, Maryland. The Trustees have set the following investment guidelines:

1. "Combined income and capital appreciation within reasonable assumption of risk;
2. No specific bond/common stock mix;
3. A greater percentage of common stocks than combined percentage of bond and preferred stock should normally be held."

Lee Miller, Esquire of Venable, Baetjer and Howard in Baltimore, Maryland, assures us that the Trustees can, if they wish, lend out some monies from funds functioning as endowment and from the unrestricted portion of the Hood endowment.

Finally, Hood has 56 acres of undeveloped land, which it hopes to develop to start funding large scale renovations of older buildings.

Impact of 1982 and 1983, Proposed Budget Cuts:

The sheets attached to this letter display the impact of President Reagan's budget proposals on Hood College. In addition, to absorb 1982 program cuts, the College has increased its financial aid budget from 8.7% (1981-1982) to 10% (1982-1983) of its total budget. We feel this is the maximum percentage we may prudently budget for financial aid.

Bank and Other Lending Institution Responses:

The March 22 memorandum to me which is attached demonstrates the inability of banking institutions to be of assistance. Moreover, I talked with the CEO at John Hancock, grants people at Prudential, and representatives of the American Council of Life Insurance about the major insurance companies entering into this picture. ACLI has a proposal in front of it from the private college sector, but it is unlikely that any program of assistance could be started up this coming year. Also, insurance companies are facing cash flow shortages similar to the banks.

Hood's Response:

The Financial Aid Newsletter and the covering memo I prepared for the Trustees tell you our story, not a happy one but at least something is in place. The Trustees have stated a willingness to lend up to $500,000 this coming year. If all stays as projected, the total amount lent by Hood would be $1.9 of its endowment. We would charge 15% interest, pay the endowment 12% and hold 3% for default, etc.

I welcome this opportunity to tell you how Hood College has coped with a very difficult situation.

Sincerely,

Martha E. Church

Martha E. Church

MEC/ll

cc: Ms. Diane R. Wilson
Director of Admissions and Financial Aid

IMPACT OF PRESIDENT REAGAN'S PROPOSED FURTHER RECISIONS IN THE FY '82 FEDERAL BUDGET (EFFECTIVE APRIL 1, 1982) AND PROPOSED CUTS IN THE FY '83 FEDERAL BUDGET (EFFECTIVE OCOTBER 1, 1982)

* In 1982-83 at least 500 Hood students will lose the ability to borrow needed funds from the Guaranteed Student Loan program. This is a loss of $1,250,000 to our students.

* In 1982-83 200 Hood students will lose an average of $1,000 each in federally funded financial aid in their aid packages.

* In 1983-84 at least 100 Hood students who currently have Pell Grants will become ineligible for further grants. This is a loss of $120,000 to our students.

* In 1983-84 at least 130 Hood students who currently have $100,000 in SEOG grants will no longer receive these grants since funding for this program will be eliminated.

* In 1983-84 at least 100 students who currently borrow through the NDSL program will be unable to borrow since there will be no further federal capital added to this program. This is a loss of $100,000 to our students.

* In 1983-84 at least 200 students who currently earn money through the work-study program will lose these jobs due to the cut back in federal support for this program. This is a loss of $150,000 in earning power for our students.

Report on Guaranteed Student Loan (GSL) Activity
Hood College
Prepared by the Office of Admissions and Financial Aid
February 17, 1982

~~1981-82~~ GSL activity, as of 2/15/82

* There are 626 undergraduate borrowers, 40 graduate borrowers.
* 55% of our undergraduate student body has GSLs.
* $1,700,000 in GSL loan funds has been borrowed for the 1981-82 academic year.
  -- $400,000 borrowed as part of aid packages. These loans are considered financial aid, and will still be available to students in 1982-83.
  -- $1,300,000 borrowed to help with family contribution toward Hood costs. These loans are considered "loans of convenience" by the federal government and will not be available to students in 1982-83.
* GSL loan funds account for 25% of our student revenue; 18% of the College's total revenue comes from GSL loans in 1981-82.
* Over half of the GSL borrowers have no financial aid from the College; the GSL loan is their only source of assistance.

Possible implications of proposed changes in GSL program for 1982-83

* Students will not be able to use GSLs as "loans of convenience" to help them obtain the funds they need to cover Hood costs.
* At least $1,500,000 in presumably needed GSL funds would no longer be available for our students who feel the need to borrow toward their contribution.
* At least 500 of our students will be looking for alternate funding sources.
* Many current students may feel they have to transfer to less expensive institutions. New students who would have come to Hood may choose less costly institutions. A very conservative estimate of the number of students we may lose is 150. This would be $1,250,000 in lost revenue.
* The number of lost students could go much higher than this since 55% of our undergraduate student body currently relies on the GSL program.

Possible strategies

* Installment payment plan, with a service fee attached. This will help our upper income students, who formerly used the GSL program, with cash flow problems.
* Development initiatives. Redirected annual giving and alumnae fund campaigns focused on supporting the college's financial aid program will help all those students receiving institutional assistance.
* Institutional loan program or institutionally faciliated loan program. This will help our middle income students, who have been using the GSL program to borrow the funds needed to pay Hood's fees. These families have neither the income nor the savings to cover their bills from the College.

COMPTROLLER'S OFFICE

March 22, 1982

MEMORANDUM

TO: Martha E. Church

FROM: Willard D. Ruffner, Jr.
Diane Wilson

SUBJECT: Monthly Payment Plan and Loan Programs

After reviewing various monthly payment plans we feel that Academic Management Services (AMS) and Tuition Plan Budget Plan provides the best programs for the parents, guardians, students and the College (see analysis worksheet of comparisons). We are currently offering Tuition Plan and Insured Tuition Plan (Richard Knight) to parents. Since we are currently using Tuition Plan it seems that it would make good sense to continue with them and their new Budget Plan. We could also inform parents of all Plans as Yale does.

We have received Farmers and Mechanics Bank proposal but it did not turn out to be what we had hoped for. The major problem with the program is the interest rate risk to the College. Hood would be required to subsidize the interest rate to students based on a 5 1/2% discount of the quarterly 91 day U.S. Treasury Bill rate. This would assume we lend funds to students at 13% but regardless of the interest rate to students the college would continue to be required to pay an adjustment but not necessarily as high. This subsidy could create a tremendous financial burden or even destroy the College. Based on F&M's proposal the student would pay 13% and Hood would pay (assume current U.S. Treasury rate) 12.5% less 5 1/2% discount or 7%. As the U.S. Treasury Bill fluctuates so would Hood's subsidy rate. As you can see if rates were to go up to 20%, Hood's share of the plan would be 14.5% and on a large amount of money could be disastrous. We have contacted F&M to see if a possibility exists in obtaining some type of fixed rate. Unless some change is made, our feeling toward this program is negative as presented.

We met with representatives of Maryland National Bank in Baltimore on Thursday, March 18th for an interesting meeting. They informed us once again that there are three major cost factors to be considered: the operational cost to the bank (3%), cost to obtain loan funds (currently 15-16%), and the cost of establishing a reserve for defaults (1%). They proposed an interesting concept which would require Hood to purchase Maryland National Bank CD's or commercial paper through our endowment in the amount of loan funds needed to establish program. We would then determine what rate of return we need and that rate would become the cost of funds rate. This would allow us to control the interest rate. For example, if we would require 12% rate of return on our investment, the bank in return will charge us 12% as cost of funds, plus 4% (3% operating cost, 1% reserve) or 16% for student loans to be reviewed annually. This approach has two major problems, one being the bank's proposal at this time is for one year only with a guarantee that the funds lent this year will be refinanced. Secondly, the total four-year package could mean a major part of our endowment would be in the form of MND CD's or commercial paper. We do not believe the Board would approve a multi-million dollar loan program under this concept; maybe one year or a scaled down program. The bank would also like to see some principal being paid back from the time of initial loan. If we were to take this approach of part principal repayment, we might as well use Tuition Plan's deferred payment plan.

We have discussed borrowing money to support program or taking funds out of FFE but we still feel this allows for only a year's approach to the problem.

After trying to determine what Hood can do and what the banks can provide, we came upon a new approach. It is totally a Hood program and would work something like the following.

<u>Hood Loan Program</u>

<u>How</u>: Liquidate current Endowment investments in the amount necessary to fund program. The amount required will not have to be restricted to funds functioning as endowment. This can be accomplished because most all endowment assets are pooled without regard to source or designated purpose except for Beneficial-Hodson funds. There will be no real change to the portfolio except for location and nature of investment. The investment listing will show notes receivable instead of stocks, bonds, etc.

Income earned from loans (rate can be set by college) would become part of the total endowment income pool.

<u>Pros</u>:

1. Interest rates can be set by college and guaranteed for term of loan.
2. Only interest need be paid while student is in school.
3. College has substantial control of program.
4. College not at the mercy of market interest rates.

<u>Cons</u>:

1. College and/or Board should set maximum limit for program. If this is not done, fund could grow to an unacceptable amount. Our total portfolio could eventually become notes receivable.
2. Administrative expense of operating program. (Can be recovered by fee and/or increased interest rate.)
3. Default loans. (Can be recovered by fee and/or increased interest rate.)
4. Possible loss of some interest income depending on rate of interest set.
5. P/T additional staff may be necessary. (Can be recovered by fee and/or increased interest rate).

<u>Proposed Guidelines and Procedures</u>:

1. Amount per loan (2,000) and amount of total program (500,000).
2. Interest rate to be charged, taking into consideration interest rate should cover acceptable return for endowment and expenses that will be incurred. 12% Endowment and 3% Reserve for total of 15%.

3. Fee to be charged for administrative expense ($40).
4. Pay back period of principal (4 years).
5. Financial aid to perform all application procedures.
   A. Consulting and screening students.
   B. Determine eligibility and need.
   C. Approve loans.
   D. Have all appropriate documents signed.
   E. Forward loan documents to Comptroller's Office for processing.
6. Comptroller's Office to issue loan, perform all bookkeeping necessary, and to implement all collection procedures required.

After considering all options we feel that the Hood sponsored program would be best for the students and the College. Major draw back is amount needed for 4-year program.

WDFJ:pll

April 8, 1982

MEMORANDUM

To: *Members of the Board of Trustees*

From: *Martha E. Church* Martha E. Church

Subject: *Implementation of "lending institution" policy voted by the Board at its February meeting*

On March 31, the Finance Committee met to examine and discuss the results of the discussions we have had with various Maryland banks. After a thorough discussion of the issues involved, members of the Committee agreed that the bank proposals were fraught with serious risks for Hood and could possibly create very serious financial problems for the College. With no other choice, except the witnessing of a possible loss of as many as 100 to 200 students from middle-income families, the Committee agreed to establish an institutional (Hood) loan program which would be offered as the last option among other more favorable (in our view) options.

Lois Harrison then spent hours on the telephone to poll members of the Executive Committee. In the meantime, Will Ruffner checked with Lee Miller (Venable, Baetjer and Howard), and solicited insurance proposals to protect us from any losses related to any defaults on loans. Lee Miller assures us we face no legal problems; Will reports that our insurance contacts are aware of sources and are tracking these down for us.

The Executive Committee agreed we had no choice but to establish the loan program ***but*** *nearly all members stated that we should reserve the right to take another look at the entire issue next fall* ***after*** *we have launched the program. Thus, I am asking Diane Wilson to use the following response when/if she is asked whether or not this program is guaranteed for a full four years, i.e., the same amounts and ground rules for the entire four years for a student who enters as a freshman next fall:*

> *"The Board of Trustees expects to continue the program,* ***but it reserves the right to review the loan program next fall and to adjust it, if necessary, in light of economic conditions at that time."***

This will be difficult for Diane to convey in a positive manner while protecting the Board's rights and fiduciary responsibilities, but I know she will do so.

We are very much in the debt of Diane Wilson, Will Ruffner, and Lois Harrison for the incredible amounts of thought and time they have given to putting us in a strong position to compete with other colleges which are launching and announcing similar institutional loan programs.

The attachment is being issued to all undergraduate students today and to all prospective students on April 12, 1982.

MEC/ll
Attachment

cc: Senior Officers, Diane Wilson, Will Ruffner

The Common Fund

1261 Post Road
P.O. Box 940
Fairfield, Connecticut 06430
(203) 254-1211

April 19, 1982

The Honorable Paul Simon, Chairman
Subcommittee on Postsecondary Education
Congress of the United States
House of Representatives
320 Cannon House Office Building
Washington, D.C. 20515

Dear Congressman Simon:

Thank you for extending the opportunity to testify before your committee on April 22. I have had the pleasure and privilege of working with Dr. Frederick Patterson on the development and implementation of the College Endowment Funding Plan. This is a program through which we hope to add $100 million to the endowment resources of the 41 member colleges of the United Negro College Fund.

This effort would be considerably enhanced if a portion of the funds being channeled to these institutions under Title III of the Higher Education Act, as, amended could be earmarked for endowment-building purposes.

My purpose in testifying will be to explain how the College Endowment Funding Plan works, and how it could help achieve the purposes of Title III in a long-term fashion not previously considered. A brief summary of my testimony is enclosed.

Sincerely,

George F. Keane

George F. Keane
President

GFK:js

Enc.

Investment Management For Educational Institutions

96-494 O—82——2

The Common Fund

1251 Post Road
P.O. Box 940
Fairfield, Connecticut 06430
(203) 254-1211

April 19, 1982

TO: The House of Representatives

Testimony of George F. Keane
President, The Common Fund
Chairman, Investment Committee for CEFP,
United Negro College Fund

The College Endowment Funding Plan (CEFP) was conceived by Dr. Frederick D. Patterson, third President of Tuskeegee Institute, and founder of the United Negro College Fund. The plan has already been put into effect by half of the 41 member colleges of UNCF, utilizing gifts and grants from a variety of sources, leveraged by funds borrowed on favorable terms from a group of leading insurance companies.

The essence of the CEFP is to combine gifts and grants in a 25 year program of investment which will generate some income for current operating purposes, while accumulating and reinvesting the remainder of the income. During the final ten years the amount borrowed from the insurance companies is repaid. At the end of the 25 year life of the plan, the participating college has not only received significant income for current operations, but has built a permanent endowment fund that will provide an ever-growing stream of income in the future. It provides a base of permanent support for the educational purposes of the college.

The operation of the plan over the past several years has been built upon investment units of $750,000 per college, consisting of:

a)	Gifts and grants totaling	$350,000
b)	Loans from insurance companies	$400,000
	Total	$750,000

To achieve economies of scale in operation and to obtain adequate diversification of investments, the units have been combined for investment purposes in groups of 6 or more. Thus, the total investment pool is usually at least $4,500,000, consisting of $2.1 million in gifts and grants combined with $2.4 million in loan funds.

The investments are selected and supervised by an Investment Committee of the UNCF, which serves as pooling agent for the participating member colleges. The securities are held in custody by the Chase Manhattan Bank, which also collects the investment income and makes disbursements and reinvestments in accordance with the terms of the plan.

The gift and grant money is invested in a portfolio of high quality corporate bonds, such as telephone and utility bonds. The borrowed funds are invested exclusively in long term U.S. Treasury bonds. The average interest rate on the combined corporate and government bond portfolio determines the interest rate on the insurance company loans. By agreement with the participating insurance companies, the rate on the loan is two percentage points below the interest rate on the total investment portfolio. The last group that was formed in December of 1981, for example, had an average investment rate of 13.77% and a loan rate of 11.77%.

The table on the following page illustrates the operation of the plan as it applies to the most recently formed group. It is assumed that a similar result could be achieved under an endowment-building program being considered for institutions receiving grants under Title III. The figures illustrate a $750,000 unit for a single college, but the actual implementation could be in larger units as funds are made available.

SCHEDULE ILLUSTRATING OPERATION OF COLLEGE ENDOWMENT FUNDING PLAN

SOURCES OF INITIAL FUNDING:

Title III Grant	$150,000
Raised by College	150,000
UNCF Capital Campaign	50,000
Loan from Insurance Companies	400,000
	$750,000

NOTE: Interest on investments of 13.77% is the actual rate which the most recent CEFP investment pool receives on investments purchased in December 1981. Interest rate on loan is 2% below that rate by agreement with participating insurance companies. The 11% rate assumed on reinvestment of excess funds is estimated, and is lower than rates currently available. Actual results will be greater or less, depending on actual rates.

Year	Total Amount Invested	Interest On Investments @13.77%	Interest On Loan @11.77%	Federal Tax	Custody Fee	Current Expenditures	Total Expenses	Loan Balance	Excess Income For Reinvestment	Loan Payments	Reinvested Funds 11%
1	$750,000	$103,275	$47,080	$1,360	$417	$30,000	$78,857	$400,000	$24,418		$24,418
2											54,208
3											87,275
4											123,97[illegible]
5											164,721
6											209,944
7											260,142
8											315,862
9											377,711
10											466,363
11						31,200	80,057		23,218		521,235
12						32,448	81,305		21,970		602,958
13						33,746	82,603		20,672		692,229
14						35,096	83,953		19,322		789,822
15						36,500	85,357		17,918		896,591
16			47,080	1,360		37,960	86,817	400,000	16,458	40,000	969,084
17			42,372	1,244		39,478	83,511	360,000	19,764		1,053,221
18			37,664	1,088		41,057	80,226	320,000	23,049		1,150,260
19			32,956	952		42,699	77,024	280,000	26,251		1,261,527
20			28,248	816		44,407	73,888	240,000	29,387		1,388,515
21			23,540	680		46,183	70,820	200,000	32,455		1,532,807
22			18,832	544		48,030	67,823	160,000	35,452		1,696,445
23			14,124	408		49,951	64,900	120,000	3[illegible],375		1,881,250
24			9,416	272		51,949	62,054	80,000	[illegible],221		2,089,543
25			4,708	136		54,027	59,288	40,000	43,987		2,323,818
						$924,731					

Total current expenditures over 25 years, with 4% escalation beginning 11th year - $924,731

Reinvested Funds -	$2,323,818
Original Investment	750,000
TOTAL ENDOWMENT	$3,073,818

17

WOFFORD COLLEGE
FOUNDED 1854
SPARTANBURG, SOUTH CAROLINA
29301

APR 19 1982

APR 19 1982

April 15, 1982

Congressman Paul Simon
Chairman
Committee on Education & Labor
Sub-committee on Post Secondary Education
320 Connor House Building
Washington, D.C. 20515

Dear Congressman Simon:

This is in response to your request for information about our endowments and how they are used. Wofford College has approximately $6 million of permanent endowment, which is a relatively small endowment for a college with 1,000 students. Only the income can be used. About $3 million is for endowed scholarships, while the remainder is either unrestricted or is in support of faculty salaries. The income from the endowed scholarship portion must be used for scholarships. The income from the remainder is used in support of the annual operating budget.

Until very recently, our endowment was invested 65% in common stocks, 25% in bonds, and 10% in short-term investments. At the present time, 50% is in short-term investments, 25% is in bonds, and 25% is in common stocks. This change was made in an effort to improve investment income.

In the newsletter request, it is suggested that endowment funds may be a resource that we can fall back on during this period of reduced federal aid. This is not the case, since the income from endowment funds is being completely utilized at the present time. The corpus of the funds is restricted and cannot be used.

I hope this information will be helpful. If there are questions, do not hesitate to contact us.

Sincerely yours,

Joe Lesesne

Joab M. Lesesney Jr.
President

JML:ssm

STETSON UNIVERSITY
DELAND, FLORIDA 32720

OFFICE OF THE PRESIDENT

April 13, 1982

APR 19 1982

APR 16 1982

The Honorable Paul Simon
Chairman Committee on Postsecondary Education
House of Representatives
Congress of the United States
320 Cannon House Office Building
Washington, D. C. 20515

Dear Congressman Simon:

I am pleased that you are issuing a Higher Education News Letter, and I am responding to your request in the issue of March 15, 1982.

Stetson University is a private University with a small endowment, approximately $7,000,000. The income on this endowment is used for operating expenses of the University, though some parts of the endowment can be used only for certain aspects of our operations. For example, we have several endowed academic chairs. In these cases the income goes to support the salaries of professors. The donors of some portion of the endowment have asked that the income be used for scholarships or loans. This represents only a small portion of our endowment, but, of course, the donors' wishes are adhered to. None of our endowment is used for capital expenses, if by that term, one is speaking of buildings or permanent or physical items. The endowment has professional management and holds stocks, bonds, and short-term paper. We do own some property off of which some small income is generated, but this property, for the most part, is either contiguous to our campus and will be used for expansion or is property which we are in the process of seeking to sell.

We are in the midst of a major campaign to increase our endowment, but this is a long-term process and, even in the best of circumstances, we could not replace the funds which are proposed by the President's recommended budget to be taken from student aid.

If I can supply you additional information, I shall be happy to do so.

Sincerely yours,

Pope A. Duncan
President

PAD:jw

KANSAS WESLEYAN

Office of the President Phone (913) 827-5541

APR 19 1982

April 15, 1982

APR 20 1982

Mr. Paul Simon, Member
House of Representatives
320 Cannon House Office Building
Washington, D.C. 20515

Dear Mr. Simon:

Thank you for your very thorough news letter of March 15, 1982. I deeply appreciate your many activities on behalf of higher education. It is difficult for those of us who have invested our professional lives to the post secondary education of people to suddenly realize that such is no longer a national priority. We welcome any and aid leadership such as is provided by such as yours.

You asked for information on matters pertaining to endowments. As with many, many colleges, Kansas Wesleyan has a small endowment of about one and three-quarter million. All of these monies have been given to the college over its lifetime to serve as its endowment. Approximately half of it is used as support for the academic programs of this college. The other half is endowment for scholarships. Increasing this latter category is our primary goal at the present. The endowment is managed by two banks here in Salina with the funds primarily in high yield investments.

Please continue to keep us informed as you have in the past.

Sincerely yours,

Daniel L. Bratton

Daniel L. Bratton
President

DLB:rct

Dictated by Dr. Bratton,
signed in his absence

100 East Claflin, Salina, Kansas 67401

VIRGINIA WESTERN COMMUNITY COLLEGE
P.O. Box 4195, 3095 Colonial Avenue, S.W., Roanoke, Virginia 24015, Phone: 703/982-7200

April 13, 1982 APR 16 1982

APR 15 1982

The Honorable Paul Simon
Chairman, Subcommittee on
Post Secondary Education
320 Cannon House Office Building
Washington, D. C. 20515

Dear Mr. Simon:

We appreciate the recent information you forwarded to us with reference to the budgetary outlook regarding our Educational Financial Assistance Program.

In your letter you indicated a desire to have information pertaining to endowments as a source of private income for higher education. Virginia Western Community College established an Educational Foundation in November of 1980. To date, our Educational Foundation has endowments totaling less than $25,000. The interest income from the principal is available for distribution to our students. About 14 percent or approximately $3,500 per year is the maximum that is available for distribution in the form of scholarships or loans.

Thank you for your interest in higher education. As a member of the higher education community, we would appreciate your continued support for need-based financial aid systems.

Very truly yours,

VIRGINIA WESTERN COMMUNITY COLLEGE

Dwight E. Blalock

Dwight E. Blalock, Dean
Financial and Administrative
Services

DEB/js

COLLEGE ...

April 14, 1982

APR 20 1982

The Honorable Paul Simon
Chairman
Committee on Education and Labor
Subcommittee on Postsecondary Education
320 Cannon House Office Building
Washington, D.C. 20515

Dear Congressman Simon:

Thank you for your very interesting and informative "Higher Education Newsletter" of March 15, 1982 which I am sharing with staff and Trustees. In the final paragraph you asked to be informed about our endowment, how it is used and the character of the endowment.

Currently our only endowment is our Land Grant Endowment of $3,000,000. Endowment earnings are used principally as operating reserves to help offset declines in revenues. At the moment all of our current endowment earnings are already being applied to help support on-going programs which are suffering from inadequate funding.

Although we are attempting fund-raising, our success has been limited and several donors would prefer to give for purposes other than endowment. In any case, we believe that as an effective land grant institution which is serving the Virgin Islands as well as many areas of the Caribbean, our $3,000,000 endowment is too low especially when other institutions are considered. Accordingly we have been in contact with our Congressman Ron deLugo with the hope and expectation that with the assistance of yourself, Congressman Tom Foley and others, our land grant endowment would be increased when conditions are favorable.

Meanwhile I am encouraged by your planned hearings on private resources. I attended a meeting in Washington in which many private sources envisioned their aid as the employment of graduates; but how could they employ graduates if they do not help to supply the funding to keep the colleges from bankruptcy? I will follow the hearings with keen interest.

Sincerely,

Arthur A. Richards
President

cc: Congressman Ron deLugo
Director of Development

OFFICE of the PRESIDENT • COLLEGE of the VIRGIN ISLANDS
CHARLOTTE AMALIE • ST THOMAS • U S VIRGIN ISLANDS
TEL (809) 774 9200

Woodbury University
1027 WILSHIRE BOULEVARD, LOS ANGELES, CALIFORNIA 90017 • TELEPHONE 213/482-8491

APR 19 1982

April 15, 1982
Our 98th Year

APR 20 1982

The Honorable Paul Simon
Chairman
Subcommittee on Postsecondary Education
House of Representatives
320 Cannon House Office Building
Washington, D.C. 20515

Dear Congressman Simon:

I am writing to thank you for your March 15th newsletter which explains more clearly than anything else I have read on the current situation in higher education legislation. I am also writing to respond to your request for information about endowments. That response is a simple matter for me since Woodbury has no endowments. We currently have about $1.5 million in current and plant funds invested, but which are not set aside for purposes of endowment only. These funds are insufficient to support the institution in a financial climate where the student body is continuing to reduce in size. The lack of financial aid funds to maintain a continuing sizeable American student body is therefore critical for the future of Woodbury University.

I appreciate the work that you are doing in the Congress in support of postsecondary education.

Sincerely yours,

Wayne L. Miller
President

WLM mjp

Findlay College
FINDLAY, OHIO 45840
419-422-8313
CHARTER 1882
OLD MAIN 1884
CHARTER CLASS 1886

OFFICE OF THE PRESIDENT

April 15, 1982

APR 19 1982

APR 20 1982

Mr. Paul Simon, Chairman
Congress of the United States
Committee on Education and Labor
320 Cannon House Office Bldg.
Washington, D.C. 20515

Dear Mr. Simon:

The total budget at Findlay College for 1981-82 is $7,000,000. Our endowment is $2,380,000. Some of the endowment consists of property which produces little income. Our total endowment income will be approximately $160,000. Our budget includes $619,000 of Findlay College monies for student financial aid.

It is evident from the above figures that we are very dependent on federal financial aid for our 1,000 students.

Sincerely,

Glen R. Rasmussen

Glen R. Rasmussen
President

/jap

Rockhurst College

Kansas City's Jesuit College

Office of the President

April 15, 1982

The Honorable Paul Simon
Chairman
Subcommittee on Postsecondary Education
Committee on Education and Labor
Congress of the United States
House of Representatives
320 Cannon House Office Building
Washington, D.C. 20515

APR 19 1982

APR 20 1982

Dear Mr. Simon:

In response to your request in your "Higher Education Newsletter" of March 15, 1982, I am happy to supply the following information about our endowment. The two attached pages give a brief summary of the amount of our endowment (market value on December 31, 1981, was $6,269,879.40), how it is invested and how it is used. I hope that these summary pages are sufficient for your purposes. I would be happy to furnish any additional information that might be helpful.

Rockhurst College is an independent institution under the sponsorship of the Jesuits and with Roman Catholic affiliation.

In these times of uncertainty with regard to future higher education funding, it is especially helpful to receive this kind of information directly from the committee which is so closely involved.

It was a pleasure for me to testify before the committee on National Direct Student Loans several months ago and I have the highest regard for your work and gratitude for your efforts to support this important national resource.

All best wishes,

Sincerely,

Robert F. Weiss, S.J.

Robert F. Weiss, S.J.
President

RFW:th

Enc.

5225 Troost, Kansas City, Missouri 64110 816 926-4250

ROCKHURST COLLEGE
ENDOWMENT FUND

SUMMARY	YIELD	ESTIMATED ANNUAL INCOME	12-31-81 MARKET VALUE
Cash & Equivalent	(11.8)	$ 35,166.00	$ 298,687.12
Notes & Mortgages	(9.7)	83,368.60	863,200.54
Government Bonds & Agencies	(11.9)	218,325.00	1,821,781.11
Corporate Bonds	(10.9)	3,937.50	36,250.00
Real Estate	(1.7)	4,300.00	247,600.00
Common Stocks	(5.5)	44,781.90	821,493.13
Preferred Stocks	(12.1)	3,981.00	32,775.00
Woodrock Foundation	(11.2)	213,600.00	1,900,000.00
SUB-TOTAL	(10.1)	$607,460.00	$6,021,786.90
Segregated Investments	(0.4)	1,000.00	248,092.50
TOTAL ENDOWMENT AT MARKET	(9.7)	$608,460.00	$6,269,879.40
TOTAL ENDOWMENT AT COST	(10.5)	$608,460.00	$5,810,695.77
TOTAL ENDOWMENT AT BOOK VALUE	(11.7)	$608,460.00	$5,181,238.99

ADDITIONS TO ENDOWMENT FUND

To 6-30-81	$4,743,343.21
Transfer of income to Quasi Endowment	75,000.00
Additions 7/1/81 to 12/31/81	362,925.78
TOTAL ADDITIONS AND TRANSFERS	$5,181,238.99

[ACCO]UNT [NUM]BER		PRINCIPAL 6-30-81	7-1-81 to 12-31-81	PRINCIPAL 12-31-81
	VISITING SCHOLAR			
-219-00	Rob Roberts	$ 50,000.00	—	$ 50,000.00
-219-00	H. Bundschu	25,000.00	—	25,000.00
-219-00	K. C. Trusts & Fnd.	15,000.00	—	15,000.00
-219-00	Charropin (Miller)	16,710.75	—	16,710.75
-219-00	Wm. Rossner	28,025.00	—	28,025.00
-219-03	Quasi	20,000.00	10,000.00	30,000.00
	TOTAL	$ 154,735.75	$ 10,000.00	$ 164,735.75
	FACULTY/STUDENT ADVANCEMENT			
-218-00	Van Ackeren Apprec., Fund	$ 283,607.36	2,000.00	$ 285,607.36
-218-03	Van Ackeren App. Fnd.-Quasi	55,000.00	—	55,000.00
-220-03	Faculty Development-Quasi	183,200.00	10,000.00	193,200.00
-221-00	Hoskins Memorial	100.00	—	100.00
-221-03	Hoskins Memorial-Quasi	25,000.00	—	25,000.00
-222-03	Huger Memorial-Quasi	11,800.00	—	11,800.00
43-111-00	Huger Memorial	200.00	—	200.00
	TOTAL	$ 558,907.36	$ 12,000.00	$ 570,907.36
	COOPERATIVE EDUCATION			
43-302-00	Coppert Fund	$ 243,238.95	$262,937.93	$ 506,176.88
	LIBRARY			
-304-00	Greenlease Library	$ 54,786.60	$ —	$ 54,786.60
-304-03	Greenlease Library-Quasi	20,000.00	—	20,000.00
-305-00	Library Guild Perp.	16,700.00	2,050.00	18,750.00
	TOTAL	$ 91,486.60	$ 2,050.00	$ 93,536.60
	FACULTY CHAIRS			
-308-00	Executive Fellows	$ —	$ 10,949.60	$ 10,949.60
	PHILOSOPHY FUND			
-107-00	Pat Morgan Fund	$ 18,285.00	$ —	$ 18,285.00
-107-00	J. Freeman Fund	58,178.00	7,050.00	65,228.00
-107-03	Philosophy Fund-Quasi	15,000.00	5,000.00	20,000.00
	TOTAL	$ 91,463.00	$ 12,050.00	$ 103,513.00
	ARTS FUND			
-211-00	Lakas Memorial	$ 79,857.24	$ —	$ 79,857.24
-206-00	Bonfils	200,000.00	—	200,000.00
-206-03	Arts Fund-Quasi	20,000.00	30,000.00	50,000.00
	TOTAL	$ 299,857.24	$ 30,000.00	$ 329,857.24
	JESUIT DEVELOPMENT			
-210-00	Rossner Memorial	$ 12,000.00	$ —	$ 12,000.00
	AWARDS			
-203-00	Luby Medal	$ 500.00	$ —	$ 500.00
-204-00	Rossner Medal	525.00	—	525.00
-207-00	Calfas Memorial	1,903.00	—	1,903.00
	TOTAL	$ 2,928.00	$ —	$ 2,928.00
	PROGRAMS			
-215-03	Valenta Fund-Quasi	$ 25,926.44	$ 6,000.00	$ 31,926.44
-101-03	Admin. of Justice-Quasi	5,000.00	—	5,000.00
-106-00	Humanities Fund	636,887.40	—	636,887.40
-106-03	Humanities Fund-Quasi	—	20,000.00	20,000.00
-217-00	Rossner Fund Dev. Rel.	193,321.53	—	193,321.53
	TOTAL	$ 861,135.37	$ 26,000.00	$ 887,135.37
	UNRESTRICTED			
-800-00	College	$ 365,240.13	$ —	$ 365,240.13
-801-00	Permanent Memorial	19,038.08	1,570.50	20,608.58
	TOTAL	$ 384,278.21	$ 1,570.50	$ 385,848.71
	TOTAL OTHER FUNDS	$2,700,030.48	$367,558.03	$3,067,588.51
	TOTAL SCHOLARSHIPS	2,043,401.73	70,248.75	2,113,650.48
	TOTAL ENDOWMENT PRINCIPAL	$4,743,432.21	$437,806.78	$5,181,238.99

OFFICE OF THE PRESIDENT

APR 16 1982 **ASHLAND COLLEGE**

ASHLAND, OHIO 44805

April 13, 1982

Honorable Paul Simon
Congress of the United States
House of Representatives
Committee on Education and Labor
Subcommittee on Postsecondary Education
320 Cannon House Office Building
Washington, D. C. 20515

APR 16 1982

Re: Higher Education and Student Aid

Dear Mr. Simon:

I am pleased to respond to your Newsletter of March 15, 1982. Ashland College is a liberal arts institution 104 years old; present total enrollment is 2,700. Total evaluation of the college is $60 million with an annual budget of approximately $15 million.

Sixty-five percent of the Ashland students receive scholarship aid with the average being $2,600. Ashland specializes in first generation students; these are students from families who have not necessarily had the privilege of higher education. Our total endowment is only $2.8 million, with approximately 50% of this designated for student aid. In addition, Ashland appropriates $1.4 million from its operating budget for scholarships, approximately 10%. This has increased considerably over the past number of years and is equal to all other student aid including that of the Federal government.

Ashland College believes in fiscal responsibility. However, we equally believe that cutting out a program in a year or two which was developed over a 25-year period would bring chaos to higher education. It costs the taxpayer only $1 at Ashland College for the same job that would take $8 of the tax money at a public institution. We believe that democracy is enriched and insured by the dual system of private and public higher education rather than just public government sponsoring education which led to such phenomenon as the Third Reicht in Germany. We support the NDSL and college work-study programs rather than the elimination of them.

We feel that education is as much of a national defense as the military personnel and hardware.

Private education has worked hard in doing its job and needs time to make adjustments.

Thank you for your support.

Sincerely yours,

Joseph R. Shultz
President

JRS:dl

Smith College
Northampton, Massachusetts 01063
Office of Public Relations

May 10, 1982

The Honorable Paul Simon
Chairman
House of Representatives
Committee on Education and Labor
Subcommittee on Postsecondary Education
320 Cannon House Office Building
Washington, D. C. 20515

Dear Representative Simon:

I write in response to your March newsletter in which you mention hearings your subcommittee is scheduling on the private resources colleges and universities may have to fall back on during this period of reduced federal aid. I enclose some information about Smith College, the largest privately endowed liberal arts college for women in the country.

I hope this information will be useful to you as you plan your hearings.

Sincerely,

Ann Shanahan

Ann E. Shanahan
Director of Public Relations

AES/cmk
Enclosure

Telephone (413) 584-2700, ext. 2121

SMITH COLLEGE

Endowed Funds
June 30, 1981

Purpose	Market Value	Income Allowed for Use 1980-81
Professorships	$ 7,913,613	$ 396,778
Scholarships	35,281,522	1,596,197
Other Student Aid	2,342,928	107,082
Other Restricted	52,203,174	2,226,598
Unrestricted	33,178,653	1,991,396
	$130,919,890	$6,318,051

WS/5/5/82

MERCER UNIVERSITY

MACON, GEORGIA

Office of the President

May 12, 1982

The Honorable Paul Simon, Chairman
Subcommittee on Postsecondary Education
House of Representatives
Congress of the United States
320 Cannon House Office Building
Washington, D. C. 20515

Dear Chairman Simon:

I wish to express my appreciation for the Higher Education Newsletter you shared with me and the invitation to respond with suggestions. I believe the greatest need we have in private higher education is the continuation of graduate and professional student eligibility for Guaranteed Student Loans. Although everyone recognizes there has been some abuse in this program, the majority of graduate and professional students have a justifiable financial need for this loan. The elimination or placing excessively restrictive measure on the GSL Program as it pertains to these students will adversely affect their enrollment in private universities, will overburden the public institutions with enrollment beyond their capacity, and will result in less graduate and professional students.

As you requested, I am forwarding information regarding our endowment. Mercer's endowment funds as of June 30, 1981, amounted to $23,135,881.41 book value, with a comparative market value of $23,773,159.62.

The book value of the endowment funds are classified according to the AICPA Audit Guide as follows:

TYPE	BOOK VALUE
Permanent	$10,640,944.17
Term	248,950.86
Quasi	5,312,377.14
Remainder Interest Trusts	334,687.45
Funds Held in Trust by Others	6,598,921.79
TOTAL	$23,135,881.41

A further breakdown of endowment funds as to the designation of the endowment income is as follows:

DESIGNATION OF ENDOWMENT INCOME	BOOK BALANCE
Current Operations	$18,414,861.56
Scholarships	3,122,742.40
Professional Chairs and Lectures	1,080,762.32
Loan Funds	517,515.13
TOTAL	$23,135,881.41

The average yield (income) of the endowment fund portfolio for fiscal year 1980-81 was 8.7%, while the total return (income + appreciation) for the same period was 16.2%.

The percentage of book value of the various types of endowment fund investments held by Mercer on June 30, 1981, was as follows:

	%
Cash, Notes Receivable, Student Loans, Short-term Investments	20
Marketable Securities	44
Real Estate (including Loans)	36
	100%

In closing, our nation has become among the greatest on Earth because it has a well-educated, literate populace. We, the People, call on our Congressmen to continue in the same posture of their forebears in legislating what is best for our nation.

Sincerely yours,

R. Kirby Godsey

R. Kirby Godsey
President

RKG:bp

Office of the President

North Central College

Naperville, Illinois 60566
312/420-3400

April 20, 1982

The Honorable Paul Simon
House of Representatives
320 Cannon House Office Building
Washington, D.C. 20515

Dear Representative Simon:

I write to respond to your Higher Education Newsletter dated March 15, 1982, and provide the information you requested relative to North Central College's endowment. It is my understanding that the Subcommittee on Postsecondary Education plans to use the results of this informal survey in planning hearings on the private resources of colleges and universities they may have available during this period of reduced federal aid.

As of June 30, 1981, the North Central College endowment amounted to $3,395,003.

The following quote from a publication prepared by the American Institute of Certified Public Accountants defines the function of endowment funds:

"The endowment and similar funds group generally includes endowment funds, term endowment funds, and quasi-endowment funds.

Endowment funds are funds with respect to which donors or other outside agencies have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity and invested for the purpose of producing present and future income which may either be expended or added to principal.

Term endowment funds are similar to endowment funds except that, upon the passage of a stated period of time or the happening of a particular event, all or a part of the principal may be expended.

Quasi-endowment funds (funds functioning as endowment) are funds which the governing board of an institution, rather than a donor or other outside agency, has determined are to be retained and invested. Since these funds are internally designated rather than externally restricted, the governing board has the right to decide at any time to expend the principal.

Quasi-endowment funds are usually set aside to fulfill the same purpose as endowment funds and, therefore, should be accounted for in the same manner as endowment and term endowment funds. The only significant difference between endowment and quasi-endowment funds is that endowment fund principal is required by the donors or other outside agencies to be retained for the production of income to help meet present and future costs whereas the principal of quasi-endowment funds is retained and invested voluntarily, for the same or similar purposes. In the case of endowment funds, the need to maintain the principal or corpus intact is mandatory."

When you consider the college has a total operating budget in excess of $6,000,000, it is obvious that income for operating purposes from this, although helpful, is of minimal assistance in meeting total needs. This college is in fact a tuition driven institution with approximately seventy percent (70%) of its income from that source.

The high cost of private college tuition in comparison with publicly funded institutions is what makes federal student aid programs so vitally important in carrying out their mission to society.

You are to be commended for initiating this study so that the Subcommittee members have an in-depth understanding of the plight of private higher education.

Your support is urged to help maintain programs at no less than the levels in the F482 Continuing Resolution.

Sincerely,

Gael D. Swing

Gael D. Swing
President

bes

ANDERSON COLLEGE
FOUNDED 1911
ANDERSON, SOUTH CAROLINA
29621

VICE PRESIDENT FOR BUSINESS AFFAIRS

April 20, 1982

Congressman Paul Simon
Chairman, Committee on
Education and Labor
320 Cannon House Office Building
Washington, D.C. 20515

Dear Congressman Simon:

In response to your "Higher Education Newsletter" of March 15, 1982, I am writing to inform you of the endowment of our College.

Anderson College ~~is~~ a private, two year junior college with approximately 900 students. Our endowment is $1,200,000 which is used for scholarships. The funds are invested in Certificates of Deposits at local financial institutions. Since the College has such a limited endowment, our students depend heavily on federal financial aid. The work of your Committee to help preserve higher education funds will benefit students all over our nation.

Thank you for the help that you give to students to make higher education possible for them.

Sincerely,

B.J. Taylor
Vice President for Business Affairs

BAPTIST COLLEGE AT CHARLESTON
P. O. BOX 10087
CHARLESTON, SOUTH CAROLINA 29411

OFFICE OF DEVELOPMENT

April 16, 1982

Honorable Paul Simon
Chairman
Congress of the United States
House of Representatives
Committee on Education and Labor
Subcommittee on Postsecondary Education
320 Cannon House Office Building
Washington, D. C. 20515

Dear Mr. Chairman:

I deeply appreciate your communication of March 15th, it has just come to my desk. We deeply appreciate your concern for higher education and its importance to the future of our country.

Baptist College at Charleston is sponsored by the South Carolina Baptist Convention and is therefore a church related school of liberal arts and sciences offering 32 majors. The Baptist College opened to students in 1965 to meet a very critical need in higher education. In 1970, 32.2 per cent of the high school graduates from this tri-county area were entering college while the national average was 60.6 per cent. The college is now the second largest independent college in the State with regional accreditation. In 1980, the number of high school graduates in the tri-county area entering college was 40 per cent while the national average was 62.4 per cent. While we have made a great deal of progress, we have a long way to go.

In 1970, minority students comprised 11.7 per cent of the enrollment of Baptist College. In 1980, it was 23 per cent minority students. These students are heavily dependent upon financial aid. In 1981, in addition to all of the government programs, it was necessary for the college to provide over $800,000.00 in institutional aid to students. This is the very limit of institutional aid that we are able to provide. Our endowment is very modest. The income from endowment of student aid amounts to only $15,000.00 per year. If financial aid is cut as proposed by the Administration, many of these students will have to drop out of college; other qualified students will not be able to enter college for financial reasons.

The director of financial aid informs me that, if the financial aid is cut according to the proposals of the Administration, the students attending Baptist College will lose over a million dollars. Neither the institution nor the parents can absorb this loss.

If we can provide you with further information, please let me know.

Sincerely,

JAHamrick
John A. Hamrick
President

JAH/ba

Spring Arbor College • Spring Arbor, Michigan 49283 • (517) 750-1200

April 19, 1982

Mr. Paul Simon, Chairman
Committee on Education and Labor
Subcommittee on Postsecondary Education
320 Cannon House Office Building
Washington, DC 20515

Dear Mr. Simon:

A portion of your March 15 Higher Education Newsletter requests information on the private resources colleges and universities may have to fall back on during a period of reduced federal aid.

Historically, Spring Arbor College in Spring Arbor, Michigan, has had little or no endowment which could assist. In fact, until approximately 18 months ago, our total endowment for student scholarships was about $250,000.

Realizing the need for additional money, we are taking specific action which will remedy this problem to a greater extent. In our next Board of Trustees meeting we have ready for approval two declarations which will create endowments for two specific areas; namely, student scholarships and operations. Furthermore, we are glad that our present endowment monies are approximately $1.5 million as opposed to the $250,000 of just a few months ago.

When compared to the $1,700,000,000 endowment which a school such as Harvard may manage, our $1.5 million seems extremely small. In no case would we be able to ride out a severe economic storm with that amount only, but we are anticipating that the sudden recent increase of our endowment position will continue so that we may look to the future with considerable more easiness.

Our endowment funds will be managed by the Investment Committee of our Board of Trustees. One of the powers of the trustees is to make a variety of types of investments at their discretion. Our funds, at the present time, are quite diversified.

Sincerely,

Stanley Thompson

Stanley B. Thompson
Vice President for Institutional Advancement

SBT:sp
cc: Dr. Kenneth H. Coffman, President

Illinois State University
President

April 19, 1982

The Honorable Paul Simon, Chairman
Subcommittee on Post Secondary Education
House of Representatives
320 Cannon House Office Building
Washington, D. C. 20515

Dear Representative Simon:

I appreciate receiving the March 15 issue of the Higher Education Newsletter. It is an excellent resume of how things are going.

There is, as you can imagine, substantial student concern on our campus about possible reduction in student financial aid. Last week, I spoke to a student rally, and urged those in attendance to write their concerns to their elected representatives.

You asked about what we have in the way of private resources which we could fall back on to assist in financial aid or other materials. As a state university, the vast bulk of our private monies are used for scholarships now. In other words, the chances that we would be able to increase the amounts we give for scholarship assistance are remote. By carbon copy of this letter, I am asking Mr. John Sayre, our Alumni and Development Director, to correspond directly with you about these private resources.

Thanks again, Paul, for your help in trying to minimize the damage which may be done to higher education.

Sincerely,

Lloyd I. Watkins
President

LIW/ges

cc: John Sayre

Normal-Bloomington, Illinois
Phone: 309/438-5677

Hovey 308
Normal, Illinois 61761

Equal Opportunity/Affirmative Action University

GRAND VALLEY STATE COLLEGES

Allendale, Michigan 49401 • 616/895-6611 • An Equal Opportunity/Affirmative Action Institution

April 20, 1982

The Honorable Paul Simon, Chairman
Committee on Education and Labor
Subcommittee on Postsecondary Education
320 Cannon House Office Building
Washington, DC 20515

Dear Congressman Simon:

We appreciate your continued support for higher education. As you are aware, institutions in Michigan are suffering more than in most other states because of major reductions in state aid forced by the critical condition of the economy.

Private Resources Development at Grand Valley State Colleges

Grand Valley was chartered in 1960, and from the first years has depended upon vigorous private support. Community leaders who banded together to press for a new public institution in this the second largest population center in Michigan, raised more than a million dollars in private money to persuade the legislature to move ahead. Since those early days private funds have made possible the construction of the Loutit Hall of Science, our first dormitory facilities, the first student center, the establishment of WGVC-TV (Channel 35, P.B.S. for West Michigan), the building of our new stadium and track facilities, and continued support for academic programs.

Recent decreases in state and federal support have convinced us of the need to once again organize to seek private support. We have done so with the establishment of The Grand Valley Colleges Foundation, whose objectives are:

1. To provide an umbrella under which all development and fund raising at GVSC will operate;

2. To provide leadership to raise funds for GVSC from special campaigns, deferred giving programs, and from annual dues from Grand Valley Colleges Foundation members;

3. To provide an annual review and make recommendations on all continuing and special fund raising projects, serving in this way as a citizens' advisory body to the GVSC President and Board of Control on all major educational projects requiring private funding;

4. To publish an annual report on the stewardship of funds in its care, with proper listing of contributors.

About forty distinguished citizens of Michigan serve as trustees of the Foundation.

Grand Valley State Colleges has an endowment of more than $3 million which is held as a permanent investment fund, generating a steady source of income year after year. Our goal is to reach an endowment of $10 million by the end of this decade.

An Endowment Fund assures consistency of needed resources, so that in bad times essential programs and valuable faculty are protected and in good times, we will have resources for special program development.

Perhaps most important of all is the good will, support, and public understanding that develops through the activities of the Grand Valley Colleges Foundation.

This is our program, one that we recognize as essential to the well being of Grand Valley State Colleges, during good times as well as bad, when public funding is reduced.

Best wishes.

Sincerely,

Arend D. Lubbers

Arend D. Lubbers
President

adb

UNIVERSITY OF ROCHESTER

ROBERT L. SPROULL
PRESIDENT

14 April 1982

Mr. Jared Garelick
Subcommittee on Postsecondary Education
320 Cannon House Office Building
Washington, D.C. 20515

Dear Mr. Garelick:

Thanks very much for your friendly note of 19 March and for the Higher Education Newsletter that you enclosed. I found them both interesting, and I was especially pleased to read in the newsletter about the Foreign Language Improvement Act, a proposal that I believe would be of considerable value.

The last page of the Newsletter asks colleges and universities to talk about their endowments and the financing of scholarships and other activities. In response to that request, I am enclosing a copy of the President's Report for 1980-81. It includes in a condensed form our financial report for the year and also a discussion of our approach to investments. In my essay starting on page two appears a very candid assessment of the problems and opportunities in each of the component units of the University, and that may be of interest to you and Representative Simon.

You can be of great help to Mr. Simon when he studies endowments by pointing out that some published reports can seriously under- or over-state the financial strengths of a university. The endowment figures assiduously collected by the National Association of College and University Business Officers and published most recently in the Chronicle of Higher Education of 17 March are, for example, of little value. Rochester, which does not participate in the survey, holds financial assets like stocks and bonds in its endowment because previous generations chose that form of benefaction for us. We also have substantial debt. Another university might hold large amounts of unimproved land, ultimately of very great value but currently carried at a nominal amount.

ROCHESTER, NEW YORK 14627 • TELEPHONE (716) 275-2797

Another might have fully paid off its dormitory indebtedness and thus have positive earnings from its campus residences. In other words, many factors must be taken into account in analyzing a university's situation, and NACUBO takes none of them into their reckoning. That is why we do not participate in their compilation; we do not wish to be a party to misleading the public.

I am glad that you are enjoying your experience, and I hope we can get together and talk about it when you return to the campus.

Sincerely yours,

Robert Sproull

Robert L. Sproull

RLS:rmh
Enclosure

THE BIG NEWS this year is the successful completion of the Campaign for Rochester. At the official closing on 31 December 1980 the total given stood at \$108.7 million; details appear elsewhere in this *Report* and in earlier *Reports*. My sense of gratitude to the donors and workers is deep and abiding, but there is no way I can adequately express my appreciation to them. The University is far stronger now than it would have been without the Campaign; it will serve its clienteles through teaching, research, and public service far more effectively. We shall try to make sure that the beneficiaries of the Campaign understand their debt, but donors realize that this is a risky operation at best and derive their real satisfaction from making good things happen.

The good happenings began at the beginning of the Campaign and will continue for many years. The most apparent results are the construction and renewal projects, which include major renovations at the Eastman School of Music, the Graduate School of Management, Helen Wood Hall, and the Hematology Unit, the creation of the Fairbank Alumni Center, the Garrett Perinatal Center, the Cancer Center, the Clark Musculoskeletal Unit, and the Todd Union theater; River Campus landscaping, including the George Graham Smith Plaza and the vastly improved "front door" to the Campus; and the initiation of the new Sports and Recreation complex. Some of these capital improvements will necessitate modest increases in operating budgets, but all produce more and more efficient functioning, often in less space.

Professorships created by the Campaign already include the Fanny Knapp Allen Professorship in Fine Arts, the Philip S. Bernstein Professorship in Jewish Studies, the Mercer Brugler Distinguished Teaching Professorship, the Dorris Hudgins Carlson Professorship of Orthopaedics, a chair of Catholic Thought and History, the George Washington Goler Chair in the School of Medicine and Dentistry, the Fred H Gowen Professorship, the Henry R Luce Professorship in Cognitive Science, the William F May Professorship in Engineering, the Elmer B. Milliman Chair in

Photograph by Ansel Adams

Economics, the Edward A. and Alma Vollertsen Rykenboer Chair, the Frank P. Smith Chair of Neurological Surgery, the James H. Sterner Professorship in Dermatology, and the James Peter Wilmot Distinguished Assistant Professorships. Not all of these are as yet fully funded, and at least four other named professorships are being developed. In addition, a few more professorships may be created with unrestricted pledges.

More than forty scholarship and fellowship funds have been established through the Campaign. Funds have been created to support faculty and programs in particular areas, such as the Todd, Ranlet, Mellon, Dreyfus, Orcutt-Botsford, Weinberg, Commonwealth, and Gannett funds. The magnificent Hutchison bequest, the income from which is restricted to building construction and maintenance, was a most important element of the Campaign's success.

Unrestricted gifts, as is usual in campaigns of this kind, have not been sufficient to fill in all the gaps between restricted gifts and Campaign objectives. We shall do everything possible to make up the differences as pledges are paid and new unrestricted gifts are made; about 13% of the capital part of the Campaign consists of pledges as yet unpaid (but our experience shows they will be paid) and land that has not yet been converted to earning assets. The ultimate match between the objectives as stated at the inception of the Campaign and the allocation of Campaign funds will be very close indeed.

There are three less obvious achievements of the Campaign. First, alumni annual giving has more than doubled over the period of the Campaign (see plot, page 3). Second, the University has become much better known during this period, especially by national corporations and foundations and partly as a result of Campaign activity. Third, since we did not employ an "outside" fund-raising firm, our own development staff is now stronger and more experienced. (And, incidentally, the Campaign expenses were thereby held to just 2% of the total contributed.) Thus we face the future in a strengthened position for attracting new support.

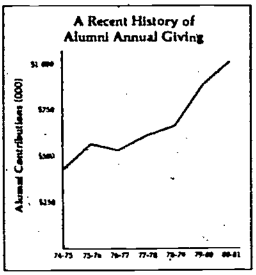
THE ENDING OF a successful Campaign provides a launching pad for planning the next five or ten years. It is unfortunate (but probably to be expected when one considers the pervasive power of Murphy's Law) that at precisely this time we face the greatest uncertainty ever in our financial interaction with the Federal Government, especially in research support and student financial aid. *If* inflation were brought down to levels like 5%, we could gladly forego the special Federal programs that support part of our work, but we cannot responsibly *plan* on the success of the anti-inflationary measures, and meanwhile we must face the cuts and the uncertainty.

Nevertheless, a new departure in planning is timely, and the Provost and I have begun talks with the deans and directors. As everyone knows, the consequential part of planning is the *process*, not the plans; there may never be any piece of paper that can be properly called a "plan" (and if there were, it would be rather ephemeral).

Before describing briefly some of the directions of this planning, it is wise to remind the reader of two important points. First, the spirit of the Campaign objectives was to underpin and preserve the quality of programs already undertaken, not to expand. Words like "maintain," "assure," "continue," and "remain" were common in the Campaign documents. The most important task ahead is to enhance the effectiveness of the "core" of each college or other activity, and this central task should be remembered in reading each of the following paragraphs. Second, although talks among Provost, President, and deans are not inconsequential, even more significant elements of planning are executed by departments and individuals, as I explained in my essay in the 1979-80 *Report*.

Each college (or other unit) is strong, but each has its own array of opportunities. The basic approach in our planning is to retain and make secure the strengths and to use the results of the Campaign to exploit opportunities.

The *College of Arts and Science* will continue to strengthen its graduate programs



Alumni annual giving has more than doubled over the period of the Campaign.

and to elevate the quality and attractiveness of its undergraduate programs. Competing for the best graduate students, for research funding, and for faculty will become increasingly costly. Because undergraduate programs are more vulnerable to external influences (competition, demography, legislation), attention to them will probably be more evident than to graduate studies. Renewed attention will be devoted to the content of a liberal education appropriate to service in the 21st Century and to the undergraduate's achieving at least a start on it simultaneously with preparation for advanced work or an immediate job.

The *Graduate School of Education and Human Development* will proceed in the directions of the School's January 1980 plan, which was designed to sustain a full academic program but to reduce its use of general University funds. (That plan was responsive to the impossibility of continuing support at the existing high level, whether measured by cost-per-student, cost-per-research-paper, or other measures.) Joint programs, such as one in computers and cognition and an even larger one in teaching the deaf, will be featured.

The *College of Engineering and Applied Science* will continue to enjoy a steady and well deserved increase in undergraduates, probably to be "capped" at a graduating class of about 200 (up from 73 in 1977). Some new classroom and research space will be required. Special attention will be given to computers: They will be factored more "naturally" into undergraduate education and more advantage will be taken of the Department of Computer Science in graduate education and research. The reshaping of the Department of Mechanical Engineering will prosper, and the articulation with the unique and thriving Laboratory for Laser Energetics will be improved.

The *Graduate School of Management* will profit from its new Campaign-created facilities and its conversion to the quarter system. Considerable expansion of the flourishing Executive Development Program is planned. The School has negotiated an incentive budgeting process which should enable it to overtake or even surpass Chicago, Stanford, MIT, and others. Fortunately there are sensible, even though necessarily approximate, measures of success in this field (such as starting salaries of MBA's, jobs taken by Ph.D.'s, and the extent of external support), and I share the School's confidence in its prospects.

The *University College of Liberal and Applied Studies* is going through a delicate transition. The "experiment" with Arts and Science has led to Arts' taking over courses in its domain that had been offered through University College (Management, Engineering, and Education had already moved in this direction, to varying degrees). The undergraduate part-time degree program will be maintained, and development of advanced courses in cooperation with local industries will be accelerated. Greater imagination, leadership, and management will be needed to take full advantage of one of our major but lightly used assets, the summer.

The *Eastman School of Music* has the nearly impossible problem of choosing and playing an encore after the Beethoven Ninth. Nevertheless, there are important opportunities for development, such as strengthening Music Education's ability to draw first-rate students and the School's achieving the recognition in New York and Boston that it has already attained in Germany and the Far East. The School's help to the rest of the University, already substantial, will increase, through joint programs as well as through other units' benefitting from the School's reputation.

The *School of Nursing*, our youngest college, will continue to develop a research-oriented senior faculty to move in its chosen direction toward advanced education and research. The School's "unification model" (education and service) has been achieved but the research component of education needs additional development. Federal grants must be expanded at precisely the time it is becoming harder to get them. The School stands on a firm base of its solid reputation for exemplary nursing care as it negotiates even more promising working arrangements with the physicians in the School of Medicine and Dentistry and Strong Memorial Hospital.

The *School of Medicine and Dentistry* has continued to grow in faculty and staff size while the size of the rest of the University has remained constant. Arresting, and in some areas reversing, numerical growth will be essential to further enhancement of quality, especially during the period of Federal grant retrenchment (which we hope will be shortlived, but who can say?). The preclinical departments need special attention, the question is again not one of problems but of missed opportunities. The professorships provided by the Campaign, the substantial renovation projects supported by the Campaign, and the Wilmot Cancer Fellowships (from a supporting foundation created by the late James P. Wilmot, not included in Campaign totals) all provide a most promising foundation for further growth in research and quality of education and service.

Strong Memorial Hospital has profited by its new management and by the new leadership of the School of Medicine and Dentistry. The financial bleeding has stopped, and we are fully committed to making a success (as viewed by patients, physicians, third-party payers, and government officials) of the Hospital Experimental Payments program. New organizational approaches to functional management of Hospital care, incorporating Medicine and Nursing Schools, will be tried. Continued attention will be directed toward making the relations with the affiliated hospitals as mutually beneficial as possible. Continued turbulence at Federal and State levels will prevent any long-range planning.

The *Memorial Art Gallery* is undertaking perhaps the most important planning exercise in its history. What will emerge is a plan for an expanded and even more effective program, for increased efficiency in the use of space, and for additional space and resources.

ALTHOUGH THE PROCESS that goes on within the schools and colleges is the heart of planning, it is not the whole story. One academic department, Computer Science, transcends the individual colleges, and planning for libraries and computing services is vital. Of course the University could not operate for an hour without many other important service departments.

The Miner and *Sibley Libraries* are planned and developed mostly by the schools they predominantly serve. *Rush Rhees Library* and its satellites will continue to feel the pinch in the acquisitions budget created by the explosive increase in the cost of scholarly journals. Increased faculty involvement in acquisitions choices is beginning. The automation of library files and circulation is overdue and will soon begin; it will be helped in part by a restricted grant in the Campaign, but additional funds must be procured. Improved physical security of the collections and improved physical settings for the Education and Engineering Libraries are other immediate objectives.

The computer must be woven more effectively into the University fabric in the years ahead. In administrative computing, the goals are efficiency, reliability, and responsiveness in existing functions and in new information systems that must be created with due attention to cost and privacy. Those are also the goals of research computing, which has the added requirements of the flexibility to accommodate widely different needs and the ability to use software developed elsewhere. The computer as an aid to analytical thinking will become more prominent and ubiquitous in undergraduate life; if this development does not arise from conviction and planning, it will be imposed on us by competition from other colleges and universities. A faculty-administration group is hard at work planning operations on this complicated field of battle.

The *Computer Science Department* has established a national reputation by acquiring a superb faculty and applying considerable resources. Its influence on other departments will grow substantially, especially by making sure that graduate students in other departments are emancipated from the parochial or dated views of computing likely in the absence of contact with the Department and by helping Arts and Science through the three-two (Master's degree) program.

Administrative units will be shaped, too. Many have been held for several years to nearly constant budgets; inflation has forced decreases in size. Development here will depend on project-by-project analysis of costs and benefits and on creation of new ways of measuring service to the academic departments and to the University generally. *Everyone* can point to places where money could be saved, but unfortunately one person wishes to cut security to provide better snow removal and another wishes to cut snow removal to provide better security.

Throughout the University, and especially in senior faculty and administrative positions, additional effort will be required to attract qualified women and especially blacks and other minorities. The competition with

Former parking area in front of Strong Auditorium has been transformed into an attractive entrance to the River Campus.

other universities for black faculty is extremely keen, and our great efforts here have resulted in disappointingly small numbers. Competition is also keen for women faculty, but a highly promising group of Assistant Professors and "above" are now on board and already constitute 19% of the faculty.

Omission from this short list of planned developments of many other vital elements such as student amenities and community relations does not mean that we are neglecting them.

The major challenge facing the University is effective operation and development during a period of zero real growth in budgets. We must somehow maintain a sense of community, morale, satisfaction in attaining personal and common objectives, direction, motion, improvement, momentum, and even (sigh!) happiness without doing it the only way we know how, namely by real growth. Our problem here is a miniature of the national problem. I encourage everyone to view analytically how we are doing and especially to compare us with other institutions, not just to point to an occasional noisy success there (or here) but to compare across whole institutions. We shall be able to serve better if we have these analytical comparisons.

With all the problems and uncertainties, the University is now a marvelously more interesting and rewarding place to do our best work than it was a dozen years ago, when confrontation politics and keeping the peace occupied center stage. "Interesting," "rewarding," even "happy" let it be, but it must never become a comfortable place. Meliora!

IN A HAPPIER WORLD I would close at this point. But it is impossible to conclude without expressing my sense of loss at the untimely death last August of James Peter Wilmot. Many generations will benefit from his leadership and generosity, and fortunately they will be aware of the latter because of the Wilmot Building, the Wilmot Cancer Fellowships, and the Wilmot Distinguished Assistant Professorships. Only a few of us in the University family, however, know the enormous influence of his personal participation. We shall long remember the strength, the drive, the candid assessments, and the blunt wit that on many occasions were vital to keep the University going.

Two other "greats" in the history of the University who died last year were even more widely known. Howard Hanson was in a real sense the creator of the Eastman School of Music. He directed it for forty years and was a major figure in twentieth-century music as composer, educator, and advocate of American music. Alan Valentine was President from 1935 to 1950 and began the transition of Rochester to a Ph.D.-granting, advanced university. He also had a notable career as a writer and a public servant.

AS ALWAYS, I welcome comments on this *Report* and on the development and direction of the University.

Robert L. Sproull
President
August 1981

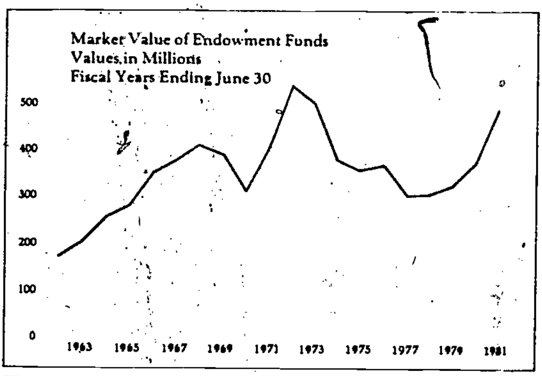
IT IS DIFFICULT to characterize in a few words the behavior of the financial markets during the past fiscal year. Stock prices were generally higher at year end and bond prices were lower. However, this description conceals more than it reveals. It overlooks all the problems that overshadowed these markets during the year and it does not explain the reasons why stock and bond prices moved in opposite directions.

Interest rates were part of the reason. They started climbing early in the year and then rose and dipped throughout the year in roller-coaster fashion. Each dip brought hope that the rising interest rates that plagued the bond market over the past several years had finally peaked. But, after each brief dip, rates turned around and climbed still higher than the previous peak, leaving bond prices down substantially by year end.

The flip-flopping interest rates that hampered bond investors also managed to choke off a sustained rally in the stock market but not before the Dow Jones Industrial Average pushed above the 1,000 mark. The spur that helped stock investors overcome their current concerns was the campaign and subsequent election of President Reagan. He promised to cut taxes, trim government spending, and shrink Federal regulations. Few doubt that even modest progress in achieving these goals will improve the economic climate and stimulate both business and labor to work more productively. It was the kind of message investors had been waiting for.

Stock prices lost ground in the second half of the fiscal year as investors returned their focus to those problems that have clouded the business environment for so long: high interest rates, persistent inflation, and an economy that lingers precariously between recession and recovery. Fortunately, the price moves in the first half of the year were sufficient to offset the lack of vigor in the second half, and results for the fiscal year as a whole were quite good.

The Dow Jones Industrial Average dropped below 1,000 by year end, but it still managed a gain for the year of 19%, including income. During the same period the Standard & Poor's 500 Index was up 21%.



Summary of Endowment Assets
June 30, 1981

	Book Value	Market Value	%
Short-term Investments	$ 84,552,941	$ 83,522,168	17.0
Oil Royalties	3,917,321	40,000,000	8.1
Joint Investment Pools	8,258,798	8,693,859	1.8
Special Situations	51,855,912	59,935,212	12.2
Common Stocks	160,185,800	298,702,918	60.9
	$308,770,772	$490,854,157	100.0%

On a comparable basis the University's endowment increased 36% and at the close of the fiscal year, June 30, 1981, the market value was $491 million.

While we are pleased with last year's results, we realize that in a period as short as a year stock price moves can be whimsical and may or may not have any logical basis. Over longer periods stock prices are expected to correlate with earnings and dividend progress. On this basis, last year's price moves seem justified. Average earnings of the common stocks held in the endowment increased 23% during the year. Dividends per share were increased an average of 17% by those companies that paid a cash dividend. These results were well above the trendline of the past five years. Even more important is the prospect that the companies held in the endowment will be able to continue showing superior results over the years ahead.

Office of the President
P.O. Box B
Granville, Ohio 43023
(614) 587-6281

Denison University

Founded 1831

May 5, 1982

The Honorable Paul Simon, III
Chairman, Committee on Education and Labor
Subcommittee on Postsecondary Education
House of Representatives
Congress of the United States
320 Cannon House Office Building
Washington, DC 20515

Dear Congressman Simon:

Denison University has a modest endowment for a college which has just celebrated its 150th Anniversary. The endowment funds and the income produced for specific purposes for the year ended June 30, 1981, are shown below. Not included are some $2,700,000 in annuity and life income funds in which Denison University has a remainder interest after the expiration of life interests in the income, nor some $2,000,000 in Denison reserves in quasi-endowment accounts.

	Endowment Book Value 6/30/81	Income 1980-81
Professorships and Lectureships	$ 2,769,866	$ 210,495
Library	61,164	6,127
Building Maintenance	512,329	53,450
Scholarships and Prizes	5,335,095	427,511
Student Loans	12,954	1,490
Other Funds	174,454	11,052
Unrestricted Purposes	6,854,929	763,225
Accumulated Gain	3,991,209	-
	$19,712,000	$1,473,350

At June 30, 1981, 27% of our investments were in common stocks of corporations and 50% in bonds (including over $4,000,000 invested in U.S. Government and agency obligations). The remainder was invested in cash and equivalents, 13%; loans to our dormitory and dining facilities, 6%; and 4% in miscellaneous investments.

Denison has been in a "self-help" environment for a number of years now, and we have been investing a larger percentage in bonds and other fixed income securities to obtain more income production. This has been done at the expense of potential growth from common stocks which will tend to reduce our ability to increase our self-help in the future.

Sincerely,

Robert C. Good

RCG:mas

cc: Mr. J. Leslie Hicks, Jr.
Mrs. Mary Jane McDonald
Dean David Gibbons

THE IRVING ENCLAVE
BRANDEIS UNIVERSITY
WALTHAM, MASSACHUSETTS 02254

OFFICE OF THE PRESIDENT

May 5, 1982

The Honorable Paul Simon
House of Representatives
Committee on Education and Labor
Subcommittee on Postsecondary Education
320 Cannon House Office Building
Washington, D.C. 20515

Dear Mr. Simon:

In your March 15 Higher Education Newsletter there was a request for information on private colleges. Enclosed is the following information on Brandeis University: 1982-83 Proposed Operating Budget, 1981-82 Financial Statement Endowment reports stating use and character of the endowment, and a report of Operating Income and Expenditures for 1981-82.

We hope this information will be helpful for your survey. If you would like further information please do not hesitate to contact us.

Sincerely,

Burton Wolfman

Burton Wolfman
Budget Director

BW/fc

BRANDEIS UNIVERSITY 4/1/82 P. 1
1982-83 PROPOSED OPERATING BUDGET
SUMMARY OF OPERATING INCOME AND EXPENDITURES
(000's)

	Actual 1980-81	Budget 1981-82 (3/1/82)	Proposed Budget 1982-83	$ Change From 1981-82	% Change From 1981-82
INCOME					
1. Tuition and Fees	$19,595	$22,561	$25,653	+3,092	13.7
2. Endowment Income Used	5,459	6,630	7,245	+615	9.3
3. Auxiliary Services	6,490	7,217	8,183	+966	13.4
4. Departmental and Other	1,579	1,715	1,835	+120	7.0
5. Government Receipts	16,761	17,339	17,240	-99	-6.9
6. Gifts Used for Operation	9,862	9,900	10,304	404	4.1
TOTAL INCOME	$59,746	$65,362	$70,460	+5,098	7.8
EXPENDITURES					
Academic Programs & Services					
1. Instructional Departments	$14,800	$16,886	$18,480	+1,594	9.4
2. Sponsored Research	11,432	12,200	12,200	0	0
3. Library	2,593	2,440	2,781	+341	14.0
4. Academic Administration	700	838	913	+75	8.9
5. Special Programs	852	816	839	+23	2.8
6. Academic Services	714	783	862	+79	10.1
TOTAL EXPENDITURES	$31,091	$33,963	$36,075	+2,112	6.2
FINANCIAL AID & STUDENT SERVICES					
7. Financial Aid	$ 6,904	$ 7,632	$ 8,945	+1,313	17.2
8. Student Services	1,562	1,717	1,930	+213	12.4
TOTAL	$ 8,466	$ 9,349	$10,875	+1,526	16.3
9. AUXILIARY SERVICES	$ 5,713	$ 6,248	$ 7,420	+697	18.4
ADMINISTRATIVE & GENERAL					
10. Executive Offices	$ 739	$ 804	$ 879	+75	9.3
11. Administrative Offices	2,410	2,733	2,907	+174	6.4
12. General Institutional	967	1,164	1,012	-152	-15.0
13. Fringe Benefits - Undistributed	187	(83)	(187)	+(104)	225.3
14. Interest Expense	697	570	480	-90	-16.0
15. Plant Operations	5,537	6,228	6,717	+489	7.8
TOTAL	$10,537	$11,416	$11,808	+392	3.4
16. Development	$ 1,717	$ 1,897	$ 2,087	+190	10.0
17. Public Affairs	$ 321	$ 341	$ 377	+36	7.1
18. Alumni Association	$ 264	$ 291	$ 318	+27	9.3
19. National Women's Committee	$ 16	$ 9	$ 0	-9	-100.0
20. SPECIALLY FUNDED PROGRAMS	$ 294	$ 100	$ 100	0	0
21. CAPITAL REPAIR AND REPLACEMENT	$ 880	$ 848	$ 1,150	+302	35.6
22. VACANCY SAVINGS	$ 0	(75)	(250)	+(175)	333.3
23. SUBTOTAL - EXPENDITURES	$59,299	$64,862	$69,960	+5,098	7.9
24. PLUS: RETIREMENT OF DEBT	$ 447	$ 500	$ 500	0	0
25. TOTAL OPERATING OUTLAYS	$59,746	$65,362	$70,460	+5,098	7.8
26. LESS: INCOME	$59,746	$65,362	$70,460	+5,098	7.8
27. OPERATING GAP/DEFICIT	$ 0	$ 0	$ 0	0	0
28. CUMULATIVE OPERATING DEFICIT/ YEAR END	$11,106	$10,606	$10,606		

BRANDEIS UNIVERSITY 4/1/82 P. 2

1982-83 PROPOSED OPERATING BUDGET

SUMMARY OF OPERATING INCOME AND EXPENDITURES

(000's)

INCOME

	Actual 1980-81	Budget 1981-82 (3/1/82)	Proposed Budget 1982-83	$ Change From 1981-82	% Change From 1981-82
1. TUITION AND FEES					
Undergraduate	$16,098	$18,605	$21,243	+2,638	14.2
Graduate School	1,772	2,020	2,306	+286	14.0
Heller School	580	641	666	+25	3.9
Hiatt Institute	120	198	211	+13	6.6
Transitional Year Program	158	161	184	+23	14.2
Summer Programs	157	188	188	0	0
Adult Education	97	90	95	+5	5.6
Health Fee	335	366	435	+69	18.9
Application Fee	117	117	125	+8	6.8
All Other Fees	161	175	200	+25	14.3
TOTAL	$19,595	$22,561	$25,653	+3,092	13.7
2. ENDOWMENT INCOME USED					
Rosenstiel Center Operations	$ 831	$ 1,006	$ 1,134	+128	12.7
Financial Aid	2,159	2,592	2,816	+224	8.6
Faculty	1,984	2,450	2,662	+212	8.7
General and Other Purposes	485	582	633	+51	8.8
TOTAL	$ 5,459	$ 6,630	$ 7,245	+615	9.3
3. AUXILIARY SERVICES (See Schedule B)					
Food Services	$ 3,422	$ 3,840	$ 4,252	+412	10.7
Residence	2,992	3.290	3,820	+530	16.1
Bookings Office	76	87	111	+24	27.6
TOTAL	$ 6,490	$ 7,217	$ 8,183	+966	13.4
4. DEPARTMENTAL AND OTHER INCOME					
Current Cash Management	$ 142	$ 140	$ 149	+9	6.4
Theatar Arts Production	113	65	69	+4	6.2
Service Bureau	226	201	212	+11	5.5
Computer Center	132	108	116	+8	7.4
Other Departmental Income	563	639	683	+44	6.9
Miscellaneous Income	403	562	606	+44	7.8
TOTAL	$ 1,579	$ 1,715	$ 1,835	+120	7.0
5. GOVERNMENT RECEIPTS					
Sponsored Research	$15,095	$15,800	$15,800	0	0
Financial Aid	1,666	1,539	1,440	-99	-6.9
TOTAL	$16,761	$17,339	$17,240	-99	-6.9
6. GIFTS USED FOR OPERATING PURPOSES					
National Women's Committee	$ 1,120	$ 1,250	$ 1,300	+50	+4.0
Restricted Gifts of Prior Years	2,712	2,125	2,154	+29	1.4
Unrestricted Gifts of Prior Years	79	0	0	0	0
Debt Retirement Funds	440	500	500	0	0
Gifts of Current Year - Alumni	630	675	750	+75	11.1
Gifts of Current Year - Other	4,881	5,350	5,600	+250	4.7
TOTAL	$ 9,862	$ 9,900	$10,304	+404	4.1
TOTAL INCOME	$59,746	$65,362	$70,460	+5,098	7.8

BRANDEIS UNIVERSITY 4/1/82 P. 3
1982-83 PROPOSED OPERATING BUDGET
SUMMARY OF OPERATING INCOME AND EXPENDITURES
EXPENDITURES

	Actual 1980-81	Budget 1981-82 (3/1/82)	Proposed Budget 1982-83	$ Change From 1981-82	% Change From 1981-82
1. INSTRUCTIONAL DEPARTMENTS					
Arts & Sciences					
Faculty Salaries*	$ 8,263	$ 9,532	$10,276	+744	7.8
Support Staff Salaries	1,016	1,195	1,387	+192	16.1
All Other Expenditures	3,843	4,095	4,565	+470	11.5
	$13,122	$14,822	$16,228	+1,406	9.5
Rosenstiel					
Faculty Salaries*	$ 342	$ 376	$ 408	+32	8.5
Support Staff Salaries	203	223	243	+20	9.0
All Other Expenditures	228	260	297	+37	14.2
	$ 773	$ 859	$ 948	+89	10.2
Heller School					
Faculty Salaries*	$ 314	$ 478	$ 519	+41	8.6
Support Staff Salaries	204	251	274	+23	9.1
All Other Expenditures	251	302	337	+35	11.6
	$ 769	$ 1,031	$ 1,130	+99	9.6
Summer Programs	$ 136	$ 174	$ 174	.0	0
TOTAL INSTRUCTION	$14,800	$16,886	$18,480	+1,594	9.4
2. SPONSORED RESEARCH					
Faculty Salaries	$ 551	$ 606	$ 606	0	0
All Other Salaries	4,564	5,020	5,020	0	0
All Other Direct Expenditures	6,317	6,574	6,574	0	0
	$11,432	$12,200	$12,200	0	0
TOTAL INSTRUCTION AND RESEARCH	$26,232	$29,086	$30,680	+1,594	5.5
3. LIBRARY					
Operations	$ 1,971	$ 2,317	$ 2,654	+337	14.5
NWC Benefactor's Fund	61	75	75	0	0
Other Specially Funded Programs	561	48	52	+4	8.3
	$ 2,593	$ 2,440	$ 2,781	+341	14.0
4. ACADEMIC ADMINISTRATION					
Dean of Faculty	$ 112	$ 143	$ 161	+18	12.6
Dean of Graduate School	217	233	253	+20	8.6
Sponsored Research	88	99	109	+10	10.1
Dean of College	245	333	357	+24	7.2
Continuing Studies	38	30	33	+3	10.0
	$ 700	$ 838	$ 913	+75	8.9
5. SPECIAL PROGRAMS					
Adult Education	$ 89	$ 90	$ 95	+5	5.6
Center for Public Service	121	0	0	0	0
Sophie Davis International Fellows	0	0	0	0	0
Hiatt Institute/ASOR	173	203	188	-15	-8.0
Transitional Year Program	88	99	100	+1	1.0
International Programs	88	101	110	+9	8.9
Art Museum	166	160	175	+15	9.4
Public Lectures and Other	104	110	117	+7	6.4
New England University Press	0	30	30	0	0
Creative Arts Awards	23	23	24	+1	4.3
	$ 852	$ 816	$ 839	+23	2.8

* Net after grants, sabbaticals.

BRANDEIS UNIVERSITY
1982-83 PROPOSED OPERATING BUDGET
SUMMARY OF OPERATING INCOME AND EXPENDITURES
EXPENDITURES

4/1/82 p. 4

	Actual 1980-81	Budget 1981-82 (3/1/82)	Proposed Budget 1982-83	$ Change From 1981-82	% Change From 1981-82
6. ACADEMIC SERVICES					
Computer Center	$ 283	$ 321	$ 368	+47	14.6
Laboratory Supplies	148	163	178	+15	9.2
Machine Shop	107	116	120	+4	3.4
Radiation Safety	38	35	39	+4	11.4
Audio Visual	32	41	44	+3	7.3
Listening Center	26	30	33	+3	10.0
Foster Laboratory	73	71	74	+3	4.2
NMR Laboratory	7	6	6	0	0
	$ 714	$ 783	$ 862	+79	10.1
7: FINANCIAL AID (See Schedule B)					
Undergraduate	$ 4,592	$ 5,026	$ 5,712	+686	13.7
Graduate	2,312	2,606	3,233	+627	24.1
	$ 6,904	$ 7,632	$ 8,945	+1,313	17.2
8. STUDENT SERVICES					
Office of Student Affairs	$ 150	$ 172	$ 204	+32	18.6
Career Planning	71	82	132	+50	61.0
Financial Aid & Student Employment	161	174	200	+26	14.9
Admissions	495	541	584	+43	7.9
Registrar	175	170	184	+14	8.2
Health Services	445	507	550	+43	8.5
Chapels	65	71	76	+5	7.0
	$ 1,562	$ 1,717	$ 1,930	+213	12.4
9. AUXILIARY SERVICES (See Schedule A)					
Food Services	$ 3,308	$ 3,709	$ 4,098	+389	10.5
Residence	2,338	2,946	3,230	+284	9.6
Bookings Office	67	68	92	+24	35.3
	$ 5,713	$ 6,723	$ 7,420	+697	10.4
10. EXECUTIVE OFFICES					
President	$ 286	$ 306	$ 338	+32	10.5
Chancellor	97	99	107	+8	8.1
Vice Pres. & Univ. Treasurer	135	152	167	+15	9.9
Vice Pres. of Administration	145	162	174	+12	7.4
Vice Pres. & Univ. Secretary	76	85	93	+8	9.4
	$ 739	$ 804	$ 879	+75	9.3

BRANDEIS UNIVERSITY 4/1/82 P. 5
1982-83 PROPOSED OPERATING BUDGET
SUMMARY OF OPERATING INCOME AND EXPENDITURES
EXPENDITURES

	Actual 1980-81	Budget 1981-82 (3/1/82)	Proposed Budget 1982-83	$ Change From 1981-82	% Change From 1981-82
11. ADMINISTRATIVE OFFICES					
Affirmative Action	$ 39	$ 45	$ 49	+4	8.9
Controller	427	516	614	+98	19.0
Student Loan Collections	109	122	142	+20	16.4
Research Accounting	117	104	110	+6	6.0
Data Processing	321	378	284	-94	-25.0
Service Bureau	200	201	212	+11	5.5
Mail Services	103	122	130	+8	6.6
Telephone Services	66	69	72	+3	4.4
Purchasing	164	191	206	+15	7.9
Personnel	265	298	336	+38	12.7
Campus Police	409	459	504	+45	9.8
Property Management	18	25	27	+2	8.0
Legal	58	64	72	+8	12.5
Safety Office	26	36	39	+3	8.3
Transportation	39	44	47	+3	6.8
Board of Trustees	42	51	55	+4	7.8
Fellows and President's Council	7	8	8	0	0
	$ 2,410	$ 2,733	$ 2,907	+174	6.4
12. GENERAL INSTITUTIONAL					
Telephone, excl. Long Distance	$ 241	$ 333	$ 110	-223	*
Investment Management	124	141	150	+9	6.4
Insurance	152	155	165	+10	6.5
Legal and Audit	102	103	110	+7	6.8
Management Information Systems	18	94	102	+8	8.5
Retirement Supplements	124	145	170	+25	17.2
Commencement	54	65	69	+4	6.2
Other Expenses	152	128	136	+8	6.3
	$ 967	$ 1,164	$ 1,012	-152	-15.0
13. FRINGE BENEFITS					
Social Security	$ 1,433	$ 1,741	$ 1,950	+209	12.0
TIAA-CREF Retirement Program	1,324	1,498	1,655	+157	10.5
Unemployment and Severance	123	125	125	0	0
Health and Disability Insurance	647	836	900	+64	7.6
Tuition Remission and Grants	430	544	620	+76	13.9
Life Insurance Programs	84	136	160	+24	17.6
Workmen's Compensation	110	100	110	+10	10.0
Sabbatical Leaves	714	392	425	+33	8.4
TOTAL Benefit Expenditures	$ 4,865	$ 5,372	$ 5,945	+573	10.7
Less: Allocations to Departments and Offices	(4,678)	(5,455)	(6,132)	+(677)	12.4
NET EXPENDITURES	$ 187	(83)	(187)	+(104)	225.3

*Telephone equipment charges are being billed to individual departments.

BRANDEIS UNIVERSITY
1982-83 PROPOSED OPERATING BUDGET
SUMMARY OF OPERATING INCOME AND EXPENDITURES
EXPENDITURES

4/1/82 P. 6

	Actual 1980-81	Budget 1981-82 (3/1/82)	Proposed Budget 1982-83	$ Change From 1981-82	% Change From 1981-82
14. INTEREST EXPENSE					
For Construction & Acquisition of Plant	$ 277	$ 250	$ 210	-40	-16.0
For Current Operations	388	295	270	-25	-9.2
For Fed. Ins. Student Loan Pgm.	32	25	0	-25	
	$ 697	$ 570	$ 480	-90	15.8
15. PLANT OPERATIONS					
Utilities	$ 4,138	$ 4,456	$ 4,500	+44	1.0
Salaries, Wages, and Other	3,030	3,536	4,154	+618	17.5
TOTAL Plant Operations	$ 7,168	$ 7,992	$ 8,654	+662	8.3
Less: Alloc. to Residence Halls	(1,317)	(1,437)	(1,587)	+(150)	10.4
Alloc. to Food Services	(314)	(327)	(350)	+(23)	7.0
	$ 5,537	$ 6,228	$ 6,717	+489	7.8
16. DEVELOPMENT					
National Offices	$ 658	$ 667	$ 747	+80	12.0
Regional Offices	491	523	592	+69	13.2
Brandeis House	54	59	64	+5	8.0
Fund Raising Functions	514	508	544	+36	7.1
Special Campaigns	0	140	140	0	0
	$ 1,717	$ 1,897	$ 2,087	+190	10.0
17. PUBLIC AFFAIRS	$ 321	$ 341	$ 377	+36	10.6
18. ALUMNI ASSOCIATION					
Office and Reunion	$ 238	$ 249	$ 273	+24	9.3
Fund	26	42	45	+3	7.1
	$ 264	$ 291	$ 318	+27	9.3
19. NATIONAL WOMEN'S COMMITTEE	$ 16	$ 9	$ 0	-9	-100.0
20. SPECIALLY FUNDED PROGRAMS	$ 294	$ 100	$ 100	0	0
21. CAPITAL REPAIR AND REPLACEMENT	$ 880	$ 848	$ 1,150	+302	35.6
22. VACANCY SAVINGS	$ 0	(75)	(250)	+(175)	333.3
23. SUBTOTAL - EXPENDITURES	$59,299	$64,862	$69,960	+5,098	7.9
24. PLUS: RETIREMENT OF DEBT	$ 447	$ 500	$ 500	0	0
25. TOTAL OPERATING OUTLAYS	$59,746	$65,362	$70,460	+5,098	7.8
26. LESS: INCOME	$59,746	$65,362	$70,460	+5,098	7.8
27. OPERATING GAP/DEFICIT	$ 0	$ 0	$ 0	0	0
28. CUMULATIVE OPERATING DEFICIT/ END OF YEAR	$11,106	$10,606	$10,106		

BRANDEIS UNIVERSITY 4/1/82 P. 7
1981-82 PROPOSED OPERATING BUDGET
SUMMARY OF OPERATING INCOME AND EXPENDITURES
SCHEDULE A - AUXILIARY SERVICES - INCOME AND EXPENDITURES
(000's)

1981-82 BUDGET

	Food Service	Residence	Bookings	Total
INCOME	$3,840	$3,290	$87	$7,217
EXPENDITURES				
Direct	3,349	353	68	3,770
Debt Service	33	681	0	714
Plant Operations*	327	1,437	0	1,764
Subtotal	3,709	2,471	68	6,248
Capital**	57	475 ***	0	532
Total Expenditures	$3,766	$2,946	$68	$6,780
Net Contributions to Indirect Costs	74	344	19	437

1982-83 PROPOSED BUDGET

	Food Service	Residence	Bookings	Total
INCOME	$4,252	$3,820	$111	$8,183
EXPENDITURES				
Direct	3,715	487	92	4,294
Debt Service	33	681	0	714
Plant Operations*	350	1,587	0	1,937
Subtotal	4,098	2,755	92	6,945
Capital**	90	575***	0	665
Total Expenditures	$4,188	$3,330	$ 92	$7,610
Net Contributions to Indirect Costs	64	490	19	573

* Plant Operations includes Custodial Services, Maintenance, Repairs, and Utilities.

** Capital Expenditures from current funds only.

* $475,000 is Health and Educational Facilities Authority principal and interest.

BRANDEIS UNIVERSITY
1982-83 PROPOSED OPERATING BUDGET
SUMMARY OF OPERATING INCOME AND EXPENDITURES
SCHEDULE B - FINANCIAL AID

	Actual 1980-81	Budget 1981-82 (3/1/82)	Proposed Budget 1982-83	$ Change From 1981-82	% Change From 1981-82
UNDERGRADUATE					
University Scholarships	$ 3,003	$ 3,570	$ 4,257	+687	19.2
U.S. Government Scholarships	881	735	685	-50	-7.3
State Scholarships	333	334	335	+1	0
Wien Program	170	205	230	+25	12.2
Hiatt Scholarships	20	15	15	0	0
T.Y.P. Scholarships	161	161	184	+23	14.2
University Contribution-N.D.S.L.	20	0	0	0	0
Sachar Saval Summer Scholarships	4	6	6	0	0
	$ 4,592	$ 5,026	$ 5,712	+686	13.7
GRADUATE					
Tuition Scholarships	$ 1,351	$ 1,426	$ 1,906	+480	33.6
Fellowships	796	947	991	+44	4.7
Heller	141	223	326	+103	46.2
Sachar Fellowships	24	10	10	0	0
	$ 2,312	$ 2,606	$ 3,233	+627	24.1
TOTAL FINANCIAL AID CATEGORY	$ 6,904	$ 7,632	$ 8,945	+1,313	17.2

In addition, the Operating Budget also provides student assistance which is classified in other categories:

	Actual 1980-81	Budget 1981-82 (3/1/82)	Proposed Budget 1982-83	$ Change From 1981-82	% Change From 1981-82
UNDER SPONSORED RESEARCH					
Tuition Scholarships	$ 299	$ 324	$ 300	-24	-8.0
Stipends and Assistantships	830	868	800	-68	-8.5
Non-University College Work	65	61	65	+4	6.5
Undergraduate Student Wages	195	158	150	-8	-5.3
	$ 1,389	$ 1,411	$ 1,315	-96	-7.3
UNDER DEPARTMENTAL EXPENSE					
Teaching Assistants	$ 559	$ 539	$ 540	+1	0
Student Employment	924	946	1,012	+66	7.0
Sub-total	$ 1,483	$ 1,485	$ 1,552	+67	4.5
TOTAL OPERATING BUDGET FINANCIAL AID	$ 9,776	$10,528	$11,812	+1,284	12.2

In addition, Brandeis administers Financial Aid which does not flow through the Operating Budget:

	Actual 1980-81	Budget 1981-82 (3/1/82)	Proposed Budget 1982-83	$ Change From 1981-82	% Change From 1981-82
Other Outside Grants	$ 118	$ 150	$ 165	+15	10.0
Loans*	722	574	600	+26	4.5
	$ 840	$ 724	$ 765	+41	5.7

*Includes N.D.S.L., F.I.S.L.P., and Brandeis Loans. Does not include loans secured directly by students from lending institutions.

June 30, 1981

Operating Income and Expenditures for Selected Years

(in thousands)

	1975-76	%	1977-78	%	1979-80	%	1980-81	%
INCOME								
Tuition	$11,460	34	$14,119	34	$16,745	32	$18,885	32
Fees	301	1	395	1	561	1	612	1
Sponsored Research	6,914	20	8,789	21	13,217	25	15,095	25
Auxiliary Services	4,070	12	4,818	12	5,794	11	6,791	11
Other	776	2	1,125	3	1,310	3	1,676	3
Endowment	2,881	8	3,093	8	4,508	9	5,459	9
Gifts	7,767	23	8,845	21	9,867	19	11,148	19
Total Income	34,169	100	41,184	100	52,002	100	59,666	100
EXPENDITURES								
Instructional	9,126	27	11,739	29	14,159	27	16,339	28
Sponsored Research	5,641	17	6,771	17	10,042	19	11,432	19
Libraries	1,401	4	1,617	4	1,919	4	2,629	4
Student Services	1,242	4	1,414	3	1,361	3	1,573	3
Special Programs	488	1	584	1	824	2	871	1
Administration	1,784	5	2,120	5	2,701	5	3,081	5
General Institutional	750	2	761	2	1,069	2	1,097	2
Debt Service	832	3	769	2	746	1	697	1
Development & Public Aff.	1,539	5	1,712	4	1,965	4	2,332	4
Plant	3,004	9	3,685	9	5,061	10	6,240	11
Auxiliary Services	3,790	11	4,353	11	5,174	10	5,672	10
Financial Aid	4,127	12	5,199	13	6,517	13	7,056	12
Total Expenditures	33,730	100	40,724	100	51,558	100	59,219	100
Reserve for Debt Retirement	439		460		444		447	

BRANDEIS UNIVERSITY
USE OF ENDOWMENT INCOME BY TYPE OF EXPENDITURE
Year Ended June 30, 1981

May 4, 1982

Funds - Income Available for	Availed of for Current Operations
Scholarships	$1,568,286
Fellowships	582,864
Library	3,239
Chairs and Faculty Salary Funds	2,814,777
Prizes and Awards	9,521
Student Employment	6,586
Research	3,830
Science Development	123,000
Lectures and Concerts	63,291
Student Loans	1,532
General University Purposes	127,154
Maintenance	118,521
Other	36,590
TOTAL	$5,459,191

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<u>BRANDEIS UNIVERSITY</u>

<u>REPORT FOR QUARTER ENDING: DECEMBER 31, 1981</u>

BRANDEIS UNIVERSITY

TRUSTEE INVESTMENT COMMITTEE

SUMMARY OF
ENDOWMENT PORTFOLIOS

MARKET VALUE - DECEMBER 31, 1981
(000'S OMITTED)

	(1) CASH/ EQUIVALENTS	(2) FIXED INCOME	(3) EQUITIES AND CONVERTIBLES	TOTAL	INDICATED INCOME	CURRENT YIELD %	TOTAL RETURN
Managed by Advisors (p.3)							
Balanced Portfolio	$ 8,264	$20,215	$23,611	$52,090	$4,896	9.4	
High Yield Portfolio							
Separately Invested Portfolios	1,072	6,691	3,893	11,656	1,342	11.5	
SUBTOTAL	$ 9,336	$26,906	$27,504	$63,746	$6,238	9.8	
Supervised by Investment Committee (p.5)							
Investments with Limited Market	1,908	7,915	1,948	11,771	1,111	9.4	
TOTAL	$11,244	$34,821	$29,452	$75,517	$7,349	9.9	

1) Cash/CD's and Money Market Funds
2) Bonds, Mortgages, Real Estate Participation
3) Common Stocks

BRANDEIS UNIVERSITY

MANAGED ENDOWMENT PORTFOLIOS

AT MARKET - DECEMBER 31, 1981

(000'S OMITTED)

	CASH/ EQUIVALENTS	FIXED INCOME	EQUITIES AND CONVERTIBLES	TOTAL	INDICATED INCOME	CURRENT YIELD	TOTAL RETURN
Balanced Portfolio - By Managers							
#1 BSR	$1,000	$ 419	$12,737	$14,156	$ 802	5.7	
#2 Rothschild	3,344	-	7,608	10,952	654	6.0	
#4 Essex	192	61	1,884	2,137	111	5.2	
#5 Meyers	805	116	1,382	2,303	177	7.7	
#6 Boston Co.	2,923	19,619	-	22,542	3,152	14.0	
TOTAL	$8,264	$20,215	$23,611	$52,090	$4,896	9.4	
Separately Invested - By Managers							
Beaumont	52	66		118	12	10.2	
Foster - Rothschild	164	510	637	1,311	147	11.2	
Heller - Rothschild	190	188	176	554	62	11.2	
Landecker - Borg - Rothschild	55	104	48	207	22	10.6	
NWC - Trust	7	390		397	59	14.9	
Poses - BSR	23	41	565	629	31	4.9	
Rosenstiel - Essex	105		1,906	2,011	82	4.1	
Rosenstiel - Committee	161	5,113		5,274	836	15.9	
Ziskind - Committee	315	279	561	1,155	91	7.9	
TOTAL	$1,072	$ 6,691	$ 3,893	$11,656	$1,342	11.5	
TOTAL	$9,336	$26,906	$27,504	$63,746	$6,238	9.8	

BRANDEIS UNIVERSITY

ENDOWMENT PORTFOLIOS

SUPERVISED BY INVESTMENT COMMITTEE

MARKET VALUE - DECEMBER 31, 1982
(000'S OMITTIED)

INVESTMENTS WITH LIMITED MARKET	CASH/ EQUIVALENTS	FIXED INCOME	EQUITIES AND CONVERTIBLES	TOTAL	INDICATED INCOME	YIELD %
First National Bank Custodian:						
Private Placements	$ 23	$ 756	$ 90	$ 869	$ 60	6.9
Israel Investments	122	845	1	968	55	5.7
Securities held at Donor's Request	17	562	46	625	64	10.2
Brandeis University Custodian:						
Real Estate Part. WISP*	1,382	2,148		3,530	454	12.0
Real Estate Part. - Other Purposes		1,060		1,060	125	11.8
Internal Advances and Other Non Marketable Securities	364	2,544		2,908	261	8.7
Merrill Lynch - Custodian:						
Rogoff Foundation Fund			1,811	1,811	92	5.1
TOTAL	1,908	7,915	1,948	11,771	1,111	9.4

*Wien International Scholarship Program

Mr SIMON. Before we proceed with our first witness, I call on my colleague. Mr. Erdahl. for any comments he might wish to make.

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

I think you said it well, that we are here to learn from these people who are experts and involved very directly in this whole business of endowments and how important they become under some of the retreats, one could describe them, of a commitment to higher education that we have seen not only at the Federal, but at the State level in many States. I think endowments become ever more important and for certain institutions, of course, it becomes almost a critical situation.

While I will have to leave to get to some other meetings later on, I will follow this with interest. I think it is so important that we do not get into a system in this country which I fear we are possibly embarking on where higher education is only the prerogative of a wealthy elite that did not build our country, and cannot build it in the future.

Thank you very much, Mr. Chairman.

Mr. SIMON. Thank you.

We are pleased to launch this series of hearings with the executive director of the United Negro College Fund, Mr. Christopher Edley, who will be accompanied by Dr. Frederick Patterson, who I learned yesterday is an extremely knowledgeable person in this whole field and has done a lot of thinking about what we do about endowments.

We have also Mr. William Allen, general counsel, for the UNCF, and Mr. Niles White, the director of Government affairs, and Mr. George Keane is going to join the group right now also, I understand, from the Common Fund.

We are pleased to have you here.

Mr. SIMON. All right, we will hear first from Mr. Edley.

I don't know, Mr. Patterson, Dr. Patterson, if you have any formal statement, but I hope you will feel free to contribute just on the basis of the fact that, if you will forgive my saying it, you have lived a year or two longer than some of us around here and have accumulated a little more wisdom than some of us around here. I know you are very knowledgeable, so feel free to speak about your concerns.

We will hear from Mr. Edley and then Mr. Keane and then toss it open for questions.

Mr. Edley.

STATEMENT OF CHRISTOPHER F. EDLEY, EXECUTIVE DIRECTOR, UNITED NEGRO COLLEGE FUND, NEW YORK, N.Y.

Mr. EDLEY. Mr. Chairman and Mr. Erdahl, my name is Christopher F. Edley. I am the executive director of the United Negro College Fund. I am pleased to have this opportunity to speak on college endowments and the college endowment funding plan of the United Negro College Fund.

At the outset, I would like to say that my colleague, Dr. Patterson, is the founder of the United Negro College Fund, having created this organization in 1944 and having persuaded some 27 of his fellow college presidents that only through the United Negro College Fund could the private black colleges of America hope to survive, because of certain economic conditions created by World War II. The college fund has gone on to become a success. The plan that I will be discussing with you this morning is also the brainchild of Dr. Patterson, who is one of those unique individuals who conceived of this plan at the beginning of the decade of the 1970's and worked assiduously on it until it became a reality in 1978. I hope that we will be able to persuade you that it is, indeed, a promising plan for the salvation not only of the private black colleges of the country, but many other struggling small institutions across the Nation.

It has been evident to even the most peripheral observer that the small private college in America is faced with an economic crisis unparalleled in its history. Equally obvious is that higher education has reached zero hour for implementing that "innovative plan" that will rescue the private colleges from bankruptcy and secure for them those funds so necessary to meet the ever-escalating cost of higher education. The dire predictions concerning the fate that will befall many of our private colleges within the next 10 years if they cannot find a realistic and long-range method of raising more money must be believed.

The United Negro College Fund is a consortium of 42 private historically black colleges. Endowment income provides 2 percent or less of the revenues at three-quarters of our member colleges in the year 1979–80. UNCF colleges 1979–80 endowments of $3,000 per student were only 50 percent of the national average of $6,000. Almost half of the UNCF colleges have total endowments of under $1 million, and many are in the $25,000 to $100,000 nominal category.

There seems little doubt that the development of strong endowments is one of the keys to meeting the ongoing and escalating costs of higher education, but how can the predominantly black colleges increase their endowments, given the lack of wealthy alumni and the reluctance on the part of their major donors to make other than restricted grants, and that would include the Federal Government.

Mr. Chairman, we at the college fund are proud of our college endowment funding plan, which we refer to as CEFP. It was developed in May 1978, with the participation of six colleges and nine insurance companies. The Equitable Life Assurance Society of the United States served as the lead lender. The college endowment funding plan is a unique instrument for alleviating the financial crisis of our member institutions. Its basic concepts were developed by Dr. Patterson, the founder of UNCF, who is with us.

The endowment plan unit combines gifts secured by the colleges with loans from insurance companies for 25-year investment packages. A college raising $300,000 in gift money is given a bonus of $50,000 by the United Negro College Fund. These funds are combined with a loan of $400,000 from the insurance industry. During the life of this investment earned income provides funds for yearly operating expenses for the college. Insurance companies through their program of corporate social responsibility make loans available at a discount rate below the investment rate. This makes it possible for the principal to generate a margin of surplus investment income. A significant feature of CEFP is that interest only is paid on the loan for the first 15 years and then the loan is retired at the rate of 10 percent during the final 10 years of the investment.

Much thought has been given in recent years to the formulation of plans for assisting institutions in the creation of endowments of sufficient amounts so as to produce large institutional income. It is believed that the new challenge grant program of title III of the Higher Education Act would serve as one model. The UNCF has already drafted and recommended to the administration a technical amendment to title III that will allow existing challenge grant resources to be used in a highly leveraged way for direct endowment building.

It is the view of the college fund that the difficulty in raising gift moneys can be substantially reduced if the challenge grant moneys now available under title III permitted those matching funds raised by the college to be combined with the challenge grant funds as a part of the investment units operating under the college endowment funding plan. This approach offers a feasible avenue to achieving the status of self-sufficiency expressed in reauthorized title III provisions of 1980. Exclusion of challenge grant matching for endowment building eliminates the most practical and feasible approach to attaining self-sufficiency.

Regulations require that "an institution cannot duplicate in whole or in part, previously funded activities under the institutional aid programs." This means the assumption of additional costs under new programs must be funded from non-Federal sources. The present provisions without endowment building do not address the need of developing colleges to meet escalating current costs and obtain the additional moneys required to maintain support for these new programs.

As you well know, foundations tend to provide support for colleges the same way. Here is support for 2 or 3 years and when that support ends, you should continue it on through your own resources, and that is asking an impossible task. Colleges that have received such grants have time and time again failed to be able to carry on the foundation that it initially funded.

Permitting endowment building as a feature of challenge grant matching will effectively combine cooperation between the private sector and the Federal Government. This combination will achieve maximum and stable financial results with minimum governmental input.

The adaptability of the college endowment funding plan to meet varying needs and requirements is possibly its greatest asset. If such a plan, or some variation of the basic scheme, were to become a reality, participating institutions would benefit in a number of direct and indirect ways.

In our submission to the committee, we have listed some seven points of advantages that flow from the college endowment funding plan.

I know that there is a concern as to how many colleges might be able to participate in a college endowment funding plan with Federal involvement. I would submit to you that institutions that have participated in title III programs could be delineated. For example, one could suggest that schools that have participated in title III programs for 3 years or 5 years or 7 years would be eligible to use the matching grant funds for endowment building purposes. Even this yardstick or some other yardstick would enable the program to be started at a relatively modest cost and would allow for a study and appraisal of the results.

It is our belief that enormous sums of private money can be generated through the motivation, the carrot, if you will, of Federal funds that must be leveraged, whether it is on a 50-percent matching basis or even a 1-to-5 matching basis is a question of judgment. But we believe that whatever the matching level is, whatever the leverage factor required by Congress, it would release enormous sums of money, and already has in the history of the program that we have put in place, which is a unique combination of American capitalism and charitable purpose and social responsibility.

The insurance companies, in our earlier submission we indicated to you, had committed a total of $16 million to this program already and just recently the Equitable Life Assurance Society has pledged another $1 million, bringing to $17 million the contribution from American business for this plan and which has required for every $400,000 of insurance money lent at below market interest rates, the institutions to come up with $350,000 of their own; so you can already see that the leverage is working.

My colleague, Dr. Keane, George Keane, will be talking about some of the business aspects of the program.

If I might take one moment to underscore this from personal experience, at one time I was a program officer at the Ford Foundation. I had the opportunity to develop a grant, Mr. Simon, in your State at the University of Chicago. We were interested in working with the University of Chicago to create a Criminal Justice Study Center at the law school and Norvel Morris was to be the head of it at that time. He later went on to become the dean of the law school. The project was to cost $1 million to create that Criminal Justice Center and was to be mantained at an expenditure rate of $200,000 for 5 years.

In the middle of the negotiations, the university challenged me and the foundation by saying that if we could match this money and have $2 million, we could put it in an endowment and fund the Criminal Justice Institute indefinitely. Will this be permissible?

I was relatively new at the foundation. I went back, thinking this is a great idea instead of petering away $200,000 a year for 5 years. I ran into the policy that the Ford Foundation does not make endowment grants, which compelled our grant to be made in the original way of $1 million to be expended over 5 years and preventing the permanent establishment of that institution.

That is the most concrete example I can give you of how money that is spent annually can be leveraged in a way with the addition of other funds to create something that is permanent and long range.

Thank you.

[The prepared statement of Christopher F. Edley follows:]

PREPARED STATEMENT OF CHRISTOPHER F. EDLEY, EXECUTIVE DIRECTOR, UNITED NEGRO COLLEGE FUND, NEW YORK, N.Y.

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The United Negro College Fund is a consortium of 42 private historically Black colleges. Endowment income provided only 4 percent of the revenues at UNCF colleges in 1979-80. UNCF colleges' 1979-80 endowments of $3,028 per student were only 52.7 percent of the national average of $5,741. Almost half of the UNCF colleges have total endowments of under $1 million.

There seems little doubt that the development of strong endowments is one of the keys to meeting the on-going and escalating costs of higher education, but how can the predominantly Black colleges increase their endowments, given the lack of wealthy alumni and reluctance on the part of their major donors to make other than restricted grants.

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The Endowment Plan combines gifts secured by the colleges with loans from insurance companies for 25-year investment packages. A college raising $300,000 in gift money is given a bonus of $50,000 by UNCF. These funds are combined with a loan of $400,000 from the insurance industry. During the life of the investment earned income provides funds for yearly operating expenses for the college. Insurance companies through their program of Corporate Social Responsibility make loans available at a discount rate below the investment rate. This makes it possible for the principal to generate a margin of surplus investment income. A significant feature of CEFP is that only interest is paid on the loan for the first fifteen years and the loan is retired at the rate of ten percent during the final ten years of the investment.

Much thought has been given in recent years to the formulation of plans for assisting institutions in the creation of endowments of sufficient amounts so as to produce large institutional income. It is believed that the new Challenge Grant Program of Title III of the Higher Education Act would serve as one model. The UNCF has drafted a Technical Amendment to Title III that will allow Challenge Grant resources to be used for direct endowment building.

It is the view of the College Fund, that the difficulty in raising gift monies can be substantially reduced if the Challenge Grant monies now available under Title III permitted those matching funds raised by the college to be combined with the

Challenge Grant funds as a part of the investment units operating under CEFP. This approach offers a feasible avenue to achieving the status of self-sufficiency expressed in reauthorized Title III provisions of 1980. Exclusion of Challenge Grant matching for endowment building eliminates the most practical and feasible approach to attaining self-sufficiency.

Regulations require that "an institution cannot duplicate, in whole or in part, previously funded activities under the institutional aid programs." This means the assumption of additional costs under new programs must be funded from non-federal sources. The present provisions without endowment building do not address the need of developing colleges to meet escalating current costs and obtain the additional monies required to maintain support for new programs.

Permitting endowment building as a feature of challenge grant matching will effectively combine cooperation between the private sector and the federal government. This combination will achieve maximum and stable financial results with minimum government input. Endowment building through Challenge Grant funds will greatly enhance the capabilities of participating institutions to seek and obtain additional support. The combined effort of the public and private sectors will hasten achievement of the goal of institutional self-sufficiency. The proposed plan has been tested and has proven sound and therefore fully achieveable.

The adaptability of the CEFP to meet varying needs and requirements is possibly its greatest asset. If such a plan, or some variation of the basic scheme, were to become a reality, participating institutions would benefit in number of direct and indirect ways.

- First, such a plan provides a method for the creation of institutional revenues that does not alter or compromise the institutional objectives of colleges and universities. Institutions would not have to alter or bend their goals in order to participate.

- Second, participation would provide for a continuous flow of budget income to institutions in predetermined amounts and over a specific period of time.

- Third, income from the endowment protfolio would be unrestricted and could be expanded in accordance with institutional priorities and needs.

- Fourth, private donors would be provided with an additional incentive to contribute to institutions. Unrestricted giving would be stimulated and restricted giving that stipulated an expenditure of funds over and extended period would be encouraged.

- Fifth, institutions would be encouraged to develop and to exercise their own private fund-raising capabilities. There also would be an incentive to formulate long-term institutional development plans as a key factor in convincing prospective donors of the importance of their continoation.

- Sixth, the increasing importance of endowment income in institutional finance would encourage colleges and universities to provide more effective financial management of their portfolios and and budgets.

- Seventh, by enlarging the base of institutional support through sufficient amounts of endowment income, there would be a reduction in the pressure for continuing tuition increases. This would benefit not only those students who are able to pay, but those in need as well, for they will require small amounts of financial aid.

Mr. Chairman, enclosed with my statement are Fact Sheets which indicate the success of our endowment program. These Fact Sheets list the participating member institution and insurance companies. Let me add that by the end of 1981, nineteen colleges had invested $24 million in thirty-three Units, while twenty-one insurance companies had made loans of $16 million. A funding mechanism to generate $67 million in endowment and only $29 million in budget expenses is in place. Since the Plan was initiated, participating colleges will have increased their endowments at maturity by over 90 percent.

UNITED NEGRO COLLEGE FUND, INC

COLLEGE ENDOWMENT FUNDING PROGRAM

Participating Insurance Companies		Loan Pledges
AETNA LIFE AND CASUALTY, Hartford, Conn.		$1,500,000
AMERICAN REPUBLIC INSURANCE COMPANY, Des Moines, Iowa		225,000
ATLANTA LIFE INSURANCE COMPANY, Atlanta, Georgia		250,000
COLONIAL LIFE AND ACCIDENT INSURANCE COMPANY, Columbia, SC		100,000
CONNECTICUT MUTUAL LIFE, Hartford, Conn.		400,000
THE EQUITABLE LIFE ASSURANCE SOCIETY OF THE U.S.A., New York, NY		3,000,000
FIDELITY BANKERS LIFE INSURANCE COMPANY, Richmond, VA		50,000
HOME BENEFICIAL LIFE INSURANCE COMPANY, Richmond, VA		150,000
LIFE INSURANCE COMPANY OF VIRGINIA, Richmond, VA		200,000
LINCOLN NATIONAL LIFE INSURANCE COMPANY, Fort Wayne, IN		400,000
LUTHERAN BROTHERHOOD, Minneapolis, MN		400,000
MUTUAL BENEFIT LIFE INSURANCE COMPANY, Newark, NJ		400,000
NORTH CAROLINA MUTUAL, Durham, NC		125,000
NORTHWESTERN NATIONAL LIFE INSURANCE COMPANY, Minneapolis, MN		500,000
THE PRUDENTIAL INSURANCE COMPANY OF AMERICA, Newark, NJ		3,000,000
SOUTHWESTERN LIFE, Dallas, TX		250,000
UNIVERSAL LIFE INSURANCE COMPANY, Memphis, TN		200,000
BOOKER T. WASHINGTON INSURANCE COMPANY, Birmingham, AL		200,000
TRAVELERS INSURANCE COMPANIES, Hartford, Conn.		1,000,000
	Subtotal	$12,350,000
Second plegde of LUTHERAN BROTHERHOOD		400,000
CONNECTICUT MUTUAL		400,000
MUTUAL BENEFIT LIFE		400,000
MASSACHUSETTS MUTUAL		400,000
TRAVELERS		750,000
AETNA LIFE		750,000
THE HARTFORD GROUP		600,000
	Total	$16,050,000

INSTITUTION	TOTAL OF INVESTMENT PACKAGES*	ANNUAL OPERATING INCOME DURING A 25 YEAR PERIOD	ENDOWMENT AT MATURITY
BENEDICT COLLEGE (6 units)	$4,500,000	$5,511,188	$14,536,840
BENNETT COLLEGE	750,000	924,731	3,073,818
BISHOP COLLEGE	750,000	778,081	1,232,947
CLAFLIN COLLEGE	750,000	924,731	3,073,818
DILLARD UNIVERSITY (2 units)	1,500,000	1,749,738	3,690,000
FISK UNIVERSITY	750,000	778,081	1,232,947
LEMOYNE-OWEN COLLEGE	750,000	828,133	1,463,811
LIVINGSTON COLLEGE	750,000	921,605	2,226,889
OAKWOOD COLLEGE	750,000	828,133	1,463,811
PAINE COLLEGE	750,000	921,605	2,226,889
RUST COLLEGE (3 units)	2,250,000	2,658,806	6,656,017
SAINT AUGUSTINE'S COLLEGE (4 units)	3,000,000	3,549,148	9,607,472
TALLADEGA COLLEGE	750,000	921,605	2,226,889
TOUGALOO COLLEGE	750,000	955,994	2,349,252
TUSKEGEE INSTITUTE (3 units)	2,250,000	2,690,069	5,931,451
VIRGINIA UNION UNIVERSITY	750,00	778,081	1,232,947
VOORHEES COLLEGE (2 units)	1,500,000	1,784,127	3,813,063
WILBERFORCE UNIVERSITY	750,000	828,133	1,464,811
XAVIER UNIVERSITY	750,000	828,133	1,464,811
TOTALS	$24,750,000**	$29,160,122	$68,967,183

Endowment and Annual Operating Income = $98,127,305

* An Investment Package = $750,000

** Funds now in a custody account of the Chase Manhattan Bank

December 1981

Gift Amount - $350,000
Loan Amount - $400,000

YEAR	TOTAL AMOUNT INVESTED	INTEREST ON [illegible] 13.77%	INTEREST ON LOAN	FEDERAL TAX	CUSTODY FEE	CURRENT EXPENDITURES	TOTAL EXPENSES	LOAN BALANCES	AVAILABLE FOR TRANSFER FOR REINVESTMENT	LOAN PAYMENTS	REINVESTED FUNDS 11%
1	750,000	103,275	47,080	1,360	417	30,000	78,857	400,000	24,418		24,418
2											54,208
3											87,275
4											123,979
5											164,721
6											209,944
7											260,142
8											315,862
9											377,711
10											446,363
11						31,200	80,057		23,218		521,235
12						32,447	81,303		21,970		602,958
13						33,746	82,603		20,672		692,229
14						35,096	83,953		19,322		789,822
15						37,960	87,815		17,458		896,591
16			47,080	1,360		37,960	86,817	400,000	16,458	40,000	969,084
17			42,372	1,244		39,478	83,511	360,000	19,764		1,053,221
18			37,664	1,088		41,057	80,226	320,000	23,049		1,150,260
19			32,956	952		42,699	77,024	280,000	26,251		1,261,527
20			28,248	816		44,407	73,888	240,000	29,387		1,388,515
21			23,540	680		46,183	70,820	200,000	32,455		1,532,877
22			18,832	544		48,030	67,823	160,000	35,452		1,696,445
23			14,124	408		49,951	63,900	120,000	38,375		1,881,250
24			9,416	272		51,949	62,054	80,000	41,221		2,089,543
25			4,708	136		54,027	59,288	40,000	43,987		2,323,818
						924,731					

Total current expenditures over 25 years, with 4% escalation beginning 11th year - $924,731

Reinvested Funds -	$2,323,818
Original Investment	750,000
Total Endowment	$3,073,818

OPERATIONS TO DATE OF COLLEGE ENDOWMENT FUNDING PLAN

Colleges	Endowment & Budget Funds by Maturity	Lending Insurance Companies	
Gift money of $300,000 plus $50,000 from UNCF for each college	25-Year Program		
GROUP I			
Bishop College	Endowment 7,397,682	American Repbulic Insurance Co.	$225,000
Fisk University	Budget 4,668,486	Booker T. Washington Ins. Co.	200,000
Rust College	Total $12,066,168	Equitable Life Assurance Society of the U.S.	1,000,000
St. Augustine's College			
Tuskegee Institute	Investment - 8.27% Returns	Fidelity Bankers Life Ins. Co.	50,000
Virginia Union University		Home Beneficial Life Ins. Co.	150,000
		Life Ins. Co. of Virginia	200,000
		North Carolina Mutual	125,000
		Southwestern Life	250,000
		Universal Life Insurance Co.	200,000
GROUP II			
Benedict College	Endowment 8,782,866	Aetna Life and Casualty	750,000
Dillard University	Budget 4,968,798	Colonial Life & Accident Ins. Co.	100,000
Oakwood College	Total $13,750,664	Equitable Life Assurance Society of the U.S.	500,000
Voorhees College			
Wilberforce University	Investment - 10.35% Returns	Lincoln National Life Ins. Co.	400,000
Xavier University		Lutheran Brotherhood	400,000
		Northwestern National Life Ins. Co.	250,000
Lemoyne-Owen College has a variation of the Plan with $400,000 gift money $$300,000 from private sources with [illegible] from UNCF	Endowment 1,463,811 Budget 828,133 Total $2,291,944 Investment - 10.35%		

College Endowment Funding Plan (Cont'd.)

Colleges	Endowment & Budget Funds by Maturity	Lending Insurance Companies	
GROUP III			
Benedict College (2 units)	Endowment $16,444,764	Aetna Life and Casualty	500,000
Rust College	Budget 6,691,958	Connecticut Mutual Life	400,000
Tougaloo College	Total 23,136,722	Equitable Life Assurance Society	
Tuskegee Institute		of the U.S.	500,000
(2 units)	Investment - 11.01%	Prudential Insurance Co.	
Voorhees College	Returns	America	650,000
		The Travelers Insurance Companies	500,000
		Northwestern National Life Ins. Co.	250,000
GROUP IV		Aetna Life and Casualty	250,000
Benedict College	Endowment $13,361,334	Atlanta Life Insurance Co.	250,000
Dillard University	Budget 5,529,630	Equitable Life Assurance Society	
Livingstone College	Total 18,890,964	of the U.S.	500,000
Paine College		Mutual Benefit Life Ins. Co.	400,000
St. Augustine's College	Investment - 10.76%	Prudential Insurance Co. of	
Talladega College	Returns	America	500,000
		The Travelers Insurance Companies	500,000
GROUP V			
Benedict College (2 units)	Endowment $21,516,726	Aetna Life & Casulty	250,000
Bennet College	Budget 6,473,117	Equitable Life Assurance Society	
Claflin College	Total 27,989,843	of the U.S.	500,000
Rust College		Hartford Group	300,000
St. Augustine's College	Investment - 13.77%	Lutheran Brotherhood	400,000
(2 units)	Returns	Massachusetts Mutual	200,000
		Mutual Benefit Life Ins. Co.	250,000
		Prudential Ins. Co. of America	500,000
		The Travelers Ins. Companies	400,000

College Endowment Funding Plan (Cont'd.)

Total Investment by Colleges	Total endowment & budget funds for 5 groups & Lemoyne-Owen College	(The above insurance companies made available a floating spread of 1½ to 2% below cost.) Total invested by Insurance Companies for 5 groups - $12,800,000
$11,650,000	$98,127,305	

Total Insurance Pledges
$16,050,000

Center for Corporate Public Involvement

American Council of Life Insurance
Health Insurance Association of America

Stanley G. Karson, Director

April 21, 1982

Mr. Niles C. White
Director of Governmental Affairs
United Negro College Fund
1420 K Street, N. W.
Washington, D. C. 20005

Dear Niles:

I am happy to provide the following information about support from the life and health insurance business for the College Endowment Funding Plan.

On November 29, 1978 the insurance industry's Committee on Corporate Social Responsibility endorsed the College Endowment Funding Plan and recommended it to member companies. The Committee is composed of 17 leading chief executive officers who meet quarterly to establish policy and take actions on corporate public involvement issues for the life and health insurance business. Since the 1978 meeting periodic reports have been made to the Committee on the Fund. The Committee has continued its strong and enthusiastic support.

Thank you for the opportunity to express our interest.

Sincerely,

Stanley G. Karson

SGK:bt

1850 K Street, N.W., Washington, D.C. 20006 202-862-4047

Mr. SIMON. We thank you very much.
Mr. Keane.

STATEMENT OF GEORGE F. KEANE, PRESIDENT, THE COMMON FUND, FAIRFIELD, CONN.

Mr. KEANE. Good morning, Mr. Chairman, and Congresssman Erdahl.

Thank you for the opportunity to come here and support the proposal that Dr. Edley and Dr. Patterson have been working on.

I am the president of the Common Fund, which is a nonprofit organization created 10 years ago and which was intended for the sole purpose of helping colleges do a better job of managing investment. We are working with colleges in Illinois and in Minnesota and many other States, so we are quite familiar with what is happening in the college endowment scene, and the need for endowment, particularly as other sources of support are in decline and the colleges are facing increasing financial problems.

I have also in previous periods worked with institutions under various title III programs, helping them to improve their management of their academic programs.

I have served as a trustee of the Molten Institute, which is another one of Dr. Patterson's creations, which has been an assisting agency to many of the black colleges, particularly in developing programs for self-improvement under title III. The title III program has been a most worthwhile program.

As Chris mentioned, one of the drawbacks not only to the title III program as it has been structured, but also to private foundation grants, is what Dr. Patterson likes to call the waterfall effect. You flow along the river very nicely with the help of grants and programs, but when the grant period ends, you come to the waterfall and the college then is left with the increased costs that have been generated by the programs for improving the management of the educational program of the institution.

What we are trying to do in stressing endowment building is to take a portion of these funds and structure a program that will build for the long term, as Mr. Simon has suggested in his opening remarks, to give a permanent undergirding to some of the programs of improvement and support.

As in the written statement I submitted, the essence of CEFP, the college endowment funding plan, is to combine gifts and grants in a 25-year program of investment, which will generate some income for current operating purposes, while accumulating and reinvesting the remainder of the income; so we invest money, we spend part of it for current purposes and we reinvest and accumulate some of it.

During the final 10 years of the plan, the amount that we borrowed at the beginning is repaid, so at the end of the 25-year period, we have accumulated an endowment fund that is free and clear and can support at an ongoing level indefinitely into the future the activities which the program originally started out to develop.

I think it will be clear if I could refer to a table that was in the material that I sent to the committee earlier this week. This is a table which illustrates the operation of the college endowment funding plan for what we have been working with so far in the application of this plan as a single unit.

This shows the operation of a unit comprised of $350,000 of gifts and grants raised from various sources and $400,000 of loan funds for a combined $750,000. We have used $750,000, not because there is anything magic about it, it just seemed to be a practical level that we were able to deal with in the 40 or 41 colleges who are members of the United Negro College Fund and for whom Dr. Patterson has developed this program.

We have so far put it into effect for just over half of those colleges, and have put in place about $20 million of new funds that eventually will grow to be somewhere between $60 million and $70 million over the next 25 years.

The way it works on a single-unit basis is illustrated in this table. If I can refer you to the upper left-hand corner, we are assuming here that title III might supply, for example, $150,000 which would be matched by $150,000 to be raised by the participating college. Those that are members of the United Negro College Fund could also obtain from the UNCF capital fundraising drive a supplemental or bonus contribution from UNCF for $50,000 and we have at least some forward commitments from the participating insurance companies to make additional loan funds available at a discounted rate for the amount of $400,000.

So we start with $750,000 in total. We invest the $750,000 in long-term corporate and government bonds, and we are using bonds even understanding that long term the returns on bonds historically have been lower than those on stocks, but nevertheless, stocks have such a wide variability in price that we did not think it appropriate as a form of investment for money that involved leverage and borrowed funds and a commitment to a loan contract.

So we have chosen, instead, to invest the funds that are borrowed from the insurance companies in 30-year U.S. Government securities. Those securities are guaranteed nonrefundable for the first 25 years of their lifetime, so we are assured by buying long governments that we can have a fixed interest rate on the money invested for a period of 25 years that we can count on and that rate at the present time is running around 13½ percent per year.

The remainder of the funds are invested in long-term corporate bonds. These are high-grade utility, telephone company, and industrial bonds, mostly United States. We have used some Canadian utilities, because they have longer interest rate guarantee periods on them, but primarily U.S. securities, which do not guarantee us interest forever, because the bonds can be refunded by the corporations at their option if interest rates go lower in the future, but we usually have 5- to 10-year call protection and can invest money at a rate around 14½ to 15 percent currently.

The combined sum then is invested in a combination of government and corporate bonds and the last group that we put together, which was in December of last year, the average rate on the investments turned out to be 13.77 percent; so I have used that actual rate in the last group to illustrate the operation of the plan.

So in the table if we start with $750,000, in the first year we generate $103,000 of income, $103,275 of investment income.

Now, from that money that we have earned, we are going to pay several items. First of all, we have to pay interest on the loan and by agreement with the participating insurance companies, they charge us a rate on the loan which is 2 percent below the average rate on the investments; so here the rate was 11.77 and we pay interest on the loan only on $400,000. We do not owe any interest on the $350,000, so our interest cost is $47,080.

There is a small Federal tax even to exempt organizations such as colleges if they earn interest on borrowed funds, so we have provided for the payment of that tax.

There is also a custody fee. In this case it is being paid to the Chase Manhattan Bank, which acts as the holder of the securities, collects the interest, makes the distributions for the colleges for the payment to the insurance companies of their interest, and provides safekeeping for the securities. They have charged a nominal rate of $2,500 a year for that service per six-college group. We have been putting these together typically in groups of six colleges at a time in order to have a large enough sum of money in order to make the investments more diversified and also to obtain some economy of scale in operation; so the Chase Bank has been charging $2,500 per year by a group and if you divide that by six, that is where the $417 custody fee comes from.

We also provide in this particular arrangement for payment to the college of 10 percent of the $300,000 that they get on their own and from the grant; so they get $30,000 beginning in the first year to meet current expenditures, which could be for scholarships or for salaries or whatever purpose the college would use endowment income. That is entirely at the discretion of the college, although in a program that was based in part on funds from title III, it could be designated if you so chose for a scholarship or for a particular purpose. It could be limited. We do not limit it in the application so far in the real life use of the plan.

The total expenses, adding together the interest on the loan, the Federal tax, the custody fee, the current expenditurs, all adds up to $78,857, which means that we have not spent the whole $103,000. We have $24,418 excess income for reinvestment and we are projecting here that that money will be reinvested at an interest rate of 11 percent. That is an arbitrary number I have picked for illustration. It is lower than rates that are available today, but at the same time we have interest rates today that are much higher than they have been historically, so to be a little more conservative, I used 11 as the interest rate projecting the reinvestment of the money.

You will notice that the loan balance, which is $400,000 in the first year, continues at that level down to the 16th year when we begin to pay it off.

Now, each subsequent year we repeat the same process, except that each year we have a little more money to reinvest and a little more accumulated and that shows in the far right column.

Now, beginning in the 10th year in this application, and I might say this is a flexible program, you can devise a lot of variations on it but this is a particular practical way that we have worked it out; in this arrangement, under the current expenditure column, beginning in the 10th year we start increasing the amount that the college has available each year by 4 percent. That is simply a nominal adjustment to recognize the fact that their costs are increasing and each year they continue to receive payments; beginning in the 16th year we start to pay down $40,000 a year, 10 percent of our $400,000 loan, and by the end of the 25th year, we have paid off the loan. We have accumulated $2,323,000 of reinvested income and we have also still got our original $750,000. As we paid the loan off, we have the original $400,000 that we borrowed, plus the $350,000 gifts and grants, so we have about $3 million.

Also, you will notice under the current expenditures that we have generated $954,000 in this projection as current income to the college to be used for scholarships or other purposes.

So this is an unusual plan. It was the brainchild of Dr. Patterson and he can tell you much more eloquently than I can the pressing need for this and the way this came about in his mind. It is a unique combination of challenging colleges to raise funds on their own efforts, getting the participation of the corporate community, and building something over a long-term period of time that provides ongoing and permanent support for a group of colleges.

I would also point out to you that in this illustration, and perhaps we are being too modest in suggesting that the title III portion of this would be one-fifth, 150 out of 750 on a unit basis, but on that basis the multiple private funds to title III funds would be 5 to 1 and in terms of the ultimate accumulation of money, it is 20 to 1, and that is a pretty good ratio.

STATEMENT OF FREDERICK D. PATTERSON, FOUNDER, UNITED NEGRO COLLEGE FUND

Mr. SIMON. Dr. Patterson, do you want to add anything to what has been said?

Mr. PATTERSON. Thank you very much, Mr. Chairman. I would like to make a few comments.

First of all, I would like to express my appreciation for the opportunity to be a part of this hearing. Second, I want to express gratitude as well to Chris Edley and the college fund for the way they have supported this financially and with guidance, and the relationship to the colleges which has made it possible for the plan to succeed. I would like to express my appreciation to George Keane, who has done a remarkable job with his committee in giving us advice.

This plan does not pretend to maximize return. It maximizes return consistent with security of principle, and that is all we claim for it. By the way, it interrelates the effort of the colleges and the proposed relationship to the Federal Government, the bonus money of the United Negro College Fund, and the loans from the insurance companies giving us a unique combination which we think is the answer if the Government will take a partnership arrangement.

You graciously referred to my age. May I say that I have lived long enough to be the leading authority on college deficits. Those deficits come about, as Chris Edley has said, because the colleges in their struggle really for sustaining funds find it almost impossible to get anything other than restricted funds. Now, the interesting part of this plan that I would like to point out is that this makes it possible to use restricted funds. The restricted grant money becomes a part of the formula whose primary purpose is to generate the sustaining support which the restricted fund demands, and which the maturity of the grant makes no longer possible.

I think the role of the insurance companies has been absolutely magnificent. I believe that they will take even a greater hand. I would like to bring to the attention of the committee a letter signed by the chairman of the Committee on Corporate Business Involvement, addressed to Dr. Melady, of the Office of Assistant Secretary for Postsecondary Education:

The Committee for Corporate Public Involvement of the life and health insurance industry endorses the request you have made on behalf of the black colleges to modify the provisions of the governing challenge grant program of Title III. These challenge grants have been made available as a means of assisting colleges to become self-sufficient. Unfortunately, grant conditions, by ruling out endowment building, will not achieve the intended purpose because the institutions concerned cannot obtain the funds made necessary by the cost levels challenge grants make possible.

To use challenge grant money, Mr. Chairman, simply to create college development officers is really going over the ground that title III has permitted almost from the beginning. The real need is not in terms of more college development officers, although I admit the turnover is great, and you cannot get college development officers who are too well trained. The fact is, the pool of resources these development officers must call on is too limited ever to replace what title III has done in building a cost picture into the continuing budget. So, that is why we say that the challenge grant should follow the language that the National Endowment for the Humanities has used, that says this:

The uniqueness of challenge grants program is aiming to achieve an institution's financial stability, is such that Federal funds and non-Federal funds or matching contributions may be used to build up cash or contingency reserves, and to increase endowment funds or accounts of similar kind which bear interest or otherwise work to the financial advantage of the institution.

The principal goal, then, is to help guarantee the long-term stability and financial independence of the institution. I feel that we have. As a matter of fact, in discussing this they said even our grants may become a part of the UNCF challenge grant program as long as the original purpose for which the endowment grant is made is carried out, but funds generated over and above that may then go to the general support of the institution.

I would also like to call the committee's attention to the fact that we have had a new development recently, in that the Charles Stuart Mott Foundation has given, or plans to give, $1 million to 10 of the public colleges so that they too may build endowments for programs which the State will not pay for. And as you have so wisely said, under reducing enrollments may have even less money to enrich what they offer to students. They will use $100,000 as their bonus equivalent of the UNCF.

I would also mention that each of these plans demands action on the part of the college. It is not a handout. It is a challenge so that they must respond, and I do not know of any way to strengthen the fund raising machinery better than giving them an achievable challenge. An unachievable challenge is very discouraging. I do not believe any funds spent by the Government to help colleges can have more long-range good than making it possible for the colleges of their own effort to match out these funds so that they can really and truly become stabilized and self-supporting over the years to come?

That is because endowment building is a 25-year program. It is not something you do and then stop. It is something you keep on doing. Harvard is asking for a few more million to add to their 1½ billion in endowment. So these somewhat poor colleges take one unit of endowment and don't think they are anywhere at all.

The plan as we originally projected it said that a college with 1,000 students, if they are going to have $1,000 of endowment per student, need at least $20 million of endowment to achieve that goal. I do not think that is an impossibility. One of our colleges, Benedict College in South Carolia, now has six units, and they have something like $14,700,000, and this is just what they have been able to do since the program has started. So, I believe we could not come to you with a more promising offer if the Government is willing to join hands with private industry in terms of loans, in terms of gifts, and in terms of what the United Negro College Fund can do. The college fund has expressed a willingness to work with the public as well as the private colleges in terms of this particular program.

Thank you very much.

Mr. SIMON. I thank you, not only for what you had to say, but for your leadership in this whole area.

Are there other schools other than UNCF schools that are doing anything like this, Mr. Keane?

Mr. KEANE. There are not. The program was developed originally by Dr. Patterson, and there were a number of us who worked on trying to refine it and formulate an investment structure that would make it work. We had put it into operation now for 21 colleges, all of whom are members of UNCF. There is no reason that the concept could not be extended to any educational endowment fund.

Mr. EDLEY. I might comment that the American Council on Education, upon being exposed to the plan 2 or 3 years ago, asked permission to print it, and they did so in a very handsome form with many of the research studies that predated the institution of the plan, and circulated it nationally so that it is a plan that is in the hands of colleges across the country. I might say that in the early stages one of our fears, as that plan was being made public, was that the small, predominantly white colleges across the country would beat us to the punch and institute the plan. A number of them have shown interest, but I do not think they have actually gotten off the ground as yet.

Mr. SIMON. The plan really strikes me as a great idea, and I am going to take the liberty of dropping a note of personal commendation to each of the insurance companies involved.

Mr. PATTERSON. May I comment to say, sir, that I think most gratifying is that six of the companies that originally invested have repeated their investment without any change in the formula whatever, and this does not come through their philanthropic program. Their investment officers are the ones who must pass on the planning. They have seen fit to authorize repeats.

Mr. SIMON. Let me play the devil's advocate here for a little bit. What you are basically suggesting, at least temporarily, is that we increase title III. I agree with you, Dr. Patterson, that if we really want to help colleges, we at this point not only to improve, but I think to shore up quality in the country, we have to be talking about endowment. One of the problems with title III is, we already have way more applicants than we have money available, and there are those who will say you are just thinning it out even further when you do this, and not really solving any problems. How do you respond to that?

Mr. EDLEY. Well, first we concentrate and look at the matching grants portion, the $9 million addition to your $120 million in title III. We worked very hard to get the previous administration to propose to Congress the $9 million for the express purpose of funding the college endowment funding plan. Somewhere through the negotiation process, the endowment negotiation was stricken from it, and that is the money, that $9 million of supplemental funds, that there should be a technical amendment saying the $9 million or a portion of it can be used for endowment building purposes in the highly leveraged way.

We realize that it is only a foot in the door, but we think it is a very important foot in the door; that it would allow a demonstration of what could be accomplished. Many institutions would prefer to use many of those funds in a different way, but that is the basic idea, and as we said, we have requested the administration to make a technical amendment. Our point on that technical amendment is that it would require no new funds. It would merely make endowment building one of the options in that supplemental matching grants portion, and Congress would have the time to look. But, we also hope that you in your wisdom would consider this idea that we have discussed in its broad parameters, its broader importance to all of higher education, and particularly the smaller, struggling colleges that have demonstrated a desire and interest in rebuilding on a limited basis, that something might be done even apart from the supplemental matching grants portion of title III.

Mr. SIMON. The natural vehicle for doing something in a very substantial way is the Higher Education Act when it comes up for reauthorization. That does not come up for reauthorization until 1985. Now we presumably, starting next year, will be moving into the process, and maybe in 1984 actually reauthorizing. I do not know. We have not even discussed all that yet.

Mr. PATTERSON. Mr. Chairman, is this an annual sum, this $9 million? Will that come up in another year to be an additional appropriation?

Mr. SIMON. That is correct.

Mr. PATTERSON. Title III started with $5 million, and I confidently believe that this effort demonstrates, as Mr. Edley has said, its effectiveness. All the evidence we have suggests that at the end these other institutions will be helping to insist on more funds. I do not know how the Government can spend a similar sum of money that can do so much good for the struggling institutions that would be a matter of concern not only of the colleges, the black colleges, but all institutions.

Mr. SIMON. I do not want to read something into what you are saying, Dr. Patterson, but what you are saying really is, if we took the $129 million, even if you do not increase the total in title III, but you took more of it for the challenge grant and made that available for endowment building, that you would do more for these developing institutions.

Mr. PATTERSON. I am confident that is true, because year after year we have been—I do not like the word "threatening," but that is the term we use—threatening to discontinue title III and let the colleges fall flat without the sustaining funds. The only reason the college seeks a title III grant that is different from the one it had last is because it cannot get it for the purpose it had last. So, it is the way in which it tries to keep itself alive, but if we can move that to the point where the endowment sustains the grants and the level of costs already done, I just think that this is the way the whole fundraising machinery should be focused. We are not against restricted grants. We are against the restricted grant that leaves a consequence that the college is not able to develop.

Mr. EDLEY. If I might say a further word in support of that. By definition our member colleges are among the most struggling accredited colleges in the Nation. There may be some unaccredited colleges out there in even worse shape. We are struggling financially, and yet despite that, since 1978, 22 of our institutions have elected to go out and raise $300,000, some of them several times, and then getting our bonus, to put this hard earned, desperately needed money that you would logically expect them to be putting into current operating budget, into the endowment plan. In their wisdom they know that they must build for tomorrow. I do not think you can find a stronger testimony. If you give a hungry man money and he saves a portion of it instead of buying bread, that is an act of character, strength, and determination.

Mr. SIMON. And wisdom.

Mr. EDLEY. And wisdom.

Mr. SIMON. You are correct. I could not agree with you more. I am just throwing something out here, and I am not speaking for anyone, not even suggesting this might become available, but let us suppose we reauthorize a Higher Education Act, and part of the reauthorization of the Higher Education Act, let us just say a 5-year reauthorization, or a 3-year authorization at $1 billion a year, which sounds like a lot of money. But as you pointed out, Harvard has almost $2 billion endowment, the University of Texas has almost $2 billion endowment, so nationally $3 billion is not a lot of money.

Mr. PATTERSON. Distributed over the universe of colleges, it is very little.

Mr. SIMON. That is correct. What if you had $1 billion available that you could for 3 years make available to the colleges and universities of this Nation on some kind of a challenge grant basis? What would you think of the idea? How would you proceed? How do you make sure, in case you did not want to encourage the Harvards of the Nation, but obviously schools with the greatest need? Any thoughts, just random thoughts?

Mr. PATTERSON. I think, Mr. Chairman, that the place to begin is with a college of little or no endowment. You would put some sort of ceiling on participation. That would be the simplest way to do it, and say a college having so many students and less endowment than $1,000 per student, would be the eligible institution, and you would take most of the ones that we want to help. The other thing is that the United Negro College Fund just completed a $50 million campaign, and believe it or not, raised $60 million. One-half of that is to be used in endowment building in the form of the $50,000 bonus. You can almost match out the kind of money you are talking about with bonus funds as the colleges who are halfway home without Federal money, and the other half they have to go out and dig for. I just think you will give fundraising the kind of shot in the arm it has never had in terms of institutions at that level. The big institutions, it is not a problem.

Mr. EDLEY. I believe you throw out some additional yardstick. I agree with everything Dr. Patterson said, but in some of the definitions that have been thrown out from time to time with regard to the percentage of students in particular colleges who are receiving Federal financial aid, Pell grants, and so forth, that is also a pretty good yardstick because there is a correlation between the number of impoverished students on a campus and the size of the endowment. That is strange, but it is a true yardstick that is there. There could also be a notion of set-aside, and as I mentioned earlier, there could be a requirement that schools that have already gone through the arduous task of qualifying for title III grants would be the ones that would be eligible for this more advanced graduation program, a program where you are looking forward to institutions perhaps someday graduating from the title III stage and becoming established institutions instead of developing institutions.

Right now, I think that pool of developing colleges as defined by the administration is about 800 in number, which is a ludicrously large number of institutions. We would also hope that in connection with the notion of set-aside or something akin to that, there should be some recognition of the historical obligation of the Federal Government to do something special in promoting the educational attainments of the great grandchildren of former slaves, and the same thing can be said for Indians and perhaps Spanish-speaking populations. We believe that we have made noble and great progress, but that only within the past decade and a half has the Federal Government paid particular attention to these institutions that have literally educated a race of people, and we think some additional recognition is due.

If I just might end on a point that the yardstick could take into consideration the fact that our institutions are unique. I just cite one example, Tuskegee Institute, our largest member in the college fund, has 3,500 students.

Mr. SIMON. If I may interrupt, I note that the former president of Tuskegee Institute is here. We are honored to have him.

Mr. EDLEY. He can correct me if I misstate. Two-thirds of these 3,500 students receive total financial support based on the financial disadvantaged nature of the students and their parents. There are not very many institutions in America that have students ranging from two-thirds to 90 percent who require, not drawdown a week, but require financial support if they are to continue their education.

Mr. KEANE. Mr. Chairman, just as a sidelight, you mentioned Dr. Foster being here, former president of Tuskegee. I think it is an interesting and unusual fact that Tuskegee, which celebrated its 100th anniversary this past year, has only had four presidents in that time, and two of them are here. Dr. Patterson is here.

Mr. PATTERSON. One is dead and the other is in office.

Mr. KEANE. Right, but Dr. Patterson and Dr. Edley's remarks in response to your question about the possibility of some new initiative focused on where the money ought to go, or hopefully that the black colleges will be able to benefit from such a program because of the efforts that they have put into their work and into endowment building. I would second that; I have no disagreement with that.

I did want to respond to perhaps another point you were getting at in your question; that is, what would the impact of some major new thrust of government toward endowment building generally, for all colleges, be. I think that there is evidence from many challenge grant programs that foundations have sponsored that colleges do respond as symphony orchestras respond to challenge grants, and a ratio of 2 or 3 to 1; that is, the institution having to raise $2 or $3 for each dollar under the grant program, seems to be a manageable level of challenge. In that context, $1 billion a year over a period of 3 years, $3 billion could raise a total of, let us say, $10 or $12 billion of new money, and that would be a very substantial increase in the long-term asset base of higher education in the United States.

The present aggregate of all endowment funds of the U.S. colleges, I would estimate to be about $22 billion, and about half of that is held by fewer than 10 institutions. So, that means most institutions over the past 100 years have accumulated relatively little in the way of endowment assets, and the opportunity to make a dramatic increase in this kind of long term, permanent base would be a great step forward, I believe. But, it is a tough program to work out. You would have an awful hard time developing the rules, too, but it would have a tremendous impact.

I might also say, by the way, in response to what Dr. Patterson was commenting on, present title III appropriations, where this $9 million was tentatively earmarked a year ago, could presumably be designated for this purpose between now and 1985. It might be an interesting demonstration project to make available $9 million or $10 million a year for a few years, which under this formula would develop over $100 million of new endowment assets in that short space of time. That would be a very significant demonstration project.

Mr. SIMON. We thank you all very much for your testimony.

This is my colleague, Mr. Weiss of New York, who has joined us and shares a real interest in this field.

We thank you not only for your testimony, but for what you are doing.

Mr. SIMON. Our final witness this morning is Dr. Martha Church, president of Hood College, Frederick, Md.

Dr. Church has been willing to come down here on short notice, and we appreciate that.

STATEMENT OF MARTHA CHURCH, PRESIDENT, HOOD COLLEGE, FREDERICK, MD.

Ms. CHURCH. Mr. Chairman and Mr. Weiss, I am Martha Church, president of Hood College, a liberal arts college for women located in Frederick, Md. We have approximately 11,000 undergraduate students and about 700 part-time graduate students. I welcome the opportunity, even though it surfaced yesterday afternoon, to share some thoughts with you.

I have one other item of information to say about my background. I served for 4 years as the associate director of the Middle States Commission on Higher Education. During that tenure I worked with well over 100 to 150 colleges and universities in the Middle Atlantic area, so that what I am about to say indicates more than just familiarity with Hood College. I am very familiar with the financing and the planning of probably more than 100 to 125 to 150 institutions in my general area.

It is evident to me that Hood is atypical of most colleges and universities of the United States in that it has a modest endowment of approximately $10 million. Among the 3,000 or so colleges and universities in the United States, there are perhaps 100 to 125 that have substantial endowments, and I would say that would be something over $25 million. I checked that with Mr. Keane. Even these funds are being seriously eroded by inflation. I wish Hood were among those institutions suffering that problem. We are not. We have approximately, by market value, a little over $10 million; $2.5 million of those funds are in a special restricted account where both the investment and the use of the moneys are prescribed by the nature of the gift we have received, so it leaves us a small portion to look at and to invest as wisely as possible.

It has been a written and unwritten law never to use up that money for expendable problems or purposes during a given year. We used approximately 6 to 7 percent of the earnings, and this represents approximately 5 to 6 percent of our budget in a given year.

Our portfolio is managed by a firm in Baltimore. We are spending some money now to make certain that the investment and procedures of the college are as wise as we can make them. We are using a firm called Cambridge Associates. They are walking us through what ought to be used, what ought to be returned and reinvested in the portfolio so that there will be funds available in the future, and that we do not imprudently take more than we should. Cambridge Associates is saying to us, "Run the high side of using earnings. It ought to be around 4 to 5 percent, rather than 6 to 7 percent." That represents some strain to me.

I wonder if there is anything else that the college has squirreled away that it might make use of. It does have undeveloped land, but our neighbors are so loving of that land that they have appealed a zoning decision we have requested which would permit some development. It is unlikely that land will ever be available to us because it will be blocked consistently in the courts, and it is the last available green acreage in Frederick City. There is not much left even in the county.

I have a very different problem. From the exciting opportunities you have just heard about, it would never have occurred to our trustees to think about touching the endowment in any way in terms of its own thoughts of lending out that money until we analyzed the impact not only of the 1982–83 budget cuts as proposed and now very much in place, and now the 1983–84 items, which are under discussion at the present time.

I believe you have in your folders the impact of President Reagan's proposed rescissions both in 1982 and 1983, and they lay out for you the worry for the college that there could well be several hundred students not on the campus next year and the budgetary impact of that if they see the institution getting out of their price range. We are analyzing attrition at this point. Spring, April 15, marks not only income tax day, but the day when the students indicate whether indeed they are going to seek back their room deposit and leave the college. For the first time, even though attrition is down, for the first time the very explicit reason of expenses is now being labeled for the reason for transferring out. The transfers are all into the public sector. They do not relate to the program at all, there is a regret on the part of students who have identified finances as the reason for leaving. They feel that even with what we have done, what we have put in place, that our fees that are now beyond $8,200 are beyond their families' capabilities of carrying them. So our program overlap isn't substantial. We are not in competition with similar private colleges because our programs are not primarily duplicated in the public sector.

What we did in order to respond to the cuts that are already in place in Federal programs, we moved from 8.7 percent of a $9.4 million budget, the current budget, we have moved the funding for financial aid up to 10 percent out of a $10.2 million budget proposed for 1982–83. We figure we cannot go beyond that figure without toppling the financial structure of the college. When too much money is tied up in your aid program, it requires us to withdraw the basic fringe benefit that was going to be offered for the first time to all of us at the college, and that is to pay Blue Cross-Blue Shield, which all other companies, industries, and businesses pay. We have had to withdraw that in order to fund what has disappeared from the Federal programs.

This spring we spent time laying out an installment plan and we expect to push very hard. I have visited clubs all over the eastern part of the United States. I am virtually every day visiting with a group. I have been to Virginia Beach this week. I was in Annapolis last night. I will be in Harrisburg on Saturday at noontime and Williamsport that night trying to lay the groundwork for much more in the way of giving to replace the moneys we have had to move into the financial aid area.

I also spent a good deal of time this spring visiting with the banks in Maryland. We found the banks interested, but very willing to put the burden of all the risks on the college. If we were willing to invest $5 million of our money in certificates of deposit at Maryland National Bank, they would consider lending out at 18 percent, with us taking any risk on the prime going up. Now the usury rates, the cap, has been released in Maryland to 33 percent under $1,000 and 24 percent over $1,000. The colleges, the trustees just looked at that, they could not afford being in the lending business through a bank when we were going to have to match or pull out from our resources a floating differential between what was being lent out over what the prime would lend, even though we know it might go lower. That is not exactly what we are hearing as a prognostication, a prediction.

We talked with the local banks. In our town it is important that we survive as an industry, as we are around the 11th or 12th largest employer in the Frederick County area. We thought they would be more responsive. Their plan was to tie a lending program to a floating rate of interest on Treasury bills.

Again the college looked at that and recognized all the risks again were on us. I did talk with several of the insurance companies, well aware of this initiative that you have just heard about, to see whether or not some of the major life insurance companies—and I talked to the spouse of a Hood graduate who has been the chair of the board of John Hancock, newly retired—to see if indeed the industry could see its way to setting up something that would look similar to the guaranteed student loan program, with payment on interest during college and then payment on interest and principal after college. The response from John Hancock was interesting in that the amount of available money that they have to invest has been reduced substantially, given the number of us who are borrowing on life insurance policies issued a while ago and the cash flow problems they are up against. The earliest they saw even being able to entertain a massive proposal, which is in front of the American Council on Life Insurance in the range of $300 million as a possible loan program is 1 year to 2 years away. I returned then to the college very discouraged, with no possibility of finding a lending institution outside of the college itself; so that the board did vote to lend from its own endowment, an unpalatable choice, but it felt it had no other choice but to see the loss of several hundred students. Translate that by $8,000 apiece and they recognized that would be a greater disaster for the endowment to absorb; so that what we did was talk with legal counsel in Baltimore. We were aware since a supplemental loan program was being looked at and has been passed with about a year to bring it into place in Maryland that the licensure laws have now been so rewritten to omit colleges as having to seek licensure. We have been lending in BSL moneys and have not had proper licensure. The State did not know it and we did not know it. Therefore, they have clarified an item that we did not even know we were not in compliance with; but the clearance is there from the legal counsel saying that what you are doing is really choosing to invest, not in stocks and bonds, but in your own students.

Therefore, there is nothing on the books of Maryland statutes that would foreclose that activity. What we are choosing to do is to take and we have mapped it out and we have put a cap on it. It will be approximately $1,900,000 that will be put into a loan fund and in an 8-year period it does become self-funding. It will be self-renewed and in the process charging 15 percent interest with 12 percent of that going into the endowment with the board reserving the right in the fall for review. They are very nervous over what may happen to interest rates. They also recognize that if the stock market improves, this money is not available to be used to better advantage. We have locked it out, any kind of investment that would improve the total return of the college, and that worries them. Although they do not expect the stock market to improve, they recognize they have locked away now a portion of the money. We probably do this when some colleges might not be able to enter this kind of program, with the assurance that we are among the colleges with a relatively low default rate and that we are controlling the risks at the college and we are not subject to the risks as they float to us in a changing scene out in the marketplace within the bank structures.

What we have done is put into place a loan program, one that we hope nobody will use. But we think, we recognize there is approximately $1,300,000 that was borrowed by some of our students and their parents this year that will not be available under the new GSL rulings in terms of eligibility and $500,000 does not go very far to meeting that $1,300,000. We hope enough students will opt for an installment plan which puts them clear of interest rates at the end of the year and puts them back afresh to put out the money the following year, because our plan is not inexpensive to parents in the long term. It does make us nervous that we have moved in on our endowments in a way that our board had never considered as prudent up to this year. This is the lesser of two evils.

This is what I am prepared to share with you this morning. I think I am fairly typical now of other colleges of similar size which are launching a program that will have some aspects of our program. Some may be charging lower interest rates because they figure they can absorb more of that from the endowment. This is what we felt we could bear.

That is our story.

Mr. SIMON. Thank you very much.

First, this is not the purpose of this hearing, but what you are talking about is, in fact, if the requests of the administration go through on student assistance, that your college increasingly is becoming an upper income school.

Ms. CHURCH. That is right, or it will not have students and it will become a less affluent school in terms of its ability to meet its bills. I mean, we either will have the low-income student and the very affluent student and we will be missing the middle-income students, and we may just be smaller as a result of that.

Mr. SIMON. And a school that does not have that economic mix, is it missing something educationally?

Ms. CHURCH. I think it is missing something extraordinary. I think that is a tragic fact, if we are moved to begin to recruit in the direction of those that can pay bills. I would regret that, because I fought long and hard and I think many others have fought long and hard for access and choice and it is removing access and choice.

Mr. SIMON. As I understand it, you are using about 67 percent of your endowment income for college.

Ms. CHURCH. Six to seven percent.

Mr. SIMON. Oh, 6 to 7 percent.

Ms. CHURCH. Six to seven, yes.

Mr. SIMON. But you use all the income from the endowment, that 6 to 7 percent is made up of total income from the endowment. Do you reinvest endowment funds?

Ms. CHURCH. We are earning in the vicinity of 10 to 12 percent and what we are doing is taking approximately 6 to 7 percent to go for current operating expenses and the remainder is being plowed back in.

Mr. SIMON. I see.

Ms. CHURCH. We are being told that is on the high side to take because inflation is eroding what you are plowing back in.

Mr. SIMON. You heard the discussion before from the gentlemen associated with the United Negro College Fund. What if we eventually worked out a system and you are right at the cutting edge when they talk about $1,000 per student, you would be at that cutting edge. What if we worked out a system, and again I am just tossing out figures, I am not suggesting this is what the statute would authorize; but let us just say that the Federal Government below $1,000 per student would match 75 cents for every dollar that a school would raise. When you are above $1,000, it might be 50 cents or 40 cents. Does some kind of graduated formula strike you as being fair?

Ms. CHURCH. Yes, because I think all of us recognize that the large endowments are tied up in a very tiny number of institutions, so that when you move to the rest of us, some sort of graduated or phase in would be appropriate. You leave out only that top number who are going to have the wealthy alumni die off at some point in the future. Most of the rest of us don't have that type of affluence among our graduates, so that something in the way of a graduated program would be good. As I listen to you talk, the whole area that is not being helped by our earnings at all at this point is long term renovations. We have got to find a way to move up the size of the endowment and the challenge grant is one of the most effective tools. We have just come through a challenge grant relating to a facility that burned on the campus that needed to be replaced and the leveraging of two foundations brought the rest of the money in. It is a very effective tool.

I am acutely conscious that what is not available anywhere, and I am switching a little off your topic, is someplace to turn now for a long-term, low-interest loan, that you could pay back through some of your earnings in the endowment in order to renovate buildings. All of us are facing very costly rewiring and replumbing of buildings with no way to generate the funds, either out of the endowment or out of costs, your charges that you are charging to students. Along the side we have accumulating another kind of problem that is going to eat us alive. We have spent this spring hunting anywhere for anything that might be a way where we could pay it back, such as the HUD loans, on a 3-percent basis. That is manageable, but if it is 10 to 12 percent, which seems to be what the bonds are now, there is no way we could afford the million dollar loan that we need for one building.

So to come back to your question, that is one of the most exciting concepts I have heard and if it comes through in any kind of form, and I think if it touches 90 percent of the institutions in the country, because your public institutions have their foundations as well for leveraging money. I think it would spark things for every one of us and would be, I think, a more palatable use of money, because the businessmen on my board are not happy with the defaults and the other things that they are aware of including subsidizing of interest rates. At some point I have concluded that probably is going to be a program that will be scaled down.

Ms. CHURCH. We would be interested if there is something that emerges that puts the responsibility on us in a challenging way, recognizing I could not leverage my banks to help me. They really felt that the stockholders must see that there is no undue risks have to be taken by the banks. The insurance company questioned me, "What is in it for us?"

I would say, "It is future life insurance policy users that feel good about being helped while they are in college."

That is not a great deal of help, but being able to respond through your corporate giving, through the private individual, I think a number of us would be glad to respond to you as you try out different formuli.

Mr. SIMON. Mr. Weiss.

Mr. WEISS. Thank you, Mr. Chairman. I have no other questions. I admire all of you who are struggling with a problem that really is society's problem, but we tend to think it as yours. Far too many of us think so.

Mr. SIMON. Thank you. Let me just add one other general comment why I think all this is important. What we have seen in the elementary and secondary schools is some slipping of quality in teachers; those we attract, those we retain. I think if colleges are in a squeeze, we are going to see the same problem at the college level, and the last thing this country needs is a double whammy of making college inaccessible to people, and in the process segregating by economics. The second thing we do not need is any diminution in quality in our institutions. So, I hope we can gradually move in a direction that can be of assistance not only to Hood and Tuskegee, but to all the schools in our country.

Ms. CHURCH. I think the response I would make is, when you look at our salary situations and see why the math teachers are not going to go into math and teaching in the schools, if there is a $10,000 or $12,000 differential, we are in the same bind at the college level in terms of hiring in particular areas, because the well qualified computer science person is not going to be in the college. Our salaries in the private sector with the exception of Hopkins in Maryland, are running 20 percent behind the public sector. We like to think we are attracting good people, and there is a surplus in some of the fields, but in these prime areas that are going to be supporting some of our technological developments in the future, this is where they are going to private companies. I am not sure how we are going to prepare students in the future, when we are going to have inadequate facilities and perhaps less well prepared and less well qualified people. We have gotten the dregs of what is available on the market, and that does not bode well for the absolutely cutting edge talent emerging from our colleges, though it emerges from some who have gotten those substantial endowments.

But for the rest of us we are going to have a hard time making those ends meet and keeping up the price tags that you put on a faculty member.

Mr. SIMON. And that has implications for the country.

Mr. WEISS. I have one question. You had indicated, Ms. Church, on the problems with the banks and their unwillingness to assume the risk. Maybe this is too soon yet, but do you have the kind of student body that would be affected by the changes we made in the law as far as qualifications for the program? What experience have you had so far as far as the financial lending institutions' willingness to continue to participate in that loan program?

Ms. CHURCH. Actually, what is interesting is that the Maryland banks have chosen not to go along with the PLUS program, and that says something. That is one of the options we indicate on our array of possible choices, and that is something that some of the States have moved in on. Our banks do not think there is going to be the rollover that they would like to count on, so PLUS/ALAS is not even an option available to Maryland students.

Mr. WEISS. How about the need test for over $30,000 family income students?

Ms. CHURCH. That is the key problem. That is what we see in place right now. Our students' parents earn about $25,000 to $40,000, and for most of them they are just over the edge so that they may qualify for some aid, but their real problem is to meet what is viewed as their contribution to the total cost. What they had been able to do is, perhaps, through their child borrowing a part of what was needed, and then balancing it out on their side of meeting the need, and that is the piece that has been cut away. The affluence of our parents caps at around $40,000 to $45,000. The majority of our parents are in that $30,000 range.

Mr. WEISS. Or just over.

Ms. CHURCH. Just over. Just out of the line of action, line of activity, and some still may qualify given the number of children in college.

Mr. WEISS. One of the concerns that we had last year based on prior history was that because of the additional paperwork, the processing work involved for our banks, the lending institutions would be less interested in granting or accepting those loan applications at all. Now, apparently we have not yet gotten enough history.

Ms. CHURCH. That is right.

Mr. WEISS. We have not gotten enough history on that, but I suspect that this coming school year you will start getting information on that if this happens.

Ms. CHURCH. It is going to be hard to track for the person that goes and finds out they may not have the eligibility or did not meet the criteria, and then just opted out for the public sector. So, for our purposes, we will not know about it because they will not have been an applicant, and unless we can track why we lost them we may not get this history until we can track it for several years, until we can really nail down what the activity was at the banks in terms of final choice. Most colleges similar to mine, really do not know what the population will look like next fall. Our applications are up substantially, but I warned the board not to get overly encouraged by that because deposits are running way behind last year, which means they are hanging on to their money and they are going to make the choice after they see what is possible this summer, which has me a nervous wreck in terms of the amount of money I have committed to salaries.

That is what goes back to this endowment. We have limited our options on what we can fall back on. We can only bail ourselves out, if we have a bad year, several really bad deficits, then we are up against nothing more that we can pull out because the fundraising has increased substantially, but if you really have a bad year most of us at the $25,000 college do not have anything to fall back on. As an example, you have a range of Catholic colleges with the endowment walking around. They do need to eat and be housed and be clothed. They are walking endowments in most of the Catholic colleges. It is tied up in services not reimbursed in terms of their pattern of handling funding.

So, we really do not know. Our banks have been responsive, certainly, but I think as they looked at the facets of defaults and looked at the prime rate, which they could not predict, and cost of actually processing these loans, they needed to add on 3 to 4 percent onto perhaps the 18 before they could label that this indeed was not losing money for the bank.

Mr. SIMON. We thank you very, very much. You have the advantage and the disadvantage of being near Washington, D.C., and we may be calling on you again as we try and feel our way and sense where we ought to be going with this problem.

Thank you very much.

The hearing stands adjourned.

[Whereupon, at 10:45 the subcommittee was adjourned.]

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