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ABSTRACT

Hearings are presented on H. R. 2144, a bill to amend Part C of Title III of the Higher Education Act of 1965 to establish an endowment program for developing institutions, and for other purposes. This change in legislation would permit use of authorized funds to assist Title III institutions to build or enhance institutional endowments and would allow use of challenge grant funds for endowment building at a one-to-one federal-to-institution dollar match. The endowment program is designed to provide additional incentives to promote fundraising activities by the developing institutions, and to foster increased independence and self-sufficiency. The endowment grant to an institution in any fiscal year would not exceed $200,000 nor would be less than $50,000. The eligible institutions would therefore contribute a minimum of $50,000. Proceeds from the endowments would be available for institutions' use to enhance their educational product and its delivery. Criteria for receipt of a grant under this program are outlined. In addition to the text of the bill, the views of the Department of Education concerning the proposed legislation are provided, along with the outlooks of representatives of professional organizations and colleges. Supplementary materials include a state listing of institutional members of the National Association of Independent Colleges and Universities (NAICU); and a 1983 policy statement of NAICU. (SW)

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SMALL COLLEGE ENDOWMENT ACT OF 1983

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HEARING

BEFORE THE

SUBCOMMITTEE ON POSTSECONDARY EDUCATION

OF THE

COMMITTEE ON EDUCATION AND LABOR
HOUSE OF REPRESENTATIVES

NINETY-EIGHTH CONGRESS

FIRST SESSION

ON

H.R. 2144

TO AMEND PART C OF TITLE III OF THE HIGHER EDUCATION ACT OF 1965 TO ESTABLISH AN ENDOWMENT PROGRAM FOR DEVELOPING INSTITUTIONS, AND FOR OTHER PURPOSES

HEARING HELD IN WASHINGTON, D.C., ON MARCH 24, 1983

Printed for the use of the Committee on Education and Labor

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SMALL COLLEGE ENDOWMENT ACT 1983

THURSDAY, MARCH 24, 1983

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

The subcommittee met, pursuant to call, at 9:30 a.m., in room 2261, Rayburn House Office Building, Hon. Paul Simon (chairman of the subcommittee) presiding.

Members present: Representatives Simon, Andrews, Harrison, Boucher, Coleman, Gunderson, Petri, and Packard.

Staff present: William A. Blakey, majority counsel; John Dunn, legislative assistant; Electra Beahler, minority counsel for education; John E. Dean, assistant counsel; and Betsy Brand, minority legislative associate.

Mr. SIMON. The Subcommittee on Postsecondary Education will come to order. We are holding hearings today on H.R. 2144. We will be marking up that and another bill immediately after our brief hearings here.

This amends title III, part C, challenge grants of the Higher Education Act. In fact I'll insert my statement in the record. Challenge grants total $9.6 million, which are to enable colleges to become viable, thriving institutions of higher education and to assist them in solving their problems and in stabilizing their management and fiscal operations.

But in fact, we have denied them the ability to use any of this to increase their endowment. As we look at the problems of the tribally controlled colleges we saw clearly there was a need for them to build some endowment and it is the opinion of some of us on the subcommittee that we ought to be taking a look at encouraging that, also, in other institutions.

[Opening statement of Hon. Paul 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 holds a legislative hearing on H.R. 2144, which amends Title III, Part C (Challenge Grants) of the Higher Education Act to permit use of authorized funds to assist Title III institutions to build or enhance institutional endowments. Part C, Challenge Grants, were first authorized as a part of the Higher Education Act in the Education Amendments of 1980. Currently, $9.6 million is available for awarding Challenge Grants. These grants are currently restricted to carrying out the same activities authorized under Part A and Part B. This is an unnecessary and counterproducive restriction on the use of Challenge Grant funds—given the purposes of Title III:

To ". . . enable them to become viable, thriving institutions of higher education" and

To assist "... them in solving their problems and in stabilizing their management and fiscal operations."

The problems facing Title III institutions are not decidedly different from those facing larger more fiscally sound institutions. The problems are the same—rising costs, declining enrollments and limited resources—however, the ability of these institutions to respond to these crises is severely limited by their financial resources.

During the Subcommittee's April 22, 1982 hearing, we learned about the institutional endowment status of many of America's smaller private colleges, especially the historically black private colleges. It is clear that current economic circumstances require an additional Federal push, if we are to assure continued diversity among higher education institutions. Ureka College, the President's alma mater in my home state, is probably typical with a $2-3 million endowment. Dr. Robinson, who will testify later today, recently told me that St. Augustine's has an endowment of about the same size. That amount of money is inadequate given the problems facing these types of institutions over the next fifteen to twenty years.

Last year, the Department returned $1.3 million to the Treasury from the amount Congress appropriated for Challenge Grants. If H.R. 2144 had been law at that time, we could already be on our way with this important program.

H.R. 2144 is sort of a test vehicle for a larger concept which I hope the Congress will consider during the reauthorization of the Higher Education Act next year. In the meantime we want to work with the Department to implement this proposal for the fiscal year 1984. That will provide us with some insights into the nature of the problem and how a successful program might operate.

We intend to mark up two bills following this hearing, including H.R. 2144, and we have a full committee meeting at 11:00 a.m. I hope the witnesses will keep this in mind and summarize their statements so that we can move quickly.

[Text of H.R. 2144 follows:]

Union Calendar No. 42

98TH CONGRESS
1ST SESSION

H. R. 2144

[Report No. 98-76]

To amend part C of title III of the Higher Education Act of 1965 to establish an endowment program for developing institutions, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

MARCH 16, 1983

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

APRIL 28, 1983

Additional sponsors: Mr. HAWKINS, Mr. CLAY, Mr. OWENS, Mr. RANGEL, Mr. STOKES, Mr. MITCHELL, Mr. FORD of Tennessee, Mr. DIXON, Mr. SAVAGE, Mr. WHEAT, Mr. FAUNTROY, Mrs. HALL of Indiana, Mr. WASHINGTON, Mr. WEISS, Mr. BONER of Tennessee, Mr. CORRADA, Mr. RATCHFORD, Mr. SOLARZ, Mr. HARRISON, Mr. WILLIAMS of Montana, Mr. DERRICK, Mr. EVANS of Illinois, Mr. ANDREWS of North Carolina, Mr. SMITH of Florida, Mr. RALPH M. HALL, Mr. SIKORSKI, Mr. FAZIO, Mr. ROSE, Mr. HEFNER, Mr. SISISKY, Mr. SAM B. HALL, Mr. LEHMAN of Florida, Mr. FLIPPO, Mr. SHELBY, Mr. NICHOLS, Mr. BRITT, Mr. ANTHONY, and Mr. FROST

APRIL 28, 1983

Reported with an amendment, committed to the Committee of the Whole House on the State of the Union, and ordered to be printed

[Strike out all after the enacting clause and insert the part printed in italic]

[For text of introduced bill, see copy of bill as introduced on March 16, 1983]

A BILL

To amend part C of title III of the Higher Education Act of 1965 to establish an endowment program for developing institutions, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, *That this Act may be cited as the "Challenge Grant Amendments of 1983".*

SEC. 2. Part C of title III of the Higher Education Act of 1965 is amended—

(1) by striking out "as the case may be" in section 331(b) and inserting in lieu thereof "or to assist in the establishment or improvement of an institutional endowment in accordance with section 332";

(2) by redesignating section 332 as section 333; and

(3) by inserting after section 331 the following new section:

"ESTABLISHMENT OF ENDOWMENT PROGRAM: PROGRAM AGREEMENTS

"SEC. 332. (a) It is the purpose of this section to establish a program to provide matching endowment grants to eligible institutions in order to (1) encourage the development of endowment funds by such institutions, (2) provide additional incentives to promote fundraising activities by such institu-

tions, and (3) foster increased independence and self-sufficiency of such institutions.

"(b) From not more than 20 per centum of the amount appropriated pursuant to section 347(a)(2), the Secretary shall establish a program of making endowment grants to institutions which establish eligibility under section 331(a)(1)(A) and (B) and which are current or past recipients of assistance under this title. No college shall be ineligible for such a grant for a fiscal year by reason of the receipt of such a grant for a preceding fiscal year, but no such college shall be eligible to receive such a grant for more than two fiscal years out of any period of five consecutive fiscal years. The endowment grant to any such institution in any fiscal year shall not exceed $200,000 and shall not be less than $50,000.

"(c) No grant for the establishment of an endowment fund by an eligible institution shall be made unless such college enters into an agreement with the Secretary which—

"(1) provides for the establishment and maintenance of a trust fund at a federally insured banking or savings institution;

"(2) provides for the deposit in such trust fund of—

"(A) any Federal capital contributions made from funds appropriated under section 347(a)(2);

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"(B) a capital contribution by such college in an amount equal to the amount of each Federal capital contribution; and

"(C) any earnings of the funds so deposited;

"(3) provides that such funds will be deposited in such a manner as to insure the accumulation of interest thereon at a rate not less than that generally available for similar funds deposited at the same banking or savings institution for the same period or periods of time;

"(4) provides that, if at any time such college withdraws any capital contribution made by that college, an equal amount of Federal capital contributions shall be withdrawn and returned to the Secretary for reallocation to other colleges;

"(5) provides that no part of the net earnings of such trust fund will inure to the benefit of any private person;

"(6) provides a minimum $50,000 capital contribution by each eligible institution; and

"(7) includes such other provisions as may be necessary to protect the financial interest of the United States and promote the purpose of this title and as are agreed to by the Secretary and the college, including (A) a description of recordkeeping procedures for the

expenditure of accumulated interest which will allow the Secretary to audit and monitor programs and activities conducted with such interest, and (B) provisions to ensure that the institution does not meet the requirements of paragraph (2)(B) merely by diverting funds from already available sources.

"(d) In selecting eligible institutions for receipt of a grant under this section for any fiscal year, the Secretary evaluate such institutions in accordance with the following criteria:

"(1) Priority shall be given to current recipients of grants under part A or B of this title, and the Secretary shall consider the extent to which the institution demonstrates a relationship between the uses of the proceeds of the endowment and fulfillment of its institutional development plan under part A or B.

"(2) The Secretary shall determine the institution's need for such a grant on the basis of the current value of the institution's endowment in relation to the number of full-time equivalent students at such institution.

"(3) The Secretary shall consider the effort made by the institution in its own behalf on the basis of the institution's ongoing effort to build or maintain its endowment.

"(4) The Secretary shall give preference to grant applications utilizing nongovernmental funds for matching purposes.

"(e) Interest deposited pursuant to subsection (c)(2)(C) in the trust fund of any eligible institution may be periodically withdrawn and used, at the discretion of such college, to defray any expenses necessary to the operation of such college, including expense of operations and maintenance, administration, academic and support personnel, construction and renovation, community and student services programs, and technical assistance.

"(f) For the purposes of this section, the term 'endowment' means any fund or foundation established by an institution of higher education or by State law, which is exempt from taxation and is maintained for educational or related charitable purposes, and specifically includes separate foundations established in order to assist public institutions to develop or increase institutional endowments, but does not include real estate.".

SEC. 3. *Section 516(c)(1) of the Omnibus Education Reconciliation Act of 1981 is amended by striking out "1982, 1983, and 1984" and inserting in lieu thereof "1982 and 1983 and $134,400,000 for fiscal year 1984".*

Mr. SIMON. We are very pleased to have as our first witness Dr. Ronald Kimberling, Deputy Assistant Secretary for Higher Education Programs, accompanied by Dr. William Butts, Director of Institutional Aid for the Department of Education.

And I might mention to the members of the subcommittee, we are going to go fairly rapidly so we can move into the markup and get you out of here in reasonably good time.

Pleased to have you with us here, Doctor.

STATEMENT OF DR. RONALD KIMBERLING, DEPUTY ASSISTANT SECRETARY FOR HIGHER EDUCATION PROGRAMS, ACCOMPANIED BY DR. WILLIAM BUTTS, DIRECTOR, INSTITUTIONAL AID, DEPARTMENT OF EDUCATION

Mr. KIMBERLING. Thank you, Mr. Chairman.

Just if I may correct the record, I think you gave me a little bit of a promotion. Dr. Elmendorf is the Assistant Secretary and I am the Deputy.

Mr. SIMON. When I looked at this, I was——

Mr. KIMBERLING. Yes, I am very flattered by the appearance of that on the sheet, but——

Mr. SIMON. We will let Dr. Elmendorf know that you are pursuing his job. I am sure it won't improve relations between the two of you.

Mr. KIMBERLING. Thank you. If it is all right with you, Mr. Chairman, I enter my remarks into the record——

Mr. SIMON. Your statement will be entered in the record.

Mr. KIMBERLING. We appreciate very much this opportunity to present the Department's views on H.R. 2144, which would amend the challenge grant program for title III.

While the Department does not have specific data on the endowments of title III institutions, it is probably fair to say that as a group these institutions have smaller endowments per student than other institutions of higher education. We find that this is a matter of some concern to us, as I am sure it is to you. We believe that the concept of endowment building to help insure self-sufficiency for title III grantees is a matter that is certainly worth exploring further. The administration has a strong commitment to the institution served by the institutional aid programs and particularly the Nation's historically black colleges. But we do feel there are some major problems with the bill as it is written and I would summarize some of those as follows:

The bill as proposed contains no statement of purpose defining the goals of the program. We feel this is necessary to administer any discretionary grant program. There appears to be no limitation on the number of years an institution may participate in the program and we also note that there is a minimum but there are no maximum limits in the amount of Federal matching funds an institution may provide. Without this limitation, we could find ourselves in a long-term program of staggering costs and, Mr. Chairman, in the hearings last year we note that you expressed concern about this matter when you said that you thought it should not be the long-range kind of thing where the Federal Government is going to be tied up many years in enriching endowments.

We feel that the bill as written lacks specificity in the manner in which requests for grants will be evaluated. You had mentioned the tribally controlled community colleges but we would point out that we are dealing here with the universe of about 1,600 institutions as opposed to about 20 tribally controlled community colleges. And to run a discretionary grant program we would strongly feel that the absence of guidelines for evaluating these proposals poses some major problems for the Department.

We had some questions as to how the interest earned would be used. The bill as presently drafted allows the income from the endowment to be used for operating expenses and there is no incentive to encourage the growth of the endowment beyond the initial contribution made by the institution in the matching Federal funds. There are no incentives to continue to build.

We also note that the bill contains language authorizing the use of endowment income for among other things any expenses associated with the operation of the college, including the expensive operations in maintenance, construction and renovation and community services programs. Our position is that while these are all operating expenses which are vital to the health of the college. These are the types of expenditures that the title III statute specifically prohibits currently. And so it would be a major shift in the nature of the program to include these kinds of expenses. We would hope that further discussion on this issue could be had.

We also believe that the question of the Federal role in building endowments at public institutions should be thoughtfully reviewed. We note that some States prohibit public institutions from having endowments whatsoever. Other States have restrictions on their public institutions. A typical example would be mandating that any endowment fund raising be done by a foundation that is separate and apart from the institution itself and these kind of stand alone foundations are not eligible for title III application. So we feel there would be some inequitable treatment of public and private institutions with the bill as written.

And we believe finally that the bill would have an adverse impact on the authorization and appropriation levels of the challenge grant program. Once the fiscal year 1983 awards are made this summer, the program will be funded at the maximum level authorized by the legislation. We would emphasize the projects funded under the 1980 amendments are still in their first year of operation and we have not had a chance to evaluate the project performance. The administration could not consider additional funding beyond the authorization level until the results of project performance are in.

In view of the close time frame between the introduction of the bill and this hearing, the Department has not had an opportunity to conduct a thorough analysis of the language of the proposed amendment and how it would affect the administration of the challenge grant program. These are some points that we feel are major points that we have been able to note in the past few days but we believe it is essential that the issues raised by this proposal be thoroughly reviewed by both the executive branch and the subcommittee by title III's constituency and the higher education community at large. The administration is very willing to work with you and reviewing these issues and in finding equitable and manageable solutions in an effort to improve this important program.

[Prepared statement of Ronald Kimberling follows:]

PREPARED STATEMENT OF DR. C. RONALD KIMBERLING, DEPUTY ASSISTANT SECRETARY FOR HIGHER EDUCATION PROGRAMS, U.S. DEPARTMENT OF EDUCATION

Thank you for this opportunity to present the Department's views on H.R. 2144, which would amend the Challenge Grant Program, authorized under Part C of Title III of the Higher Education Act of 1965, to allow Federal funds to be used for endowment building.

While the Department does not have data on endowments of Title III institutions available, it is probably fair to say that, as a group, Title III institutions have smaller endowments per student than other institutions of higher education. An argument can be made that the establishment of endowments at Title III institutions would be a promising solution to the problems that "threaten their ability to survive" and have historically inhibited them from "becoming viable, thriving institutions of higher education."

We believe that the concept of endowment building to help ensure self-sufficiency for Title III grantees is certainly worth exploring. The Administration has a strong commitment to the institutions served by the Institutional Aid Programs, particularly the Nation's Historically Black colleges. However, we feel there are some major problems with this bill as written.

Some of the significant problems we have identified with both the concept of an endowment building grant and this specific bill include:

The bill as proposed contains no Statement of Purpose defining the goals of the program. It leaves open-ended what the Federal government is attempting to accomplish.

There are no limitations on the number of years an institution may participate in the program, or a limit on the amount of Federal matching funds an institution may provide. Without this limitation we could find ourselves in a long-term program of staggering costs. Mr. Chairman, in the subcommittee hearing of April 22, 1982, on endowment building, you expressed concern about this problem when you said:

"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."

The above problem is exacerbated by the lack of specificity in this bill as to the manner in which requests for grants will be evaluated. As written, the only requirements are to conform to the conditions for investing the funds as defined in section 332(b) and the availability of matching funds. Since the Challenge Grant Program is a discretionary grant program, funds are awarded through a competitive process. Currently, there are no provisions in the proposed bill which give guidance on evaluating the merit of one proposal over another. This, I believe, harkens back to the lack of a Statement of Purpose for the program.

There is also the question as to how the interest earned is to be used. This bill, as presently drafted, allows for the income from the endowment to be used entirely for operating expenses. There is no incentive to encourage the growth of the endowment beyond the initial contribution made by the institution and the matching Federal funds. If the purpose of this amendment is to assist in the growth of an institution's endowment, should there not be some attention paid to the question of reinvesting a substantial portion of these earnings?

Should the interest earned on the Federal portion of the endowment be restricted in terms of the use that can be made of it, particularly during the grant period? The bill contains language authorizing the use of endowment income for, among other things, "any expenses associated with the operation of the college, including the expense of operations and maintenance . . . construction and renovation . . . community service programs," all of which are currently prohibited under the Challenge Grant Program. I think a careful examination of the uses of this income should be made, as well as linking the planned expenditure of these funds with the proposal review process, before we commit ourselves to such a course. We are not necessarily opposed to such use of funds, but the Committee should realize that an endowment-building approach essentially implies an end to Federal control over use of those funds at any level of program detail.

We also believe that the question of the Federal role in building endowments at public institutions should be thoughtfully reviewed. Some states prohibit their public institutions from developing endowments. The State treatment of endowment funds that are received by public institutions could dramatically change the intent and administration of this program.

We believe that the bill will have an adverse impact on the authorization and appropriation levels of the Challenge Grant Program. Once the Fiscal Year 1983 awards are made, the program will be funded at the maximum level authorized by the legislation. Given the existing multi-year funding commitments, there would only be a limited amount of funds available for this new activity until the current grants start expiring in several years. We would emphasize that projects funded under the 1980 Amendments are still in their first year of operation and have not had a chance to be evaluated. The Administration could not consider additional funding beyond the authorization level until the results of project performance are in. The current pool of eligible institutions is approximately 900 with a potential of another 600–700 institutions able to satisfy the Challenge Grant Program's eligibility criteria.

In view of the close time frame between the introduction of the bill and this hearing, the Department has not had an opportunity to conduct a thorough analysis of the language of the proposed amendment and how it would affect the administration of the Challenge Grant Program. We believe it is essential that the issues raised by this proposal be thoroughly reviewed by both the Executive Branch and the subcommittee, Title III's constituency, and the community at large. The Administration is willing to work with you in reviewing these issues and finding equitable and managable solutions, in an effort to improve this important proposal.

Mr. SIMON. We thank you very much for your testimony and we are eager to work with you. I think most of the questions that you have brought up, we are in the process of taking care of through amendment. You do not think that the general statements of goals in this title are adequate to include the endowment area?

Mr. KIMBERLING. The general statements in the statute apply to the institutions' long range self-sufficiency. We do not feel that there is a statement in the endowment portion that would tie specific endowment-raising goals into this larger goal for the program. Most of the other activities funded under the program are of a specific activity nature and the raising of endowment funds is for unrestricted purposes.

Mr. SIMON. We will take a look at that. The number of years is a very [illegible] criticism, and I think that we are taking care of that problem [illegible]at we would be willing to work with you on the guidelines to see what should be set up here.

Do you have any idea how many States prohibit endowment by the public universities?

Mr. KIMBERLING. I don't believe we have definitive figures. Dr. Butts is familiar with one or two States that may have some prohibitions.

Mr. BUTTS. Mr. Chairman, I can cite perhaps one or two. I know in the State of Illinois where I received my doctorate degree, down at Carbondale——

Mr. SIMON. I've heard of that State, that city, yes.

Mr. BUTTS. I do know that there is a move afoot now to look at the endowment at the university. The legislative audit committee, perhaps as you know, has the obligation to more or less oversee the regulation of the State legislature. And there is a move afoot perhaps to introduce a bill in that State that will somewhat disenchant the relationship between the university and the endowment proposal to the extent that are—it looks like the whole question of cost effectiveness. And there will not be the relationship that the endowment has had with the university across the years. These endowment funds will not be available to the endowment to enjoy, oblivious of the university. So I think that is one instance.

No. 2, there is an instance in Kentucky where the same thing is happening. So these funds will not be protected to be able to transfer the funds from the university to the endowment and that is the question that is being raised in many States today.

Mr. KIMBERLING. We do now, Mr. Chairman, that there are approximately 650 detached but related foundations that are set up for the purposes of assisting the community colleges, the 2-year publics.

Mr. SIMON. Since you know about Carbondale, Ill., you know about John A. Logan Community College. They have that kind of an arrangement. Do you have any specific recommendation as to how the proposal might be changed to accommodate this reality?

Mr. KIMBERLING. We haven't had an opportunity within the department to do a full blown review given the short time span and we would need more time to review that factor. But we do point it out as a serious problem.

Mr. SIMON. One final question and I yield to my colleagues.

Last year, the Department returned $1.3 million to the Treasury from the amount that the Congress appropriated for the challenge grants. This is the kind of money that could be used for the endowment. Is that correct?

Mr. KIMBERLING. Mr. Chairman, we feel that there is going to be significant demand for the challenge grant funds during the 1983 competitions. From conversations with various colleges it appears to be the case that last year being the first year start up for the program, many institutions did not at that time have sufficient time to raise the matching funds. I have had several college presidents approach me at various meetings and indicate that they now have gone out and secured the matching funding and that they are very eager. So we believe that there will be a significant demand for the challenge grant moneys that are available. We certainly don't think we will be in a lapse situation and we feel that this demand for the activities already supported is in a growing stage.

Mr. SIMON. Mr. Gunderson.

Mr. GUNDERSON. Thank you, Mr. Chairman.

In listening to your testimony I am still a little bit confused as to the exact position of the administration on the concept of using challenge grants for the building of endowments. Does the administration support the general concept and have certain concerns, reservations, about the particulars or do you have questions about the concept itself?

Mr. KIMBERLING. Well, Mr. Gunderson, I am at, I guess, the position of saying we really have not had sufficient time to do the type of in depth policy analysis that is needed in order for me to categorically state that we have a position in favor of it. We feel that the concept is intriguing and we note that the possession of sufficient endowment is a factor that is very vital in the ability of an institution to survive and weather economic hard times. We are looking at the factors, I think, that go into this mix but we do not have a final position worked out with respect to this overall concept. We feel we need more time to review it and study it.

Mr. GUNDERSON. Do you feel a need exists to provide some kind of assistance from the Federal Government through the challenge grant program, or other means, to help various colleges that are eligible build their endowments? Do you think that——

Mr. KIMBERLING. I don't think that I could represent the position of the Department with regard to that need. Again we haven't gone through the facts and figures on this. We do note that endowments have been growing a bit recently as a result of the boom in the stock market. Now, that applies to institutions that already have endowments but—and we know that there are other institutions that either lack them altogether or that have very minimal endowment resources.

Mr. GUNDERSON. Do you have any information in the department that would indicate that those colleges and universities which are serving mainly a minority enrollment are having particular problems with endowments?

Mr. KIMBERLING. I think it is generally known that the institutions that are serving large numbers of minorities in the institutions in the title III university, as I indicated in my opening statement, are among those that have the lowest endowment per student.

Mr. GUNDERSON. What would you see is the Department's role in the oversight of the use of the money, if it were appropriated?

Mr. KIMBERLING. Well, this is a question that I think gives us some pause. We look at the fact that Federal moneys would be available to institutions in a relatively unrestricted fashion put into a trust account. But the question of how long the Federal interest in those funds might obtain, for how many years, what other kinds of Federal statutes might continue to apply to the future use of those funds are serious questions and we haven't had sufficient time to review them in depth.

Mr. GUNDERSON. Have you determined if there is any specific criteria that ought to be used in allocating the various money for endowment building?

Mr. KIMBERLING. No, we haven't, Mr. Gunderson. We do feel that in a discretionary grant program that some criteria do need to be staked out for any discretionary grant program. So that there is a statutory base for regulation and there is some communication to the higher education community if the clear intent of Congress in making some kind of hierarchical judgments on the quality of proposals.

Mr. GUNDERSON. OK. I appreciate your remarks. I share your, should we say, frustration because I frankly don't know if this is good, bad or in between right now and I must admit to the chairman and others that I do not know and do not feel that we have the facts yet—at least I don't have them to determine which way to go on this particular legislation. I am not asking for a delay, I am expressing frustration and hope that between now and full committee or at some point we can clear it up. Thank you.

Mr. SIMON. Mr. Packard.

Mr. PACKARD. Thank you, Mr. Chairman.

Have you been able to determine whether there are minimums and maximums amounts of grants that could be given?

Mr. KIMBERLING. No, we haven't. As the bill is written, I believe, has a 150,000 minimum but no maximum award. Our concern is that without some kind of a cap on the maximum that institutions that hypothetically have less need and more ability to raise funds might be able to come up with a significant amount of matching dollars and in the absence of specific criteria for making awards, those institutions would get way ahead of the pack. So I think that is our concern on the maximum.

Mr. PACKARD. Is it possible under this proposal that some institutions could obtain challenge grants as well as endowment grants, whereas other institutions may not get either of those?

Mr. KIMBERLING. We are not certain how that would work in practice, Mr. Packard. It is the case under the current challenge grant program that an institution can have a strengthening grant or special needs grant and a challenge grant, simultaneously.

Mr. PACKARD. I don't have any further questions.

Mr. SIMON. Let me ask one further question on guidelines.

If representatives of your office and the minority and the majority staff here, and some of the members could get together and determine guidelines and put them in a committee report, is that adequate, or would you prefer them in statute?

Mr. KIMBERLING. Well, we feel that a statutory basis for any discretionary grant program is the appropriate vehicle from which regulations ought to flow. But I need to make my position on this clear, Mr. Simon, as I represent the Department that we have not been able to evaluate the—whether or not this proposal would be endorsed wholeheartedly from the policy standpoint.

Mr. SIMON. I understand that.

Mr. KIMBERLING. As a general rule, for discretionary grant programs, our preference is that the guidelines appear in some way, shape, or form in the body of the statute.

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

Mr. KIMBERLING. Thank you.

Mr. SIMON. We look forward to working with you on this.

I now ask Dr. Robinson, the president of St. Augustine's College and Gary Quehl, president of the Council of Independent Colleges, and Charles Tildon, Jr., to come forward. Though he is not listed as a witness, I note the presence of someone who had much to do with creating this idea, and that is Dr. Patterson. And it is a pleasure to have him. He has been a witness on other occasions. Happy to have you with us here, Dr. Patterson.

Dr. Robinson, pleased to have you back here again.

STATEMENT OF PREZELL ROBINSON, PRESIDENT, ST. AUGUSTINE'S COLLEGE, RALEIGH, N.C., AND CHAIRMAN OF THE BOARD, NATIONAL ASSOCIATION FOR EQUAL OPPORTUNITY IN HIGHER EDUCATION, ON BEHALF OF THE UNITED NEGRO COLLEGE FUND AND AMERICAN ASSOCIATION OF STATE COLLEGES AND UNIVERSITIES

Mr. ROBINSON. Thank you, Mr. Chairman and I appreciate this opportunity of appearing before your committee again.

Mr. Chairman, and members of the subcommittee, I am Prezell Robinson, president of St. Augustine's College in Raleigh, N.C., and I appear before you today as a representative of the National Association for Equal Opportunity in Higher Education, the acronym NAFEO. The membership association of 114 historically and predominantly black colleges and universities. NAFEO member institutions are highly diverse and include 64 private and 50 public institutions. Our membership includes 2- and 4-year colleges and universities and enrolls over 200,000 students annually. Historically, these institutions have assumed an affirmative action role by providing access to a higher education for blacks and others when similar commitment was absent elsewhere.

We view the bill under review, H.R. 2144, to allow use of challenge grant funds under part C of title III of the Higher Education Act of 1965 for endowment building, as a positive and logical development of the institutional aid program.

Through direct, but restricted institutional grants under title III, the Federal Government has augmented our diversified higher education sector by assisting in the academic improvement and viability of colleges with potential for making substantive contributions to our Nation's education and training goals. Over time, the institutional aid program has molded its focus in line with the dynamic characteristics and needs of the institutions to which it is designed to be of service. Use of title III funds for endowment grants, in my judgment, is a responsible remedy for a well-documented problem.

Eligible title III institutions are relatively small and basically undergraduate institutions serving disproportionately large numbers of low-income and disadvantaged students. These institutions have limited and in some instances, no endowments and beyond tuition and fees and in applicable cases of State assistance, no other broad base of financial support. They are particularly susceptible to the ills related to their relatively small size and lack of adequate financial resources. Fluctuations in enrollment, no matter how small, have great import for their operating and program budgets. The dilemma of charging adequate tuition to cover normal costs without causing further erosion of enrollment is a common concern. Research indicates that minority enrollment in higher education is inextricably tied to the current state of the economy. In times of scarcity, the resultant impact on institutions which enroll large numbers of minority and low-income students is particularly acute. Meanwhile, fluctuations in Federal or State student financial aid program funds and policies have precipitous impact on enrollment levels and serve to aggravate institutional economic stability.

Historically, black colleges and universities represent a special subset of title III institutions recognizable in their need for direct institutional aid through their origins founded in de jure segregation practices of the 19th and 20th centuries, their histories of financial neglect and exclusion by State governing bodies, and their traditional commitment to the personal and academic development of low-income and minority students.

A 1978 study of 48 independent and 28 State-assisted historically black colleges indicated that black institutions allocated greater proportions of their capital assets for loans and student aid than did other institutions which tended to allocate capital asset funds in the following order of priority:

Physical plant was 75 percent. Endowment, 22 percent. Annuity and trust funds, 2 percent, and student loans, 1 percent.

In 1979–80, endowment income provided only 4 percent of the revenues at private black colleges. According to the United Negro College Fund, which I served as president for 3 years, average endowments are about $3,028 per student. This figure represents 52 percent of the national average of $5,741 per student. About half of the private black colleges have endowments totaling less than $1 million.

The benefits of adequate endowment funds are well known and easily reflect at our Nation's flagship institutions. Yet, these benefits have proven elusive to most historically black institutions. Title III funds have greatly impacted the academic management and development prospects of these institutions. However, the goal of self-sufficiency so frequently echoed in title III program guidelines has not been realized because of the lack of a reliable and long-term financial base supportive of institutional program initiatives and general solvency. The proposed amendment to part C of title III is a step in the remediation of that larger problem. The availability of challenge grants at a 1-to-1 Federal-to-institution dollar match provides a motivational and catalytic force by which eligible institutions can more effectively garner the support of their constituents.

Mr. Chairman, we would simply add here that the 1-to-1 ration, in our judgment, is a very important and a very significant one in the sense that this kind of ratio would provide the opportunity, the mechanism, as it were, for this particular universe of institutions and others likewise, to enhance their endowment. And if we were to move in a different direction and increase that ratio, it could certainly provide serious problems for this particular universe of institutions.

The subcommittee has already heard the testimony of the representative from UNCF—the United Negro College Fund—delineating the particulars of the college endowment funding plan, a plan developed by the United Negro College Fund whereby gifts secured by member colleges are combined with discount loans from insurance companies in 25-year investment packages to produce sizable and long-term institutional income.

Mr. Chairman, I would just say tangentially here that we have present with us this morning, the person who really created, shall we say, the college endowment funding plan for the United Negro College Fund, in the person of Dr. Frederick Patterson, who has given long years of service to the fund.

For the public sector, we have the model provided through the Charles Stewart Mott challenge grant program, wherein challenge funds from the foundation are combined with loans and other gifts in a similar 25-year investment package.

Unrestricted funds generated in this fashion serve to strengthen the overall economic base of institutions and lessen the uncertainties related to reliance on annual contributions for independent institutions or on annual or biannual appropriations for State-assisted institutions. Use of institutional aid funds for endowment building purposes is, in our judgment, a sound Federal investment. It serves to strengthen the linkages between the public and private sectors by encouraging the match of funds from diverse sources. It is a mechanism which enables institutions to better generate and compound their own limited resources and which allows for ultimate self-sufficiency. This is particularly crucial as Federal funds become scarce while allowing for eventual replacement of present title III funds for academic, management, and planning program support.

Mr. Chairman, the views in support of H.R. 2144, that I have just expressed are endorsed by the American Association of State Colleges and Universities, and their president, Dr. Allen Austin.

Mr. Chairman, I thank you very much for this opportunity.

Mr. SIMON. We thank you and let me just say to the other two witnesses, if you prefer to enter your statement in the record and comment informally, that is perfectly acceptable here.

Mr. Gary Quehl, president of the Council of Independent Colleges.

STATEMENT OF GARY QUEHL, PRESIDENT, COUNCIL OF INDEPENDENT COLLEGES, ON BEHALF OF NATIONAL ASSOCIATION OF INDEPENDENT COLLEGES AND UNIVERSITIES

Mr. QUEHL. Good morning. Mr. Chairman, and members of the committee and since the precedent has already been set in reference to the great State of Illinois, good morning to my fellow Badgers, Mr. Gunderson.

Mr. GUNDERSON. Thank you.

Mr. QUEHL. I am Gary Quehl. I am president of the Council of Independent Colleges, a national service association of approximately 300 4-year, nonprofit, baccalaureate degree granting colleges of liberal arts and sciences, each enrolling no more than 2,000 full-time students. I appreciate the opportunity to appear before you today and to share with you the views of the National Association of Independent Colleges and Universities with respect to H.R. 2144, the Challenge Grant Amendments of 1983.

The National Association of Independent Colleges and Universities [NAICU] is comprised of 830 colleges and universities, 42 State associations, and 29 special purpose associations, including my own organization, the Council of Independent Colleges.

NAICU was established in 1976 to provide a unified national voice for independent higher education in keeping the public and government officials informed about the concerns of independent nonprofit colleges and universities in meeting America's educational needs. A companion organization, the National Institute of Independent Colleges and Universities, conducts research and maintains and analyzes data files for use in the support of NAICU's information activities.

The membership of NAICU includes colleges and universities whose variety in size control, and mission truly exemplifies the rich diversity of the independent sector. Among them are 2-year colleges and technical institutes; 4-year liberal arts colleges, some nonsectarian, others church or faith related; colleges of business, art, music, bible study, theology, health, and law; and finally, the large research universities. More than 2 million students attend these institutions with some campuses accommodating as few as 200 students and others enrolling more than 30,000. The range is great.

With minimal direct funding from government sources, we educate more than a fifth of all the college students and award about 35 percent of all degrees that are conferred nationally. I have included a list of NAICU members at the end of my testimony, Mr. Chairman.

NAICU members believe that the wisest Federal and State policies are those that help to sustain a healthy enrollment balance between the public and independent sectors and provide the freedom of choice of educational offering to students from all educational backgrounds. While we focus our Government relations activities on Federal student aid and tax policy issues, we also are concerned that certain Federal programs of categorical support are sustained and enhanced, including title III. At the end of my testimony I also have included a copy of the NAICU policy platform for the 98th Congress, which was adopted by the full membership at our seventh annual meeting on February 4 of this year.

Mr. Chairman, title III support is critically important to a substantial number of colleges. It remains as the only Federal program that provides large grants directly to institutions for use in improving academic programs, faculty development, student services, and of course campus administration. In addition, for many rural colleges, it serves to reduce the academic isolation that may otherwise result from geographic isolation from other centers of higher education.

But the program also has suffered more than its share of problems, as I am sure you are aware. From the time it was first authorized, to the negative GAO reports of the mid and the late 1970's, to the confusion and consternation caused by the Education Department's attempts to implement the 1980 amendments to the Higher Education Act, the program has been criticized for not living up to its original purpose or even its new purposes. Indeed, many colleges, formerly eligible and otherwise worthy, have been denied funding due to the complicated eligibility criteria in funding mechanisms which resulted from the 1980 amendments.

Unforeseen results of strict application of statutory or regulatory provisions have caused many of these institutions to seek legislative remedies. Hopefully, by the time the Higher Education Act is again reauthorized, you will have had the opportunity to hear from these institutions in considerable detail and you will have responded to their appeals.

None can deny, however, the positive effect that those limited title III awards have had on the academic and administrative quality of recipient institutions.

It is upon that positive effect that H.R. 2144 would build by authorizing title III eligible institutions to receive Federal grants on a matching basis for the purpose of establishing modest endowments. Proceeds from such endowments would be available for institutions to use to enhance their educational product and its delivery.

NAICU supports the concept of matching endowment-building Federal grants and we support the bill—you, sir, have introduced—to implement the concept. Others on this panel are able more fully to discuss the merits and the details of the various provisions of the legislation. I would like to use the remaining minute or two that I have to raise two concerns for you to consider as you begin this legislation.

The first concerns the source of matching funds. Section 332(b)(2)(B) of the bill would require institutions to match the amount of the Federal capital contribution. But the legislation is silent as to the source of these matching funds. We believe that such matching funds should be totally new funds available to the institution for the first time as a result of the Federal capital contribution. To allow otherwise would only serve to stymie the intent of the legislation. H.R. 2144 is designed to create a new partnership between the Federal Government and the institution, which would result in a greater degree of financial stability for title III eligible institutions. Therefore, we urge you to add language to the bill that would restrict institutional matching funds to new moneys not previously available to the institution.

The second concern has to do with the ratio of matching funds. The same section of H.R. 2144 would impose a dollar-for-dollar matching requirement on participating institutions. We understand the rationale for limiting the ratio, namely the title III eligible institutions generally do not have access to unlimited sources of funding. But, since institutional matching funds will in all likelihood come from private donors on a one-time basis, institutions may benefit more from a higher statutory match which would stimulate larger private gifts. We urge you to review this issue as you begin to move the bill.

Let me close by restating our support for this legislation. It is timely, it is an important restatement of the Federal commitment to higher education, and it is needed. With declining Federal student assistance dollars, in real terms, and declining college age enrollments, colleges without endowments need some form of stable financial support. H.R. 2144 may be the means to that end and I would of course be pleased to respond to any questions that you may have about the concept or our support of it.

Thank you.

Mr. SIMON. Thank you, very much.

[Prepared statement of Gary Quehl follows:]

PREPARED STATEMENT OF GARY H. QUEHL, PRESIDENT, COUNCIL OF INDEPENDENT COLLEGES, ON BEHALF OF THE NATIONAL ASSOCIATION OF INDEPENDENT COLLEGES AND UNIVERSITIES, AND THE ASSOCIATION OF CATHOLIC COLLEGES AND UNIVERSITIES, ASSOCIATION OF JESUIT COLLEGES AND UNIVERSITIES, NATIONAL ASSOCIATION OF SCHOOLS AND COLLEGES OF THE UNITED METHODIST CHURCH

Mr. Chairman and Members of the Subcommittee:

I am Gary Quehl. I am President of the Council of Independent Colleges, a national service association of approximately 300 four-year, nonprofit, baccalaureate degree-granting colleges of liberal arts and sciences, each enrolling no more than 2,000 full-time students. I appreciate the opportunity to appear before you today and to share with you the views of the National Association of Independent Colleges and Universities with respect to H.R. 2144, the Challenge Grant Amendments of 1983.

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But, the program also has suffered more than its share of problems. From the time it was first authorized, through the negative GAO reports of the mid- and late-1970s, to the confusion and consternation caused by the Education Department's attempts to implement the 1980 Amendments to the Higher Education Act, the program has been criticized for not living up to its original purposes or even its new purposes. Indeed, many colleges, formerly-eligible and otherwise-worthy, have been denied funding due to the complicated eligibility criteria and funding mechanisms which resulted from the 1980 Amendments. Unforeseen results of strict application of statutory or regulatory provisions have caused many of these institutions to seek legislative remedies. Hopefully, by the time the Higher Education Act is again reauthorized, you will have had the opportunity to hear from these institutions and you will have responded to their appeals.

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It is upon that positive effect that H.R. 2144 would build by authorizing Title III-eligible institutions to receive federal grants, on a matching basis, for the purpose of establishing modest endowments. Proceeds of such endowments would be available for institutions to use to enhance their educational product and its delivery.

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(1) Source of Matching Funds - Section 332(b)(2)(B) of the bill would require institutions to match the amount of the federal capital contribution. But the legislation is silent as to the source of these matching funds. We believe that such matching funds should be totally new funds available to the institution for the first time as a result of the federal capital contribution. To allow otherwise would only serve to stymie the intent of the legislation. H.R. 2144 is designed to create a <u>new</u> partnership between the federal government and the institution which would result in a greater degree of financial stability for Title III-eligible institutions. Therefore, we urge you to add language to the bill that would restrict institutional matching funds to new monies not previously available to the institution.

(2) Ratio of Matching Funds - The same section of H.R. 2144 would impose a dollar-for-dollar matching requirement on participating institutions. We understand the rationale for limiting the ratio, namely that Title III-eligible institutions generally do not have access to unlimited sources of funding. But, since institutional matching funds will in all likelihood come from private donors on a "one-time" basis, institutions may benefit more from a higher statutory match which would stimulate larger private gifts. We urge you to review this issue as you begin to move the bill.

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NAICU/NIICU INSTITUTIONAL MEMBERSHIP ROSTER

ALABAMA

- Birmingham Southern College
- Huntingdon College
- Judson College
- Mobile College
- Oakwood College
- Samford University
- Spring Hill College
- Talladega College
- Tuskegee Institute

ALASKA

- Alaska Bible College
- Alaska Pacific University
- Sheldon Jackson College

ARIZONA

- American Graduate School of International Management
- College of Ganado
- Grand Canyon College

ARKANSAS

- Arkansas College
- College of the Ozarks
- Hendrix College
- John Brown University
- Ouachita Baptist University
- Southern Baptist College

CALIFORNIA

- Azusa Pacific University
- Biola University
- California College of Arts & Crafts
- California Institute of the Arts
- Center for Early Education
- Chapman College
- Church Divinity School of the Pacific
- Claremont College System
- Cogswell College
- Coleman College
- College of Notre Dame
- College of Osteopathic Medicine of the Pacific
- Dominican College of San Rafael
- Fielding Institute
- Franciscan School of Theology
- Humphreys College
- International College
- Loma Linda University
- Loyola Marymount University
- Marymount Palos Verdes College
- Menlo College
- Mills College
- Mount Saint Mary's College
- National University
- Northrop University
- Occidental University
- Pacific Union College
- Pasadena College of Chiropractic
- Patten College
- Pepperdine University
- St. Mary's College of California
- St. Patrick's Seminary
- Simpson College
- Southwestern University School of Law
- Stanford University
- Starr King School for the Ministry
- University of Judaism
- University of the Pacific
- University of Redlands

NAICU/NIICU INSTITUTIONAL MEMBERSHIP ROSTER (cont.)

CALIFORNIA (cont.)

University of San Diego
University of San Francisco
University of Santa Clara
University of Southern California
West Coast Christian College
West Coast University
Westmont College
Woodbury University

COLORADO

Colorado College
Loretto Heights College
Regis College
University of Denver

CONNECTICUT

Albertus Magnus College
Bridgeport Engineering Institute
Connecticut College
Fairfield University
Hartford College for Women
Mitchell College
Mount Sacred Heart College
Post College
Quinnipiac College
Sacred Heart University
Saint Joseph College
Trinity College
University of Bridgeport
University of Hartford
Wesleyan University
Yale University

DELAWARE

Wesley College
Wilmington College

DISTRICT OF COLUMBIA

American University
Catholic University of America
Gallaudet College
Georgetown University
George Washington University
Mount Vernon College
Southeastern University
Trinity College

FLORIDA

Barry College
Bethune Cookman College
Biscayne College
Edward Waters College
Embry-Riddle Aeronautical University
Flagler College
Florida College
Florida Memorial College
Florida Southern College
Nova University
Palm Beach Atlantic College
Rollins College
Saint Leo College
Seminary of St. Vincent De Paul
Southeastern College of the Assemblies of God
Stetson University
University of Miami

NAICU/NIICU INSTITUTIONAL MEMBERSHIP ROSTER (cont.)

GEORGIA

Agnes Scott College
Atlanta College of Art
Berry College
Brenau College
Clark College
Emmanuel College
Emory University
Georgia Military College
Interdenominational Theological Center
La Grange College
Mercer University
Morehouse College
Oglethorpe University
Paine College
Reinhardt College
Shorter College
Spelman College
Toccoa Falls College
Truett McConnell College

HAWAII

Chaminade University of Honolulu

IDAHO

Northwest Nazarene College
Ricks College

ILLINOIS

Alfred Adler Institute of Chicago
Augustana College
Aurora College
Barat College
Blackburn College
Bradley University
College of Saint Francis
Columbia College
Concordia College
DePaul University
Elmhurst College
Eureka College
Felician College
George Williams College
Greenville College
Illinois Benedictine College
Illinois College
Illinois Wesleyan University
Judson College
Kendall College
Knox College
Lake Forest College
Lewis University
Loyola University of Chicago
MacMurray College
Mallinckrodt College
McKendree College
Millikin University
Mundelein College
North Central College
North Park College & Theological Seminary
Northwestern University
Principia College
Quincy College
Roosevelt University
Rosary College
Springfield College in Illinois
Trinity Christian College
Wheaton College

NAICU/NIICU INSTITUTIONAL MEMBERSHIP ROSTER (cont.)

INDIANA

Butler University
Calumet College
DePauw University
Earlham College
Fort Wayne Bible College
Goshen College
Grace College
Hanover College
Holy Cross Junior College
Indiana Central University
Indiana Institute of Technology
Manchester College
Marian College
Marion College
Oakland City College
Saint Francis College
Saint Joseph's College
Saint Mary-of-the-Woods College
Saint Mary's College
Taylor University
Tri-State University
University of Evansville
University of Notre Dame
Valparaiso University
Wabash College

IOWA

American Institute of Business
Briar Cliff College
Buena Vista College
Central University of Iowa
Clarke College
Coe College
Cornell College
Divine Word College
Dordt College
Drake University
Grand View College
Grinnell College
Iowa Wesleyan College
Loras College
Luther College
Maharishi International University
Marycrest College
Morningside College
Mount Mercy College
Mount Saint Clare College
Northwestern College
Open Bible College
Palmer College of Chiropractic
Saint Ambrose College
Simpson College
University of Dubuque
University of Osteopathic Medicine & Health Sciences
Wartburg College
Westmar College
William Penn College

KANSAS

Baker University
Bethany College
Bethel College
Donnelly College
Friends Bible College
Kansas Newman College
Kansas Wesleyan
McPherson College
Saint John's College
Saint Mary College
Saint Mary of the Plains College
Southwestern College
Sterling College

NAICU/NIICU INSTITUTIONAL MEMBERSHIP ROSTER (cont.)

KENTUCKY

Alice Lloyd College
Asbury College
Asbury Theological Seminary
Bellarmine College
Berea College
Brescia College
Campbellsville College
Centre College of Kentucky
Cumberland College
Georgetown College
Kentucky Wesleyan College
Lees Junior College
Lindsey Wilson College
Midway College
Pikeville College
Spalding College
Thomas More College
Transylvania University
Union College

LOUISIANA

Centenary College of Louisiana
Louisiana College
Loyola University in New Orleans
Our Lady of Holy Cross College
Saint Joseph Seminary College
Saint Mary's Dominican College
Tulane University of Louisiana

MAINE

Bates College
Bowdoin College
Colby College
College of the Atlantic
Husson College
Saint Joseph's College
Unity College
Westbrook College

MARYLAND

Baltimore Hebrew College
Capitol Institute of Technology
College of Notre Dame of Maryland
Columbia Union College
Hood College
Johns Hopkins University
Loyola College
Maryland Institute College of Art
Mount Saint Mary's College
Saint John's College
Villa Julie College
Washington College
Washington Theological Union
Western Maryland College

MASSACHUSETTS

Amherst College
Anna Maria College
Aquinas Junior College at Milton
Aquinas Junior College at Newton
Assumption College
Atlantic Union College
Babson College
Bay Path Junior College
Becker Junior College of Worcester
Bentley College
Berklee College of Music
Boston College
Boston Conservatory of Music
Boston University

MASSACHUSETTS (cont.)

Brandeis University
Clark University
College of the Holy Cross

Dean Junior College
Emerson College
Emmanuel College
Endicott College
Fisher Junior College
Forsyth School of Dental Hygienists
Franklin Institute of Boston
Gordon College

Harvard University
Hebrew College
Hellenic College, Inc.
Laboure Junior College
Lasell Junior College
Lesley College
Massachusetts Institute of Technology
Merrimack College

Mount Holyoke College
Mount Ida Junior College

Nichols College
Northeastern University
Radcliffe College
Simmons College
Simon's Rock Early College
Smith College
Springfield College
Stonehill College
Suffolk University
Tufts University
Wellesley College
Wentworth Institute of Technology
Western New England College
Wheaton College
Wheelock College
Williams College
Worcester Polytechnic Institute

MICHIGAN

Adrian College
Albion College
Alma College
Aquinas College
Baker Junior College of Business
Calvin College
Center for Creative Studies
Cleary College
Concordia College

Davenport College of Business
Detroit College of Business Administration
Grand Rapids Baptist College & Seminary
Hope College

Kalamazoo College

Kendall School of Design

Lewis College of Business
Madonna College
Marygrove College
Mercy College of Detroit
Muskegon Business College
Northwood Institute
Olivet College
Reformed Bible College
Saint Mary's College
Siena Heights College
Spring Arbor College
Suomi College
Thomas M. Cooley Law School
University of Detroit
Walsh College of Accountancy & Business Administration

NAICU/NIICU INSTITUTIONAL MEMBERSHIP ROSTER (cont.)

MINNESOTA

Augsburg College
Bethany Lutheran College
Bethel College and Seminary
College of Saint Benedict
College of Saint Catherine
College of Saint Scholastica
College of Saint Thomas
Concordia College at Moorhead
Concordia College-Saint Paul
Dr. Martin Luther College
Golden Valley Lutheran College
Gustavus Adolphus College
Hamline University
Macalester College
Minneapolis College of Art & Design
Northwestern College
Northwestern College of Chiropractic
Saint John's University
Saint Mary's College
Saint Mary's Junior College
Saint Olaf College
Saint Paul Bible College

MISSISSIPPI

Belhaven College
Blue Mountain College
Mississippi College
Rust College
Wood Junior College

MISSOURI

Assemblies of God Graduate School
Cardinal Glennon College
Central Bible College
Central Methodist College
Cleveland Chiropractic College
Cottey College
Culver-Stockton College
Drury College
Evangel College
Fontbonne College
Kansas City Art Institute
Logan College of Chiropractic
Park College
Rockhurst College
St. Louis College of Pharmacy
Saint Louis University
Saint Mary's College of O'Fallon
Saint Mary's Seminary & College
School of the Ozarks
Southwest Baptist University
Washington University
Webster College
Westminster College
William Jewell College
William Woods College

MONTANA

Carroll College

NEBRASKA

Bellevue College
College of Saint Mary
Concordia Teachers College
Creighton University

NAICU/NIICU INSTITUTIONAL MEMBERSHIP ROSTER (cont.)

NEBRASKA (cont.)

Doane College
Grace College of the Bible
Hastings College
Midland Lutheran College
Nebraska Wesleyan University
Union College

NEW HAMPSHIRE

Franklin Pierce College
New Hampshire College
Notre Dame College
Rivier College
Saint Anselm's College

NEW JERSEY

Beth Medrash Govoha
Bloomfield College
Caldwell College
Centenary College
College of Saint Elizabeth
Drew University
Fairleigh Dickinson University
Felician College
Georgian Court College
Monmouth College
Northeastern Bible College
Princeton University
Rider College
Saint Peter's College
Stevens Institute of Technology
Westminster Choir College

NEW MEXICO

College of Santa Fe

NEW YORK

Academy of Aeronautics
Albany College of Pharmacy
Albany Law School
Alfred University
Bard College
Barnard College
Canisius College
Colgate University
College for Human Services
College of Insurance
College of Mount St. Vincent
College of New Rochelle
College of Saint Rose
Columbia University
Cornell University Endowed Colleges
Daemen College
Dominican College of Blauvelt
D'Youville College
Elizabeth Seton College
Elmira College
Fordham University
General Theological Seminary
Hamilton College
Hartwick College
Hobart & William Smith Colleges
Hofstra University
Houghton College
Iona College
Ithaca College
King's College
Le Moyne College

NAICU/NIICU INSTITUTIONAL MEMBERSHIP ROSTER (cont.)

NEW YORK (cont.)

Long Island University

Manhattan College
Manhattan School of Music
Mannes College of Music
Maria College of Albany
Maria Regina College
Marist College
Maryknoll School of Theology
Marymount College
Mater Dei College
Mercy College
Molloy College
Mount Saint Mary College
Nazareth College of Rochester
New School for Social Research-
Parsons School of Design
New York Chiropractic College
New York College of Podiatric Medicine
New York Institute of Technology
New York School of Interior Design
New York University
Nyack College
Pace University
Paul Smith's College of Arts
& Sciences

Pratt Institute
Rensselaer Polytechnic Institute
Roberts Wesleyan College
Rochester Institute of Technology
Rockefeller University
Russell Sage College
Saint Francis College
Saint John Fisher College
Saint Joseph's College
Saint Lawrence University
Saint Thomas Aquinas College
Sarah Lawrence College
Skidmore College
Syracuse University
Troceire College
Union College

Utica College of Syracuse
University
Vassar College
Villa Maria College of Buffalo
Webb Institute of Naval
Architecture
Wells College

NORTH CAROLINA

Atlantic Christian College
Belmont Abbey College

Campbell University
Catawba College
Chowan College
Davidson College
Duke University
Elon College
Greensboro College
Guilford College
High Point College
Johnson C. Smith University
Lees-McRae College
Lenoir-Rhyne College

Louisburg College

Mars Hill College
Meredith College
Montreat-Anderson College
Mount Olive College
North Carolina Wesleyan College
Peace College
Pfeiffer College
Queens College

Saint Augustine's College
Saint Mary's College
Salem College
Shaw University
Wake Forest University
Warren Wilson College
Wingate College

NAICU/NIICU INSTITUTIONAL MEMBERSHIP ROSTER (cont.)

NORTH DAKOTA

Jamestown College
Mary College

OHIO

Baldwin-Wallace College
Borromeo College of Ohio
Capital University
Cedarville College
Chatfield College
Cleveland Institute of Art
College of Mount Saint Joseph-on-the-Ohio
College of Wooster
Columbus College of Art & Design
Defiance College
Denison University
Dyke College
Findlay College
Franklin University
Hebrew Union College
Heidelberg College
Hiram College
John Carroll University
Kenyon College
Kettering College of Medical Arts
Lourdes College
Malone College
Marietta College
Mount Union College
Mount Vernon Nazarene College
Muskingum College
Oberlin College
Ohio College of Podiatric Medicine
Ohio Dominican College
Ohio Northern University
Ohio Wesleyan University
Otterbein College
Rio Grande College
Tiffin University
University of Dayton
University of Steubenville
Urbana College
Ursuline College
Walsh College
Wilmington College
Wittenberg University
Xavier University

OKLAHOMA

Bartlesville Wesleyan College
Flaming Rainbow University
Hillsdale Free Will Baptist College
Oklahoma City University
Oral Roberts University
Phillips University
Saint Gregory's College
University of Tulsa

OREGON

Concordia College
Lewis & Clark College
Linfield College
Northwest Christian College
Pacific University
Reed College
University of Portland
Western States Chiropractic College
Willamette University

NAICU/NIICU INSTITUTIONAL MEMBERSHIP

PENNSYLVANIA

Albright College
Allegheny College
Allentown College of Saint
Francis De Sales

Alvernia College
Beaver College
Bucknell University
Cabrini College
Carlow College
Carnegie-Mellon University
Chatham College
Chestnut Hill College
College Misericordia
Delaware Valley College of
Science & Agriculture
Dickinson College
Dickinson School of Law
Duquesne University
Eastern College
Elizabethtown College
Franklin & Marshall College
Gannon University
Geneva College
Gettysburg College
Grove City College
Gwynedd-Mercy College

Harcum Junior College
Haverford College
Holy Family College
Immaculata College
Juniata College
King's College
Lackawanna Junior College
Lafayette College
Lancaster Bible College
La Roche College
La Salle College

Lehigh University

Manor
Marym
Mercyh
Messi
Moore
Moravi
Muhle
Neuma
Peirc
Penns
Medi
Phila
Oste
Phila
& Sc
Phila
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Point
Robert
Rosem
Saint
Saint
Saint
Spring
Susqu
Swartl
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Ursin
Valle
Coll
Villa
Villa
Washi
Wayne

Westm
Widen
Wilke
Wilso
York

ROSTER (cont.)

unior College
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College of Art
an College
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n College
Junior College
lvania College of Podiatric
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pathic Medicine
elphia College of Pharmacy
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elphia College of Textiles
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Park College
Morris College
nt College
Francis College
Joseph's University
Vincent College
Garden College
hanna University
more College
sity of Pennsylvania
sity of Scranton
s College
Forge Military Junior
ge
Maria College
ova University
gton & Jefferson College
burg College

nster Theological Seminary
r University
College
College
ollege of Pennsylvania

NAICU/NIICU INSTITUTIONAL MEMBERSHIP ROSTER (cont.)

RHODE ISLAND

Bryant College of Business Administration
Rhode Island School of Design
Roger Williams College
Salve Regina-The Newport College

SOUTH CAROLINA

Anderson College
Central Wesleyan College
Coker College
Columbia Bible College
Columbia College
Converse College
Furman University
Limestone College
Newberry College
North Greenville College
Presbyterian College
Sherman College of Straight Chiropractic
Spartanburg Methodist College
Wofford College

SOUTH DAKOTA

Huron College
Dakota Wesleyan University
National College

TENNESSEE

American Baptist Theological Seminary
Bryan College
Carson-Newman College
Christian Brothers College
Cumberland College of Tennessee
Hiwassee College
Johnson Bible College
King College
Lee College
Lincoln Memorial University
Martin College
Maryville College
Memphis Academy of Arts
Southern Missionary College
Southwestern at Memphis
Tennessee Temple University
Tennessee Wesleyan College
Tomlinson College
Trevecca Nazarene College
Tusculum College
University of the South
Vanderbilt University

NAICU/NIICU INSTITUTIONAL MEMBERSHIP ROSTER (cont.)

TEXAS

Abilene Christian University
American Technological University
Austin College
Baylor University
Dallas Baptist College
Houston Baptist University
Howard Payne University
Incarnate Word College
Jarvis Christian College
Lon Morris College
Our Lady of the Lake University
Rice University
Saint Edward's University
Saint Mary's University of San Antonio
Southern Methodist University
South Texas College of Law
Southwestern Adventist College
Southwestern Assemblies of God College
Southwestern University
Texas Chiropractic College
Texas Christian University
Texas Lutheran College
Texas Wesleyan College
Trinity University
University of Dallas
University of Saint Thomas
Wayland Baptist University

UTAH

Brigham Young University
Westminster College

VERMONT

Bennington College
Champlain College
Green Mountain College
Marlboro College
Middlebury College
Saint Michael's College
School for International Training
Trinity College

VIRGINIA

Averett College
Bluefield College
Bridgewater College
CBN University
Emory & Henry College
Ferrum College
Hampden-Sydney College
Hampton Institute
Hollins College
Institute of Textile Technology
Liberty Baptist College
Lynchburg College
Mary Baldwin College
Marymount College of Virginia
Randolph-Macon College
Randolph-Macon Woman's College
Roanoke College
Saint Paul's College
Shenandoah College & Conservatory of Music
Sweet Briar College
University of Richmond
Virginia Wesleyan College
Washington and Lee University

NAICU/NIICU INSTITUTIONAL MEMBERSHIP ROSTER (cont.)

WASHINGTON

City University
Gonzaga University
Lutheran Bible Institue of Seattle
Northwest College of the Assemblies of God
Pacific Lutheran University
Saint Martin's College
Seattle Pacific University
Seattle University
University of Puget Sound
Walla Walla College
Whitman College
Whitworth College

WEST VIRGINIA

Alderson Broaddus College
Beckley College
Davis & Elkins College
Ohio Valley College
University of Charleston
West Virginia Wesleyan College
Wheeling College

WISCONSIN

Alverno College
Cardinal Stritch College
Carthage College
Edgewood College
Holy Redeemer College
Lakeland College
Lawrence University
Marian College of Fond du Lac
Marquette University
Medical College of Wisconsin
Milwaukee School of Engineering
Mount Mary College
Northland College
Ripon College
Saint Norbert College
Silver Lake College
Viterbo College

naicu / niicu

1983 Annual Meeting

The membership of the National Association of Independent Colleges and Universities, assembled at its 1983 Annual Meeting in Washington, D.C., adopted the following policy platform statement for 1983 at its concluding general session of February 4, 1983:

I. Purposes and Principles: Back to Basics

The following statement of purpose and principle will serve as the guiding central objective of our representational activities for 1983, at both the federal and state levels:

> The health and vitality of the independent sector of American higher education in a period of predictable decline in the total student enrollment pool depends upon the implementation of public policies which (a) will protect the ability of the public and independent sectors to compete for students on reasonably equal terms, and (b) will not reduce the proportional share of students enrolled at independent colleges and universities.

II. Student Revenues and Federal Policy

1. Balanced Appropriations for Student Aid. In the realm of federal budget allocations and appropriations, NAICU will maintain its primary concentration on continuing effort to assure financial accessibility for all Americans to all of America's wide diversity of higher educational opportunities. Because the pricing patterns of independent higher education are necessarily higher than those institutions receiving direct governmental operating subsidies from state legislatures (which allow reductions in actual charges to students), NAICU's central major student aid objective calls for

balanced federal appropriations to attain the federal policy goal that 75 percent of a student's expenses should come from a combination of reasonable parental or independent student contributions, Pell Grants, SEOG, and SSIG. NAICU therefore calls on the 98th Congress:

(a) to provide balanced funding support for basic and supplemental grant benefits (Pell Grants and SEOG/SSIG funding) to address this statutory 75-percent policy goal; and

(b) to provide balanced federal support of self-help programs (CWS and NDSL/GSL/PLUS/ALAS funding) to meet the 25-percent self-help expectation, and to assist parents, independent students, and graduate students in meeting their expected contributions.

2. Program Refinements. Recognizing that federal budget allocations and appropriations currently are insufficient to fully realize the student aid policy goals established by the 1980 Amendments of the Higher Education Act, NAICU will continue to work actively with other higher education associations in formulating and advancing legislative initiatives which would help to rationalize the existing student aid programs, while maintaining the continuity and balance of grant, work, and loan programs. Specifically, NAICU will support legislation:

(a) to eliminate any origination fees in the GSL program. This includes repeal of the 5-percent origination fee enacted as a temporary measure in 1981 to reduce federal GSL costs, and opposition to the proposed 10-percent origination fee for graduate students;

(b) to increase the annual and aggregate loan limits under the GSL, PLUS and ALAS programs, in order to allow those students with considerable need to have access to adequate subsidized loan capital;

(c) to expand the opportunities and incentives for students to consolidate loans taken under different terms into a single repayment plan, with options for early or extended repayment on a graduated or income-sensitive schedule;

(d) to expand the incentives for students and institutions to assure timely repayment of federally-subsidized student loans, as well as the penalties for student loan delinquencies and defaults;

(e) to revise the statutory definition of status as an "independent student" for purposes of determining eligibility to participate in federal student aid programs;

(f) to authorize both secondary markets and consolidation capabilities for loans issued under the PLUS/ALAS programs; and

(g) to prohibit parents and students from using a declaration of bankruptcy to set aside PLUS/ALAS loan obligations.

(h) to remove the statutory floor of a 12-percent interest rate for loans under the PLUS/ALAS program(s); and

(i) to explore the possbility of converting Pell Grants from a nationally-administered program into one administered on campus.

Should budget savings be required by the 98th Congress in GSL (the only higher education entitlement program), NAICU would support legislation:

(j) to limit coverage provided by the GSL program to the amount of a student's "remaining need" after all other grant, work, and loan benefits, together with all expected parental/student contributions, are taken into account.

3. New Initiatives. Looking ahead to any opportunities for judicious reform and revitalization of the federal student aid programs which may arise in the course of the 98th Congress, NAICU would be most interested in pursuing legislation:

(a) to amend the State Student Incentive Grant (SSIG) program to allow states to use up to half of their federal allocation to help establish or sustain a 50-50 federal-state work-study program to supplement the grant assistance available under the existing 50-50 federal-state SSIG program; and

(b) to establish a completely non-subsidized student loan program as a "loan of last resort," with the federal guarantee serving as an umbrella over a variety of institutional, state, and secondary-market loan programs for students and families who are unable to meet their needs for loan capital under the GSL and/or the PLUS/ALAS programs, or who may need to borrow some part of their parental, independent student, or graduate student contribution.

4. Future Possibilities. As we look even further ahead, to the 1984-85 period when the Higher Education Act again will be up for reauthorization, NAICU believes it would be worthwhile to explore the possibility of dividing the federal student aid programs into two quite separate components, with federal grant aid limited to a percentage of the student's "hard" educational costs (tuition, fees, books and supplies), and aid delivered through the federally-sponsored work and loan programs serving as both a supplemental resource to fund "hard" educational costs and as the primary resource to help students and their families meet living costs (room, board, travel, and personal expenses).

III. Gift Revenues, Tax Incentives and Federal Policy

1. NAICU will maintain its first-priority concentration in the tax policy field on the maintenance and improvement of current rules relating to the full deductibility of charitable contributions. Should Congress engage in any restructuring of the federal tax system, NAICU believes that, at a minimum, the deduction for charitable gifts should be preserved; and, further, that the current tax climate for giving should not be impaired.

2. NAICU also will maintain its efforts to expand the opportunities for all taxpayers to receive tax incentives for charitable giving, seeking to make the charitable deduction for non-itemizers a permanent feature of the tax code by removal of the "sunset" provision, and vigorously pursuing the restoration and expansion of the tax incentives available for major voluntary contributions to independent higher education.

3. NAICU will continue its efforts to preserve the unique status of the deduction for charitable gifts in the federal tax code as the only deduction which encourages the transfer of personal wealth for public purposes, and therefore will continue vigorously to oppose both (a) classification of the charitable contribution deduction as a tax expenditure and (b) initiatives to include the tax deduction for charitable contributions as a subject for "automatic termination" through sunset review.

4. NAICU will continue to seek greater public awareness of the importance of charitable giving, as well as the patterns and sources of such giving, to independent colleges, and greater public understanding of the interrelationship between voluntary giving and tax policy at both the federal and state levels.

5. NAICU will continue to pursue refinements of the tax incentive legislation enacted in 1981 which encourages restricted corporate contributions to higher education such as gifts of equipment and support of university-based research, while also seeking to preserve and enhance unrestricted corporate contributions to all types of higher educational institutions.

6. NAICU will continue vigorously to support the maintenance of tax-exempt bond financing as an important and appropriate mechanism for strengthening the financial capabilities of independent colleges and universities.

7. NAICU will continue vigorously to support the continuing exemption from taxation of scholarship programs for faculty, staff, and their families, within and among all types of higher educational institutions.

8. NAICU will continue actively to explore legislative proposals designed to supplement and complement federal student assistance benefits with a program of tax incentives to encourage family savings to meet future tuition-and-fee expenses, in ways that will allow such families the opportunity for both access and choice of the most appropriate higher education for their children.

In implementing this position, NAICU will attempt to gain inclusion of the following specific points in any such plan:

(a) Everyone, including any relative or friend, should be eligible to make tax-deductible contributions to an education savings account for a student's higher education expenses. Such amounts saved, including principal and interest, should be tax-deffered to the student.

(b) The definition of eligible educational expenses should include only tuition and fees for undergraduate or graduate education; or, at the very most, tuition and fees plus a very limited percentage or dollar amount applied against living expenses.

(c) If eligibile educational expenses are carefully defined, no limits on yearly withdrawal would seem necessary; however, if that should prove impossible, a percentage of the fund limit would seem most equitable, and would allow for the most flexibility in family financial planning.

(d) The maximum yearly contribution to an ESA to be tax deductible should be defined in fixed dollar terms ($1,000, $2,000, or more), with provisions allowing larger yearly contributions for older children, to encourage late ESA starts. (To limit the revenue impact, the tax-deductible feature could be limited to a percentage of contributions.)

(e) The reduced tax liability should fall entirely on the students who receive the ESA proceeds, since their income is likely to be at a relatively low level when such proceeds are received, and the income of relatives and friends at that time is likely to be at a relatively high level.

(f) Ideally, ESA legislation should have the single purpose of supporting educational expenses, as opposed to being tied in with housing starts or retirement income.

(g) Again ideally, some additional incentive should be included to make the ESA plan relevant and feasible for lower income taxpayers as well as those in the middle and upper income ranges.

(h) The legislation should make clear that most if not all ESA savings should be excluded from consideration in calculating a student's "need" for other forms of federal financial aid, unless those savings exceed the asset amount excludable by statute.

(i) There should be no income ceiling on eligibility to establish an ESA.

(j) ESA accounts should not be viewed as a substitute for existing student aid programs.

9. In the event public policy makers look to other areas of support for higher education, NAICU reaffirms its primary position that the existing federal grant, work, and loan programs of the Higher Education Act, as amended, are best able to serve the important principles of equity and need sensitivity. Tuition tax credits present a number of serious concerns and, if considered for higher education, should be viewed only as a supplement to adequate funding of the existing grant, work, and loan programs, and should be sensitive to both unmet student need and the varying costs of attending higher educational institutions.

IV. Institutional Responsibilities, Costs and Resources

1. Social Responsibility. NAICU will continue to advance and support the unwavering allegiance of independent higher education to the social policy goals of equal opportunity for educational advancement regardless of race, sex, or handicap -- and also, regardless of any initiatives to achieve "deregulation" and/or "regulatory reform" in higher education. We embrace these social policy goals as part of our fundamental responsibility as institutions of higher learning, working in a common and cooperative effort with federal and state governments.

2. Self Regulation. Espousing the principle that self-regulation is almost always a preferable alternative to governmental regulation, NAICU will continue to seek ways to strengthen the capacity and resolve of independent colleges and universities to construct effective systems of self-regulation which assure equal opportunity for educational advancement regardless of race, sex, or handicap, and

which also address such specific and tangible administrative issues as admissions and recruitment practices, student expense budgets, normal academic progress and good standing, and off-campus operations.

3. Accreditation/Eligibility. NAICU continues to seek a mutually supportive relationship between government regulatory agencies and the voluntary accrediting community, based on:

   (a) maintaining the linkage between institutional accreditation and institutional eligibility to participate in federal and state assistance programs;

   (b) strengthening the capacity and resolve of voluntary accrediting bodies effectively to assist their member institutions in achieving and maintaining administrative good practice as well as quality of educational programs; and

   (c) strengthening the capacity of the Council on Postsecondary Accreditation (COPA) to encourage institutional self-regulation of administrative practices.

4. Protection Against Government Control. NAICU seeks to incorporate into all federal and state legislation affecting higher education the basic statutory protection of the General Education Provisions Act (GEPA) against any federal "direction, supervision, or control over the curriculum, program of instruction, administration or personnel of any educational institution" -- together with legislative language to make clear that this protection against governmental intrusion upon the internal administration of higher educational institutions takes precedence over other requirements of federal and/or state law.

5. Regulatory Reform. NAICU seeks to build on the gains secured in the Regulatory Flexibility Act of 1980 through enactment of more comprehensive regulatory reform legislation:

   (a) to relieve the burdens of regulatory reporting requirements on higher educational institutions;

   (b) to strengthen and reinforce current statutory prohibitions against the imposition of final rules and regulations on higher educational institutions without proper and adequate responsiveness to public comments made on Notices of Proposed Rule-Making (NPRM's), rather than just the recording of such comments;

   (c) to provide for Congressional review of rules and regulations applied to higher educational institutions, to certify their accurate reflection of Congressional legislative intent;

(d) to strengthen the "due process" guarantees to assure that higher educational institutions charged with violations of federal regulations are deemed innocent until proven guilty;

(e) to provide a system of penalties whose severity is directly proportional to the severity of the proven violation;

(f) to provide for reimbursement of legal costs in cases where higher educational institutions are vindicated; and

(g) as a last resort, when all preventive remedies are exhausted, to authorize reimbursement of direct (non-programmatic) costs incurred by higher educational institutions in complying with federal mandates and defer implementation of such mandates until federal funds are provided to reimburse such direct costs.

6. Support of Quality in Higher Education. NAICU believes there is a strong national interest in encouraging and assisting colleges and universities in retooling our industry to meet the new needs created by burgeoning technological innovations and general economic conditions so that higher education can continue to provide high quality research and instructional services to the nation:

(a) We are particularly concerned about deterioration of capital plant and equipment, and therefore seek to maintain and extend federal assistance programs for renewal and renovation of capital plant, such as the academic facilities programs authorized by Title VII of the Higher Education Act, the College Housing Loan program, and the Energy Grants program authorized by Title III of the National Energy Conservation Policy Act.

(b) We will press for new initiatives which will seek to ease the acute equipment shortages of our colleges at both the instructional level where literacy in the new technologies is becoming a must and at the graduate research level where our laboratories are, on the average, two or three generations behind state of the art technology.

(c) We also are concerned with the deterioration in our current science education system and support Congressional opportunities to rebuild federal efforts in science education so that these efforts more effectively can share with state and local governments and the private sector the responsibility for and the costs of rebuilding American science education.

(d) We also are concerned about the deterioration of library resources, and therefore seek to maintain and extend support for the College and Research Library Assistance programs authorized by Title II of the Higher Education Act.

(e) We also are concerned that the federal government maintain its support for co-operative education programs, in the conviction that such programs provide an imaginative way of linking together academic study, self-help, and career preparation.

(f) Finally, we are concerned about maintaining and advancing the quality of instructional programs and services through which independent colleges and universities effectively address the needs of minority and other disadvantaged populations, and therefore seek to maintain and extend federal support provided under the "aid to developing institutions" programs and the Student Special Services programs authorized by Titles III and IV of the Higher Education Act.

7. Protection of Nonprofit Tax-Exempt Status. NAICU is increasingly concerned about the steady erosion of the tax-exempt status of independent colleges and universities, through continually expanding reliance by federal and state governments on employment tax mechanisms that make no distinction between for-profit and not-for-profit enterprises. NAICU therefore will continue to monitor closely all employment tax issues, and will continue to seek enactment of legislation to provide substantial relief from scheduled increases of such taxes through a system of income tax credits for all employees and for-profit employers, and rebates to not-for-profit employers.

V. SEPARATE STATEMENT ON ADMINSTRATION'S FY84 BUDGET

The National Association of Independent Colleges and Universities (NAICU) is encouraged by several aspects of the Administration's proposed FY84 education budget.

The philosophy of student self-help on which the budget is based has been the traditional financial aid philosophy at independent colleges and universities and is particularly welcome. Further, the proposed increase of College Work-Study funding enhances a program which has been a most valuable component of student financial aid, involving students in helping themselves by working both on campus and off campus.

Although it is too early fully to comprehend the effects of the proposed restructuring of the Pell Grants program, and it requires considerable further study, we are encouraged by the inclusion in the proposal of the dramatically increased maximum award. On the other hand, we also are deeply troubled by the Administration's proposal to eliminate funding of the SEOG, SSIG, and NDSL programs, since these three programs provide the essential supplemental assistance needed for low- and moderate-income students to choose the independent college that best meets their educational needs.

VI. State Legislative Policy Statement

Independent colleges and universities directly serve the public interest as integral though autonomous partners in the pluralistic system of higher education. While assuring access, choice and diversity, these institutions provide quality and value-oriented education at substantial financial saving for the citizens and taxpayers of the states.

I. The public interest requires that each state should activate policies that recognize and encourage the invaluable service role of independent colleges and universities. These policies should be coupled with a statewide postsecondary education plan and process involving full participation of all sectors of postsecondary education, including the independent sector, and specific representation on 1202 Commissions. However, such policies must not compromise the autonomy and integrity of independent colleges and universities.

II. Through its policies and plan each state should address itself to three key components of independent higher education -- students, institutions, and donors. Within the context of its carefully determined purposes and legal and fiscal strengths, each state should employ a combination of the following elements:

A. STUDENT ASSISTANCE

States should strive for and continually re-evaluate comprehensive student assistance programming within the following spectrum:

1. Non-Need Based Grants (Tuition Equalization): Every student should have equal access to the state resources allocated to higher education. Because every one of the fifty states provides non-need based subsidies for students attending state-supported institutions, we urge that each state seriously examine the concept of non-need based tuition equalization grants for students attending independent institutions.

2. Need-Based Student Aid: We urge each state to develop and adequately fund programs -- coordinated with the federal student assistance programs -- to provide all students with access and choice to all of higher education, based on financial need.

3. Academic Scholarships: States should establish and support grants recognizing and encouraging academic potential and achievement, to be utilized at the institution of the student's choice.

4. Student Loan Programs: Each state should have a student loan program to supplement the federal programs.

5. Categorical Programs: Where categorical programs exist, they should be nondiscriminatory with equal access and choice among public and independent institutions.

6. Portability of Student Aid: State student financial aid funds should be portable on a reciprocal basis.

B. INSTITUTIONAL SUPPORT

Each state should develop programs to assure the vitality of independent higher education.

1. Direct Institutional Aid: Direct institutional aid recognizes and supports the critical role of independent institutions in educating state citizens at a substantial saving to the state.

2. Contracts for Services: States should consider contracting with independent institutions to provide educational services.

3. Aid to the Handicapped and Energy Conservation: Increasing requirements for aid to the handicapped and energy conservation entail state obligations for assistance in meeting those requirements.

4. Tax Exemptions: Each state should support and encourage independent higher education institutions in the performance of their educational purpose by maintaining exemptions from property and sales tax.

5. Technical Services and Resources: Independent colleges and universities should have access to state technical services and resources, such as computer and library networks. Cooperation between state-supported and independent institutions in such areas should be encouraged.

6. Program Duplication: States should prevent duplication and overlapping of facilities and programs by state-supported institutions which threaten existing independent institutions.

7. Pre-College Counseling: The range of opportunities available in both independent and public higher education should be fully and accurately presented by pre-college counseling.

C. CHARITABLE CONTRIBUTIONS

States should provide incentives for charitable contributions to higher education through tax deductions or credits.

Mr. SIMON. We will call our final witness, Charles Tildon, Jr., president of Community College of Baltimore and then we will go immediately to the markup. Pleased to have you here with us, Dr. Tildon.

STATEMENT OF CHARLES G. TILDON, JR., PRESIDENT, COMMUNITY COLLEGE OF BALTIMORE

Mr. TILDON. Thank you very much, Mr. Chairman. I am pleased to be here. Mr. Chairman, we believe that you have come up with a measure that will strengthen both higher education and our Nation's commitment to educational access. And we appreciate this opportunity to express our support for your bill, H.R. 2144.

I express that support on behalf of the Association of Community College Trustees, and the American Association of Community and Junior Colleges, particularly its Joint Commission on Federal Relations.

Incidentally, I served as a member of the board of trustees of the Community College before I became its president.

Spurred by a generation of rapid growth, the community colleges have become the Nation's largest avenue of access to higher education. The American Association of Community and Junior Colleges has just completed an analysis of enrollment data gathered last fall showing that nearly 60 percent of the students who started college in the current academic year have enrolled in community colleges.

What is equally significant about the growth of the 2-year colleges is that they have come to serve much larger numbers of minority students than any other segment of higher education. There have been dramatic strides at the Community College of Baltimore in just this regard in the last decade. In 1973, before our Harbor Campus was built, our programs were centered largely at a midtown campus, and we were serving a traditional college population of about 7,000 students, a full-time equivalent of about 4,700, of which just 330 students received financial aid.

Today our campuses of the college serve 11,000 students or a full-time equivalent of 6,100, of which 75 percent are minority students and at least 77 percent are financially disadvantaged. Sixty percent are 23 years of age or older and black women comprise our largest single group.

The growth of the community colleges has not happened as a matter of chance. It has come about by design and local and State and Federal lawmaking all have played important parts. Title III program, which your bill would amend, has contributed significantly to the development of community colleges and your bill would give that program a new dynamic, making it even more responsive to the individual needs of the institutions that the program serves. The flexibility that the bill would add to title III would be an important factor in serving those needs.

The Community College of Baltimore is unique in that it serves the adult learners of the city, a city that has the highest tax base among the jurisdictions of the State of Maryland. While Baltimore has just 40 percent of the population in the Baltimore standard metropolitan statistical area, the city has much higher concentrations of special populations.

It has 86 percent of the State's black population; 56 percent of the State's 54 years and over; 68 percent of the State's families who are headed by a female; 60 percent of the State's working poor; 58 percent of the State's unemployed; 72 percent of the State's poverty level people; 53 percent of all the people with less than a high school education; and 53 percent of the State's juveniles cited in delinquency cases; and 70 percent of unemployed black youth in the State.

Tailoring our programs to such populations, and maximizing the impact of available resources, requires great flexibility. With the endowment and the private support that challenge grants could help us develop, our programs could be more easily adapted and targeted to both the needs of the private sector, including the major employers operating in Baltimore and the community as a whole.

The change that H.R. 2144 would make in title III would benefit both the participating institutions and the program itself in several ways. By its historic name, the title III developing institutions recognizes the national interest in development of particular institutions it serves. For a host of valid reasons, endowment building and development had become virtually synonymous in higher education, particularly in the more successful public and private universities and colleges. Endowments unquestionably have made very significant contributions to both the quality and stability of the finer institutions.

It is clearly in the national interest, for the same reasons to promote endowment building in those colleges that are in the front lines of expanding access, convenience, and economy in postsecondary educational opportunity. This is true today especially when better skill training is essential to meeting the international challenges in technology and productivity. Community colleges must play a vital role in increasing the employability of all of the Nation's human capital.

Your bill, Mr. Chairman, we think would stimulate development in our colleges in at least two more ways. On the one hand I think it would heighten the national competition for part C grants, which would have the very beneficial indirect effect of sharpening both the planning skills, the planning systems, and the development and leadership skills in our institutions.

It is quite apparent that title III has already had a highly salutary effect over the years in encouraging the development of a broad range of services and skills, beneficial to both the community colleges and their communities.

On the other hand, by allowing the challenge grants to be used to attract endowment support, you would be helping colleges to awaken the interest of alumni and the larger communities they serve. These groups must both see the importance of success of the institutions. Endowments have proven useful in attracting gifts that specific projects sometimes cannot attract.

Mr. Chairman, we urge the adoption of House Resolution 2144 and I might add that I am available for questions with regard to the testimony I have just presented.

[The prepared statement of Charles G. Tildon, Jr., follows:]

PREPARED STATEMENT OF CHARLES G. TILDON, JR., PRESIDENT, COMMUNITY COLLEGE OF BALTIMORE, BALTIMORE, MD.

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Today, our campuses of the Community College of Baltimore serve 11,000 students, or a full-time equivalent population of 6,100, of which seventy-five percent are minority students, and at least 77 percent are financially disadvantaged. Some 60 percent of our students are 23 years of age or older, and black women comprise our largest single group.

The growth of the community colleges has not happened as a matter of chance. It has come about by design, and local, state, and federal lawmaking all have played important parts. The Title III program, which your bill would amend, has contributed significantly to the development of community colleges, and your bill would give that program a new dynamic, making it even more responsive to the individual needs of the institutions that the program serves. The flexibility that the bill would add to Title III would be an important factor in serving those needs.

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For a host of valid reasons, endowment building and development have become virtually synonymous in American higher education, particularly in the more successful universities and private colleges. Endowments unquestionably have made very significant contributions to both the quality and stability of the finer institutions.

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Your bill, Mr. Chairman, would, we think, stimulate development in our colleges in at least two more ways. On the one hand, I think it would heighten the national competition for Part C grants—which would have the very beneficial indirect effect of sharpening both the planning systems and the development leadership and skills in our institutions.

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On the other hand, by allowing the Challenge Grants to be used to attract endowment support, you would be helping colleges to awaken the interest of alumni and the larger communites they serve. These groups must both see the importance of success of the institutions. Endowments have proven useful in attracting gifts that specific projects sometimes cannot attract.

Mr. Chairman, we urge Congress to adopt H.R. 2144.

Mr. SIMON. Thank you all, very much.

The Chair has no questions of the witnesses. I would mention, too, Mr. Quehl, that your two suggestions, we are going to be taking care of through amendment. We think they are sound suggestions.

Mr. Coleman.

Mr. COLEMAN. I don't have any questions, thank you.

Mr. SIMON. Mr. Andrews.

Mr. ANDREWS. I am just honored to have my colleague from Raleigh here with my other good colleagues.

Mr. ROBINSON. Thank you, Mr. Congressman, I am pleased to be here.

Mr. SIMON. Mr. Gunderson.

Mr. GUNDERSON. Thank you, Mr. Chairman. I will try to be brief.

What is the average size of the grant under part C that a typical college receives at the present time. Any idea?

Mr. TILDON. We don't have one. I don't know the average.

Mr. GUNDERSON. We are talking about making these grants which are presently permissible for a number of different uses also for endowment building. I am interested in what the average size of the grant a particular college or university might be receiving today would be in dollars.

Mr. ROBINSON. You mean under the challenge grant——

Mr. GUNDERSON. Right.

Mr. ROBINSON. I can't speak for all of them, but I can say in the case of my institution this year, we are getting a challenge grant of $69,000 which we match.

Mr. GUNDERSON. That's on the title III.

Mr. TILDON. My college does not have a title C grant at the time.

Mr. ROBINSON. I think that is fairly typical, the amount that I just outlined for the universe of institutions that I represent. That is fairly typical for those who received a challenge grant. Many of them did not receive challenge grants this year but for those who did, that is about the average amount that they received.

Mr. GUNDERSON. If this bill were enacted into law and you had the opportunity to use it for endowment building, approximately what percent of that 69,000 match—that gives us about 140,000—about what percent of that would you see going into endowment building in your university?

Mr. ROBINSON. In my own case, we would put virtually all of it into endowment if it were left to us. And I am speaking now for one institution. We would put virtually all of it into endowment in our case, really.

Mr. TILDON. In our case, I would say the same thing.

Mr. GUNDERSON. I don't want to pursue what sounds like a nega-ve line of questioning, but what do you use the money for now if is not so important that you would take it all from that and put into endowments? That surprises me that you would take it all.

Mr. ROBINSON. Well, Congressman, perhaps a little more infor-iation about this particular university of institutions that I repre-ent, let's take a typical private institution of the kind that I repre-ent, and let's take one of the UNCF institutions. I was pointing ut in my document that the average one has an endowment less ian $1 million, and the per capita amount that that endowment enerates is less than $3,000, or about $3,000 per student whereas or a typical institution outside of this university is about $5,000. 'he point I was trying to make really is, and in answer to your uestion, it is so critical to this particular university of institutions hat that be a sustaining factor and endowment here is a sustain-ig factor this does not negate the fact that the funds that are eing currently spent this year under the matching program is not very important one, it simply means in terms of where does one lace his priorities. The priorities I would suspect would be on an ndowment.

Mr. TILDON. My answer was simply in response to what I would o if I applied for a challenge grant at my institution under title C. learly there are other titles, there are other sources of funds that would certainly want to be using to continue to develop the insti-ution. However, I think that it is extremely important while you re doing those very, very nitty, gritty things that need to be done, o develop an institution to make it compatible with other institu-ions, a significant part of that is beginning to develop an endow-ient so that you begin to generate income even if it is a small mount, to demonstrate to the larger community that you want hat kind of participation.

Mr. GUNDERSON. Go ahead, Mr. Quehl.

Mr. QUEHL. Let me take a somewhat different angle on that, if I ould. Speaking generally about the whole sector of the Nation's mall private colleges. I am talking about some 750 institutions.)ver 60 percent of the students attending these colleges receive ome form of financial aid. Those private colleges that have sub-tantial endowments, they are able to pay for this aid, which by he way mostly is institutionally funded aid, is not Government iid. They are able to pay for this institutionally funded aid princi-ally out of their endowment. Where you have institutions, and his would be the majority of those small private colleges that do iot have substantial endowments. You have a situation that re-uires the institution to take institutional aid out of annual operat-ng revenues. A very different concept. What this means at a pri-rate institution is that students and parents and families that ould afford to pay the full tuition are carrying students who annot on their backs. And what happens is you are creating a vi-ious cycle. It is necessary for you to continue to increase tuitions o provide ever larger amounts of student financial aid to more and nore students if you are to compete for the declining number of ollege age students.

What the endowment building concept does is to halt this, this vicious cycle. It says no to the extent that we are going to be providing institutional funds for any students especially. We want to provide that out of endowment as opposed to annual operating revenues.

Mr. GUNDERSON. Thank you, Mr. Chairman.

Mr. SIMON. Mr. Harrison.

Mr. HARRISON. Thank you, Mr. Chairman. I don't have any questions, I just want to say I am sorry I missed Dr. Robinson's testimony. I got a chance to leaf through it while we are sitting here and I learned something from all three gentlemen this morning. Thank you for coming.

Mr. SIMON. Mr. Packard.

Mr. PACKARD. Mr. Quehl, what do you think is the total number of institutions in the country that would be able to qualify for this kind of grant.

Mr. QUEHL. Well, that—under current eligibility requirements I couldn't give the details of that.

But I am not particularly pleased with the 1980 amendments which literally drove a very large number of private colleges that were heretofore eligible out of the program. If different criteria were used, then I would say you probably have between 2 and 3 hundred, perhaps more—Prezell, would you say—

Mr. ROBINSON. I would say somewhere in that range. Three to five hundred at the most.

Mr. QUEHL. Prezell and I both serve on NAICU's board and he also serves on my board, so we have some interlocking directorships.

Mr. PACKARD. And most of these you suspect would apply if this were enacted?

Mr. QUEHL. If they had the challenge of having some kind of match, this would provide the incentive that they need. It simply hasn't happened during—it is clear right now that endowment building is not going to happen as much as it must unless there is some kind of government role at this time.

Mr. PACKARD. By law, are institutions able to borrow against endowment funds?

Mr. QUEHL. This differs according to various States. It differs according to the extra gifts that constitute the endowment funds. It is a very difficult question to answer. Certainly colleges, and I can think of some that are on the ropes and having very difficult times, are borrowing, using their endowment and then of course the physical plants as equity at this time.

Mr. PACKARD. The bill calls for a clause that would preclude an institution from withdrawing endowment funds without losing or returning back to the Secretary of Education their portion.

Mr. QUEHL. I fully agree.

Mr. PACKARD. If they were permitted to borrow under the program and obligate the funds, then what arrangements could be made that would accommodate that problem?

Mr. QUEHL. Clearly there are some difficulties there that would have to be attended to. Because endowment traditionally, historically viewed, is not negotiable. In other words, it cannot be returned or used for other purposes than for which it was intended.

Mr. PACKARD. Thank you.

Mr. SIMON. If my colleague would yield, I don't think you can find any banker who is going to use this as security if it has to be returned to the Secretary of the Treasury.

Mr. QUEHL. Correct.

Mr. SIMON. So I don't think you have a problem.

Mr. PACKARD. But the bill does not address the fact that if it is obligated, it would have to be returned only if it were actually used.

Mr. SIMON. The bill keeps that portion sacred, and I don't think you are going to find any bank or mortgage institution that is going to permit that portion to be used as security. So I think there is not a problem here unless you have a very nearsighted banker in some community.

Mr. Boucher.

Mr. BOUCHER. No questions, Mr. Chairman.

Mr. SIMON. We thank you very, very much for your testimony and the subcommittee will move immediately into marking up H.R. 2144.

[Whereupon, at 10:58, the subcommittee proceeded to other business.]

[Material submitted for inclusion in the record follows:]

[Excerpted from: The College Endowment Funding Plan by Frederick D. Patterson, Robert R. Moton Memorial Institute]

A PLAN FOR GENERATING CURRENT INCOME AND ENDOWMENT: AN INTRODUCTION

(By Luther H. Foster)

The College Endowment Funding Plan (CEFP) is a new concept proposed to address one part in the critical problem of financing higher education. The Plan projects a practical way for a college or a group of colleges to increase and stabilize current income and, in the long run, to generate endowment. It is designed to serve especially the small private colleges that are often at unusual disadvantage in today's higher education finance. CEFP is in the traditioin of the American free-enterprise system, combining the volunteer philanthropic-entrepreneurial-financial strengths of the American setting to provide colleges, through self-help, a new measure in fiscal stability—a stability that in recent years has rapidly been eroded.

The financial crisis facing colleges.—A standing complaint from colleges generally, and small colleges particularly, concerns their difficulty in securing monies for basic operations. The steady rise in educational costs, which stems from inflation and from competition in the academic marketplace for well-prepared professional personnel, creates problems that must be faced in the operating budget. Monies from foundations, industry, and—often—individual givers are usually donated for special purposes and are usually specified to be spent over a limited period of years. Consequently, a college faces serious "income replacement" problems when any short-term special project grant ends.

Private colleges in America are in serious financial trouble. Even the wealthiest are reporting deficits, and many are effecting major reductions in program expenditures to avoid continuing deficits. Whether the trend can be slowed and reversed without seriously damaging the quality of their programs is an open question. In recent decades, many private colleges expanded and diversified their offerings to meet the nation's need for new educational opportunities, and it is ironic indeed that, because of escalating costs, these very institutions cannot now foresee with any certainty how to assure continued service.

Public colleges too are encountering financial stringency despite their often substantial allocation of budget funds from public sources. Especially affected are areas of desired program enrichment, which are not normally considered appropriate for major public support. Here, particularly, CEFP may help public institutions.

Many colleges have little or no endowment. These institutions, as well as those with substantial endowments, find endowment money hard to raise. Moreover, private colleges find their autonomy tends to be threatened if they place heavy reliances on any one source of income, public funding in particular. Endowment provides the one independent and continuing source of income.

If the values of the private independent colleges are to be retained by more than a token number that are well financed and if public colleges are to provide for their students enriched experiences not available from tax dollars, both groups must be financially strengthened to meet the challenges of opportunities they face. The effect toward this end should be one which achieves basic stability through the provision of adequate endowment.

Essentials of the plan.—CEFP is simple in concept, efficient in operation, economically sound, and a practical way to enhance the long-term financial viability of a college. The aim is to achieve immediate and continuing budget income through the building of endowment funds. In CEFP, one unit of private gift money is combined with three units of a commercial loan. To the four units is added an endowment component that is half the amount of the basic gift, and that may come as part of the gift or from other sources. The investment of this package produces modest income for the current budget and adequate capital to repay the loan during its term and thereafter to provide an unrestricted endowment fund. The fund so built will be sufficient to continue allocations to the annual budget at the level originally scheduled. Detailed feasibility calculations and suggestions of possible CEFP modifications to fit the needs of individual colleges are described later. Here, it suffices to say that the idea is workable.

CEFP applies tested principles.—CEFP is a creative combination of several long-established concepts in higher education finance, fund raising, and program development.

The federal government and other public and private agencies have for decades appropriated funds to lend to colleges for erecting physical facilities. Under these plans, funds are invested in a physical asset such as a dormitory, and the rental income is used to pay interest on the loan and to repay the original capital investment. The endowment fund of a college provides fiscal stability in the same way that a sound physical plant provides stability to a housing program. Both are vital resources to help undergird a successful college program.

CEFP further encourages private philanthropy, which has always been a stalwart resource in higher education finance. Under CEFP, the donor gains in three ways; without the Plan he has only one major benefit. First, he has the satisfaction of supporting a specific current program of the college. He has the assurance that his program—or its equivalent—will be continued through the endowment feature of CEFP. Finally, he has the satisfying knowledge that his gift is multiplied threefold by the loan features of the Plan.

CEFP encourages responsible college stewardship, for its challenges the college's constituencies to preserve and enhance the quality of their institution. Such care may help avert the loss of financially plagued but needed colleges. Because CEFP is feasible at various levels of funding, the college development officer can approach small donors and special interest groups within the alumni or other constituencies, as well as persons who might contribute more substantially. CEFP gives the college a vehicle to financial salvation or at least some portion of it.

The federal government and various other governmental units benefit indirectly from the operation of CEFP. The availability of higher education experiences for Americans, regardless of their state of residence, is a keen concern of government—federal, state, and lower levels. The public is the beneficiary when any college, working with initiative and through the private philanthropic and financial sectors, can strengthen its finances to render vital educational services. These private efforts may well be multiplied and enhanced significantly, with direct benefits accruing to government, if governmental units can work out appropriate arrangements to share in CEFP through such means as federal loan guarantees, interest subsidies, and demonstration programs. History suggests precedents for such involvement.

Limitation of CEFP.—The plan is not a panacea. It does provide a practical way for college management and trustees to address a major concern about budgets—the provision of current income in the years ahead, with some assurance of its stability.

CEFP is designed primarily to facilitate generation of endowment for colleges where an additional $10 million, $20 million, or $30 million would make a real difference. If a college is destined for liquidation for nonfinancial reasons or because it needs a massive infusion of funds, CEFP cannot save it. However, the CEFP concept may well be useful for some special purpose at a larger institution.

Participation in the pool of loan funds will need to be subject to formal limitations, especially if the pool were to be established by the federal government or by a state government. In the case of small- and moderate-sized institutions with sound programs and a strong potential for achieving financial stability under CEFP, an quitable basis for the sharing will have to be determined. The pages that follow iggest criteria for facilitating access to such loan funds.

The College Endowment Funding Plan, a creative approach to fiscal stability in ollege finance, has been developed under the able guidance of Frederick D. Patteron, who has had long experience, especially in addressing the financial concerns of istitutions with modest income potential. CEFP is a responsible idea that makes its ppearance at a critical time.

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