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ABSTRACT

This Congressional hearing report is intended to provide a broad overview of the current state of higher education and establish a foundation for future hearings on more specific topics concerned with the reauthorization of the Higher Education Act. Issues addressed in the report include: costs of going to college; characteristics of those who go to college; kinds of financial available; characteristics of financial aid recipients; distribution of financial aid among private versus public colleges and among dependent versus independent students; types of programs eligible for federal aid; and the role of the college financial aid officer. Included are the transcripts of the testimonies of: David A. Longanecker, Assistant Secretary for Postsecondary Education, who reviewed Title IV eligibility and certification requirements; John B. Childers, of The College Board, who reported on the Board's experiences with financing postsecondary education; Margot Schenet, of the Congressional Research Service, who gave testimony about who gets student aid and where they go to school; Michael T. Nettles, of the United Negro College Fund, who addressed enrollment trends for minority students; and Thomas M. Rutter, Director of Financial Aid at San Francisco State University, who talked about the role of the financial aid administrator. Also included is the transcript of the question-and-answer period which followed the oral testimony and the supporting documentation provided by each respondent. (CH)

HEARING ON HIGHER EDUCATION: "WHO PLAYS, WHO PAYS, WHO GOES."

HEARING

BEFORE THE

SUBCOMMITTEE ON
POSTSECONDARY EDUCATION, TRAINING AND
LIFE-LONG LEARNING

OF THE

COMMITTEE ON ECONOMIC AND
EDUCATIONAL OPPORTUNITIES
HOUSE OF REPRESENTATIVES

ONE HUNDRED FOURTH CONGRESS

SECOND SESSION

HEARING HELD IN WASHINGTON, DC, APRIL 23, 1996

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HEARING ON HIGHER EDUCATION: "WHO PLAYS, WHO PAYS, WHO GOES."

TUESDAY, APRIL 23, 1996

HOUSE OF REPRESENTATIVES, SUBCOMMITTEE ON POST-SECONDARY EDUCATION, TRAINING AND LIFE-LONG LEARNING, COMMITTEE ON ECONOMIC AND EDUCATIONAL OPPORTUNITIES, *Washington, DC.*

The subcommittee met, pursuant to call, at 1 p.m., Room 2175, Rayburn House Office Building, Hon. Howard P. McKeon, Chairman, presiding.

Members present: Representatives McKeon, Gunderson, Petri, Green, and Woolsey.

Also present: Representatives Castle and Graham.

Staff present: George Conant, Professional Staff Member; Sally Stroup, Professional Staff Member; Mary Ann Fitzgerald, Legislative Assistant; Christine Treadway, Legislative Associate; and Marshall Grigsby, Senior Legislative Associate.

Chairman MCKEON. Good afternoon. I'd like to take a moment to welcome our witnesses and those who are here today for today's hearings on higher education: "Who Plays, Who Pays, and Who Goes." This hearing will provide a broad overview of the current state of higher education in this country and will provide a foundation for future hearings on more specific higher education topics.

Today's hearing will focus on the following: what it costs to go to college, who is going to college, what kind of financial aid is available, who receives financial aid, how financial aid is distributed among private versus public colleges and dependent versus independent students, the types of programs that are eligible for Federal financial aid, and the role of the college financial aid officer.

We will be hearing from Assistant Secretary David Longanecker, who heads up the Office of Postsecondary Education at the Department of Education. Mr. Longanecker will provide us with information on how schools become and remain eligible for financial aid programs, how the accreditation process works and the role of the Department in determining eligibility and interacting with accreditors.

In addition, Mr. John B. Childers, Vice President for Regions and Government Relations for The College Board will report on the findings of The College Board's College Trend Cost Study, and will talk about trends in higher education costs.

Ms. Margot A. Schenet, Specialist in Social Legislation at the Congressional Research Office, will be presenting information on student enrollment, the availability of financial aid, and who receives financial aid.

Doctor Michael Nettles, Professor of Education at the University of Michigan and the recently-appointed Director of the United Negro College Funds Pattern Research Institute, will provide information on trends in student enrollment, including low-income and minority-student participation.

And, finally, Mr. Tom Rutter, Director of Financial Aid at San Francisco State University, will testify on the role of financial aid administrators, specifically, addressing what they do when a student comes to them in need of financial aid, decisions they make when packaging aid, how they determine which students receive campus-based aid, what institutional factors impact their decisions, and how professional judgment is involved in the aid process.

As we prepare for the authorization of the Higher Education Act, we share the goals of students and parents across the Nation. Quite simply, we want a simple, efficient, less-expensive and less-bureaucratic system of student aid, a student aid system which is easy for students and parents to understand and to use, a system that ensures that students have the information to select the education and the financing which best fits their needs, and a system that ensures that taxpayers are getting their money's worth.

To achieve these goals, we must have a clear picture of what is happening in higher education today. This panel will help paint that picture, and I look forward to hearing from all of you.

I apologize that we don't have more Members here today, but due to the move of votes from 12 to 5 we understood that some Members moved back their plane flights and I didn't want to postpone the hearing, knowing that some of you had already, you know, made plans and probably were in the air on the way here when we heard about this. So, we will go forward with this, and the record will be available to all the Members to study. It's an important issue, one that we really want to move forward on.

I know as I talk to people in my visits home and around the country, this is a very important issue, and I think that it's getting bigger, rather than getting smaller, and it's one that I'm looking forward to getting involved with as we move forward.

Chairman MCKEON. Let's begin with Mr. Longanecker, please.

STATEMENT OF DAVID A. LONGANECKER, ASSISTANT SECRETARY FOR POSTSECONDARY EDUCATION

Mr. LONGANECKER. Mr. Chairman, for the record, I'm Dave Longanecker. I'm the Assistant Secretary for Postsecondary Education. I would like to mention that I'm accompanied today by Elizabeth Hicks, who is our Deputy Assistant Secretary for Student Financial Assistance. Betsy is sitting behind me, and, in fact, if some of the questioning gets real hard I might turn the difficult ones over to her.

I've submitted a complete text of my remarks for the record, but to be respectful of your time what I'll do is summarize those remarks briefly here.

I would tell you I'm a little bit envious of my colleagues who are sitting here, because in many respects they have the more exciting things to talk about today. However, what I'll be talking about in some respects isn't as exciting but it's awfully important, and that is assuring that those funds that are going out are being well spent and appropriately, and that we're being appropriate stewards and good stewards of those funds.

So, it's a pleasure to appear before you and share with you, as you requested, how postsecondary institutions become and remain eligible to participate in the Federal student financial aid programs that are part of Title IV of the Higher Education Act.

We hope that this will be the first of many productive discussions with you and your committee, as we jointly look for ways to better serve students in the future, while also assuring that we do so with a set of programs that demonstrate the highest levels of fiscal and administrative integrity and oversight.

This afternoon, I'm going to explain the eligibility and certification requirements. I will discuss how tougher standards and more attentive oversight within the Department are repeating the intended results, and then finally, I'll share with you the work we've done to adopt a fundamentally different and we think much better approach to the future of oversight.

There are approximately 7,000 postsecondary institutions participating in Federal student assistance programs. About half of those are colleges, about half of those are proprietary schools. They disburse about $40 billion in Federal student aid in any one year.

To participate in these programs, an institution must meet three conditions. First, it must be licensed to operate in the State in which it is located. Second, it must be accredited by a federally-approved accrediting agency. And, finally, it obviously must be certified to operate by the Department.

Now, States determine the standards used for licensing and approving institutions, and those standards vary considerably from State to State.

Accrediting, on the other hand, is more closely monitored at the Federal level. Accrediting agencies are private, non-governmental organizations that evaluate educational quality, emphasizing the curriculum, faculty, educational outcomes, support services and the ability of the institution, basically, to carry out its mission.

The amendments of 1992 to the Higher Education Act strengthen the requirements on these accrediting agencies substantially, and specify 12 specific areas in which they must develop standards. This is, obviously, a very serious business, because if an institution loses its accreditation it automatically loses its Title IV eligibility and access, obviously, for students to Federal student financial assistance.

The Department is responsible for evaluating compliance of these accrediting agencies with the Federal law. We do so by evaluating written material that they provide to us, by conducting site visits of the agencies, by accompanying the agencies on their site visits of institutions, and by conducting file reviews of the files of those agencies.

In addition to our activities in monitoring this, we are assisted by the National Advisory Committee on Institutional Quality and Integrity, the role of which was substantially enhanced by the 1992 amendments. This is really a sterling group of individuals who have proven extremely helpful in advising the Secretary on whether and how accrediting agencies should be recognized.

There were concerns in Congress and elsewhere, about whether these accrediting agencies were adequately insuring quality education, that led to the much more directive role that is reflected in the 1992 amendments.

The Department shares similar concerns, both under the last administration and under the current one, but I want to tell you that we are quite pleased with the response today from these accrediting agencies. Although we certainly continue to have some concerns regarding some agencies about their ability and willingness to enforce high standards, high performance standards, we witnessed substantial improvement and we are convinced that these private organizations are much better suited to assessing educational capability than the Federal Government would be.

If an institution is approved and accredited, then it can apply for eligibility and certification by the Department. To be certified, the institution must demonstrate that it meets, basically, two—the law establishes two areas we have responsibility for, must demonstrate that it meets high standards of financial responsibility and that it has the administrative capability of operating the programs. This is certainly not an automatic step, though, it in many respects used to be. In 1990, only 16.6 percent of the applications that we received we rejected. This last year, in 1995, 40 percent of the applications were rejected. Furthermore, the sheer number of the initial applications has declined by more than 50 percent since 1991, indicating that institutions realize that they have to be able to achieve high standards to participate in this program.

This is important, because we found that many, if not most, of the institutions that got in trouble, in fact, probably never should have been admitted to the program in the first place.

When an institution seeks initial eligibility and meets the standards, it's granted a provisional certification. Now, provisional certification, incidentally, was another important improvement that came out of the 1992 amendments. We didn't have provisional certification before that. It allows the Department to allow new and marginal institutions to remain eligible, but also allows the Department to remove these institutions from participation rapidly, if their capacity to serve their students and the Federal purposes deteriorates.

After the first full year of operation, a new institution is reviewed, and at that point they are either granted full certification, they are granted continued provisional certification, or they are terminated from the program. So, that's how we treat a new institution that comes and wishes to participate.

Now, fully certified institutions must also follow certain procedures to continue to operate in these programs. Obviously, they must remain licensed and accredited to participate, but they also must be recertified every four years. Whether they are, again, fully certified, or whether they are provisionally certified, or whether their certification is withdrawn, will depend on how they have performed in the program up to that point.

Of the 1,500 institutions that we recertified last year, 70 percent of those were fully certified, 20 percent were provisionally certified, and about 10 percent had their certification withdrawn, so they are no longer participating in these programs.

We also monitor these institutions' progress, and we have dedicated more staff, more training and more attention to this process. Last year, our 10 regional offices conducted about 900 reviews of institutions, and it was about a 50 percent increase over the previous year. We worked hard to better target our views on at-risk institutions and to reduce the time it takes to finalize a review, because that helps both the institution and the Federal Government, and to assess only meaningful liabilities.

We also monitor student aid applications, from the students themselves, to assure that ineligible students don't receive aid. We match with the Social Security, with the INS, and with our own historical files, to assure that students who aren't eligible aren't receiving the aid.

The match we began last year with our historical files database identified 125,000 students who had prior defaults and, thus, were not eligible, and through this prevented as much as possibly $310 million of potential future defaults.

Plus, we are redesigning our computer system and financial management systems to assure greater integration into one system. Our major piece of this is the project we call EASI, you may have heard it, that stands for Easy Access for Students and Institutions, which is taking the lessons we've learned from implementing the direct loan program, which has worked very well with the institutions, and applying those lessons we've learned in that delivery system to our entire delivery system, so that we have a more facile way for students and institutions to participate with us. It also, interestingly, provides us with greater accountability of our programs, because we have the information back to us so much more rapidly.

You probably heard about the great success we've experienced in reducing defaults. We'd like to claim success for all of this, and we certainly believe we deserve some of the credit, but you do as well, because it really was the congressional default initiatives in the late 1980s that set the stage for this to occur.

Default rates have been cut in half since 1992, or 1991, reinsurance payments have declined by 30 percent at the same time the volume went up by 50 percent. Now, that's all very good news. More than 600 schools have been eliminated from eligibility in the loan programs, and more than 300 schools have been entirely eliminated from participation in the student aid programs since 1983, and that's twice as many institutions as were eliminated from the programs in the previous seven years combined.

But, we are not satisfied with our success to date. Perhaps, our most ambitious current project is to totally rethink the way we approach monitoring and oversight. We've begun an approach that will reward institutions that have continually demonstrated outstanding performance with less regulation, using the resources that we previously have focused on those institutions to more fully focus on institutions that pose the most significant risk to the Federal Government.

We began this process by simplifying the regulations released last December, and, in fact, in that area we've reduced regulation on all institutions, sort of searching for those regulations which no longer added value to the system. We've also reinvented our administrative processes, focusing on developing stronger process for analyzing risk in institutions, what's called risk analysis, and in examining institutions through a case management approach, rather than through the various stovepipes we used that gave us a little bit of knowledge about an institution and many offices, but not a very comprehensive view of the institution overall, so we're moving to this case management approach. It's one that will allow us to serve institutions and students better, and the Federal taxpayer better as well.

Mr. Chairman, I've explained the processes involved regarding institutional eligibility. We take very seriously our responsibility to maintain the integrity of these programs. We have made significant improvements in the existing oversight system, and we hope to continue to try and do even better. I look forward to responding to your questions and comments when you wish to address them.

[The prepared statement of Mr. Longanecker follows:]

STATEMENT OF DAVID A. LONGANECKER

Mr. Chairman and Members of the Committee,

I am pleased to appear before you today to share with you the process by which institutions of postsecondary education become and remain eligible to participate in the student financial aid programs. I would also like to provide you with information on the work we have done to improve our systems of operations and ensure that the institutions participating in our programs are complying with administrative and fiscal requirements, as well as providing quality education and training to their students. Our goal—one that I am sure you share—is to provide deserving students access to high-quality postsecondary education while simultaneously ensuring the integrity of the federal student aid programs. It is a goal that embodies the President's longstanding conviction that the Federal Government has an obligation to ensure educational opportunity, but with that opportunity comes responsibility, including responsibility on the part of the institutions. Our commitment to ensure that students, who increasingly are from low and middle-income families, have access to a high-quality postsecondary education, depends, in large part, upon our management of these very important programs.

While we believe that the vast majority of the institutions that participate in our programs are operating in full compliance with our rules and regulations, there are some institutions that perform contrary to the program's goals and objectives. These are the institutions that we are especially concerned with and the ones on which we focus our monitoring and oversight efforts. In my testimony today, I will explain the requirements that institutions must meet for eligibility in the student financial assistance programs. I will also discuss how our more focused and attentive oversight efforts, as well as our tougher standards, have removed many institutions from the programs and deterred other unqualified institutions from even applying for eligibility. Finally, I will share with you the work we have done, and the progress we have made, to adopt a fundamentally different, and we are convinced far better, approach to oversight that will build upon our accomplishments of the last few years.

ELIGIBILITY AND CERTIFICATION

Currently, approximately 7,000 postsecondary institutions participate in federal student financial aid programs authorized under Title IV of the Higher Education Act of 1965 (HEA), and nearly $40 billion of financial aid are provided to students through these programs each year. In order to participate in the Title IV programs, an institution must (1) be licensed or otherwise legally authorized by a State to provide postsecondary education or training; (2) be accredited by a nationally recognized accrediting agency; and (3) meet the Department's requirements for certification. [Flow charts outlining the existing oversight system are attached at the end of the testimony.] These three partners represent what is often referred to as the Program Integrity Triad. The Department of Education has worked with Congress to improve the eligibility and certification process, and our combined efforts have paid off handsomely. For example, the percentage of initial applications for certification that are denied has increased substantially, from 16.6 percent in 1990 to 30.5 percent in 1992 to nearly 40 percent in 1995, reflecting our tougher standards for certification. Furthermore, the sheer number of initial applications for certification has declined more than 50 percent since 1991.

An institution seeking initial eligibility must be accredited by an accrediting agency that is recognized by the Secretary. Accrediting agencies are private, nongovernmental, peer review organizations that evaluate educational quality, with emphasis on the curriculum, the qualifications of the faculty, student outcomes, support services, and the ability of the institution to carry out its mission. While accreditation has been a requirement for institutional eligibility since the inception of these programs, the 1992 Amendments to the HEA significantly strengthened the requirements that accrediting agencies must meet in order to be recognized. The 1992 Amendments specified 12 areas in which agencies must develop standards and operating procedures with respect to reviews of institutions by accrediting agencies. The Amendments included the requirement that agencies must have standards for educational outcomes, including, as appropriate, completion and job placement rates, and performance on licensing examinations. Institutions that fail to meet their accrediting agency standards lose their accreditation and, as a result, their eligibility to participate in Title IV programs.

The Department is responsible for evaluating the compliance of accrediting agencies with the requirements of the 1992 Amendments. The Department evaluates written materials, conducts site visits of agencies, observes institutional site visits conducted by accrediting agency evaluators, and conducts agency file reviews to evaluate and monitor agency compliance with the requirements for recognition.

The 1992 Amendments also substantially enhanced the role of, and renamed, the National Advisory Committee on Institutional Quality and Integrity, which is comprised principally of presidents and vice presidents of postsecondary education institutions. This outstanding group of individuals performs a valuable service for the Federal Government by giving their time and advising the Secretary on matters regarding the eligibility and certification of institutions for Title IV programs. One of their principal roles is to review staff reports concerning accrediting agencies and to make recommendations to the Secretary concerning the recognition of accrediting agencies, including recommendations to withdraw, modify, and/or place conditions on recognition.

The Department, with the assistance of the National Advisory Committee, is continuing to work with accrediting agencies to strengthen their oversight in statutorily mandated areas, in accordance with the 1992 Amendments. Prior to the 1992 Amendments, there were concerns that the agencies were not ensuring that the institutions they accredit were fulfilling their responsibility to provide a high-quality education to their students. The Department shared similar concerns. Since then, we have tried to engage the agencies and stress the importance of their role with regard to ensuring educational quality. The agencies have responded by working to develop meaningful standards to assess educational programs. Although some concerns remain regarding the agencies' ability and willingness to enforce performance measure standards, we have witnessed a substantial change in behavior on the part of the accrediting agencies, and we remain firm in our belief that these private organizations are better suited to assess educational capability than is the Federal Government.

An institution must also apply to the Department for certification that it meets certain standards of financial responsibility and administrative capability. This application may be submitted at the same time the institution applies for eligibility. To meet these standards, an institution must, at least, demonstrate that it meets its financial obligations, provides the administrative resources necessary to comply with Title IV requirements, has audited financial statements that indicate sufficient financial health, employs an adequate number of capable staff to administer Title IV programs, maintains records as required by the Department, and implements a sound system of internal controls.

If an institution seeking initial eligibility meets the standards of financial responsibility and administrative capability, the Department grants provisional certification to the institution. Provisional certification is another new and important authority that was created in the 1992 Amendments to ensure that institutions are capable of effectively administering the Title IV programs. After the first full award year, each new institution must apply for full certification, at which time the Department determines, based on a thorough review of the institution's performance during its first year of participation, whether to grant full certification, continue provisional certification, or terminate eligibility. In addition, the Department considers any review that may have been conducted by either the Department or a student loan guaranty agency. All institutions placed on provisional certification are subject to a system of expedited administrative review, which enables us to remove schools from participation quickly, should problems arise.

Institutions fully certified to participate in Title IV programs must also follow certain procedures to continue their participation. Institutions must remain licensed and accredited at all times during their participation. In addition, all institutions, as required by the 1992 Amendments, must be recertified every four years to ensure that they continue to meet the standards of financial responsibility and administrative capability. When an institution applies for recertification, the Department may: recertify the institution for the full four-year period; provisionally certify the institution if it meets most of the requirements but has some deficiencies; or deny recertification, at which point the institution's Program Participation Agreement (PPA) expires and the institution loses the ability to participate in Title IV programs. The Department may place an institution on provisional certification if the institution is experiencing problems that are significant enough to warrant further monitoring. Again, when an institution is placed on provisional certification, the Department can remove the institution from participation much more quickly than it can remove a fully certified institution.

The Department focused its initial recertification efforts on the institutions that have previously posed concerns to the Department. Nearly 60 percent of the first 1,500 institutions that underwent recertification were selected because they met criteria that identify potentially at-risk institutions. Institutions that met these criteria include institutions that were subject to an on-site review by either the Department or a guaranty agency in the past year or did not meet the financial standards based upon an initial screening of their financial statements. Among the institutions selected for recertification last year, more than 20 percent were provisionally certified and another 10 percent were rejected altogether. In all, 531 institutions (which includes both new institutions and currently eligible institutions) are provisionally certified.

MONITORING EFFORTS

Monitoring and program reviews are other essential tools of oversight that we use to ensure accountability and compliance with the rules and regulations of the programs. Through the use of management controls, databases, legislation, and intensive reviews of at-risk institutions, we have spent considerable time and effort to substantially improve monitoring and oversight.

The Department's monitoring of institutions was assisted by the 1992 Amendments, which mandate the annual and timely submission of financial and compliance audits by all institutions. Previously, institutions submitted financial audits only after the Department detected a problem with their ability to meet the financial requirements. Compliance audits used to be required every two years. These annual audits are an important tool that enable us to review high-risk institutions' performance before serious problems arise. For example, findings in an institution's compliance audit may lead us to conduct a program review, in which one of the Department's 10 regional offices reviews an institution's participation in the student financial assistance programs and initiates corrective action to ensure that the school is using proper procedures to award, disburse, and account for Federal funds. If a program review or other process check reveals noncompliance with specific program participation requirements, or potential for significant dollar impact that is adverse to the government or harmful to students, the Department may place the institution on the reimbursement system, begin an enforcement action, including termination, or, if fraud is suspected, refer the case to the Office of the Inspector General for investigation.

The Department performed nearly 900 program reviews in 1995, a 50 percent increase from 1994. We have hired additional program reviewers and significantly increased the formal training we provide to them through our new Training Academy. The Department has also implemented other measures to better target high-risk institutions for program reviews, reduce the time it takes to finalize a review, and assess only meaningful liabilities. By taking advantage of technological advances, we have refined automated techniques used to evaluate school status and provide warning signals to identify high priority candidates for review; we have supplied staff with state-of-the-art portable computers and enabled them to access Pell Grant payment information to support review activities; and we have made important improvements in the practice of statistical sampling so that our reviewers can make more sophisticated, scientifically designed assessments of the loss of Federal funds caused by institutional errors or abuse.

The Department also monitors student aid applications to prevent ineligible students, and students who provide false information, from receiving Federal funds. A number of database matches are performed for each student aid application, and many have recently been enhanced or introduced to strengthen our oversight in this area. First, beginning September 1994, each applicant's name and date of birth is matched with the Social Security Administration's master file to verify the applicant's Social Security number. Prior to 1994, we were checking merely to determine whether the Social Security number the applicant reported was within the valid range of all numbers issued by the Social Security Administration.

Second, beginning January 1995, every applicant's name and Social Security number is checked against the Department's National Student Loan Data System (NSLDS) to determine whether the student is in default on a student loan, or has received an overpayment on a grant and therefore owes a refund, before he or she can receive additional aid. This new data system provides more timely, accurate, and comprehensive loan-level information than was previously available through the database of loans held by the Department and the default files of guaranty agencies. NSLDS is also used to verify the enrollment status of student borrowers, verify that student borrowers have not exceeded statutory loan limits, and is critical in ensuring that the Federal Government does not overpay lenders for interest benefits arising from federally guaranteed loans. To date, NSLDS has identified approximately 125,000 prior defaulters among students applying for additional financial aid, preventing as much as $310 million in future defaults.

Third, the Department verifies the eligibility status of applicants who claim to be eligible noncitizens by matching their alien registration number ("A" number) with the Immigration and Naturalization Service. We have also implemented, beginning in January 1996, a recommendation from our Office of the Inspector General to expand the Social Security number match to include citizenship status in order to prescreen all applicants for citizenship status rather than only those who provide an alien registration number. Finally, the Department has recently begun systematically to identify students with scheduled Pell Grants in excess of the amount allowed by law. Such excesses can occur when students transfer schools. This check will help ensure that no such student will receive an overpayment.

We are also building on accomplishments of the Direct Loan Program to use technological advances to consolidate our systems and processes. For example, we are redesigning the Department's financial and management information systems to ensure that data from accounting, grants, contracts, payments, and other "feeder" systems such as the student aid application system are integrated into one financial management system. Additionally, we are working with a diverse group of government, business, and education leaders to reengineer the postsecondary student aid delivery system through the creation of Project EASI (Easy Access for Students and Institutions). Project EASI will integrate the various systems components into a single, student-centered system. All of these measures will help us reduce our costs through the elimination of redundant and obsolete systems, reduce fraud and system vulnerability, and facilitate program flexibility and change as we expand our capability to quickly utilize new technologies. They will also help institutions avoid noncompliance with our rules and regulations.

ENFORCEMENT ACTIONS AND DEFAULT REDUCTION INITIATIVES

When audit reviews, program reviews, or other monitoring devices indicate that an institution is failing to comply with requirements of Title IV programs, or that a school is otherwise determined to be at-risk, the Department can limit, suspend, or terminate an institution's participation agreement. In 1994, 191 termination actions were imposed by the Department, the most ever for a single year.

The default reduction initiative has also proven to be a very effective tool in enabling the Department to end an institution's eligibility for one or more of the student aid programs when the institution's cohort default rate exceeds certain statutory and regulatory default rate criteria. The cohort default rate is defined as the percentage of loans that entered repayment in a given fiscal year that defaulted in that year or the subsequent year. Because the statutory threshold has dropped from 35 percent to 25 percent over a four-year period, the number of institutions removed from participation has increased considerably in the past few years. More than 600 institutions have been made ineligible to participate in the Federal Family Education Loan (FFEL) program since the default reduction authority was granted in 1988.

The national cohort default rate declined from 22.4 percent in the 1990 cohort to 11.6 percent in the 1993 cohort. The Department's reinsurance payments have declined more than 30 percent, from $3.5 billion in 1991 to $2.4 billion in 1995, despite a 50 percent increase in the volume of loans in repayment during the same period.

Through these measures, and our overall commitment to stronger oversight, more than 300 institutions have been removed from participation in all Title IV programs since this Administration came into office in January, 1993. This is more than twice the number removed from eligibility in the previous seven years combined.

THE DEPARTMENT'S NEW APPROACH FOR OVERSIGHT REFORM

Finally, I want to share with you today a very different approach to monitoring and oversight that will best utilize our available resources, and which we are in the process of implementing. Under this initiative, the Department will provide regulatory and administrative relief to institutions that have continually demonstrated outstanding performance in administering Title IV programs. In turn, this will enable us to more fully focus our resources on institutions that pose significant risks to Federal funds, and increase our oversight of institutions that have experienced problems in managing our programs.

This initiative builds upon the actions already taken by the Department to simplify regulations and administrative processes and to ensure the integrity of the programs and promote accountability. The Department has alleviated some unnecessary burdens for all institutions through the recent issuance of new regulations and by streamlining the recertification application that each institution is required to submit. Our latest initiative allows us to move further in this direction and reduce administrative burden where the program's requirements do not improve accountability, protect the Federal fiscal interest, or serve the students. We believe that there are a number of institutions that should not have to be regulated as stringently as other institutions because of their past successful performance in managing the Title IV programs.

By providing relief to these institutions, we will be able to direct our resources to increase oversight of institutions that require closer monitoring. To implement this performance-based approach to oversight, the Department is developing a risk-analysis model that will allow us to target oversight resources on institutions with poor performance records. The Department will also re-align staff with oversight responsibilities along case management lines, with a team of employees responsible for all oversight activities for an assigned group of institutions. We believe that this approach will enable us to manage the program more effectively and efficiently and to be more responsive to our customers.

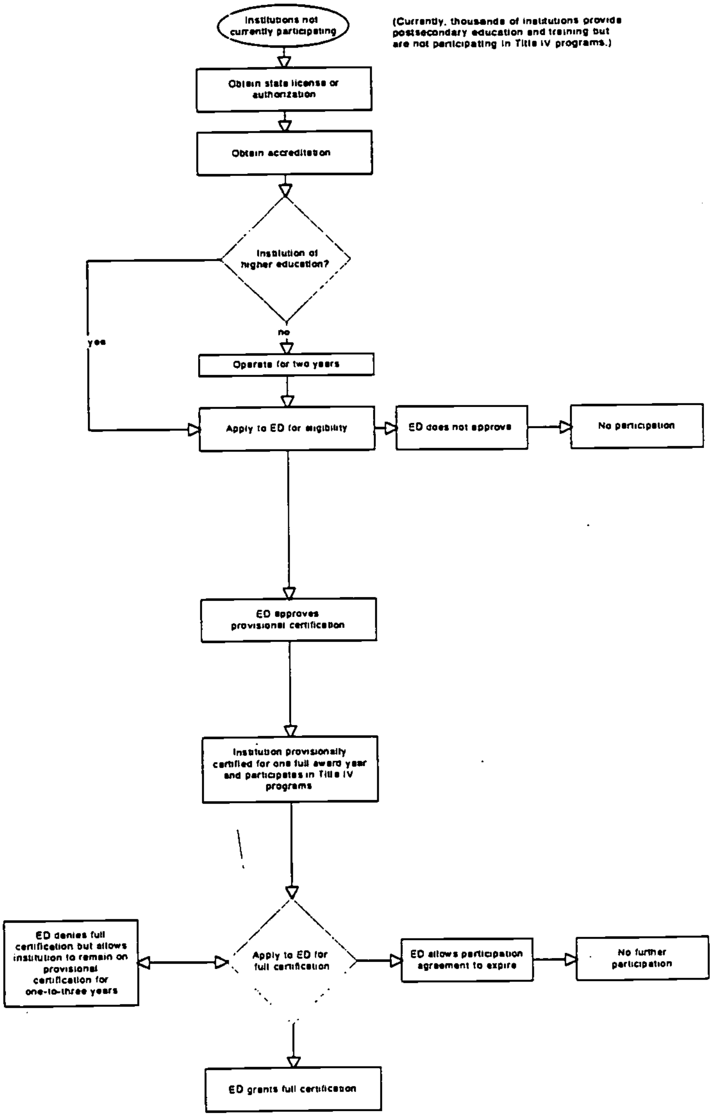
CONCLUSION

Mr. Chairman, I have explained the processes involved regarding institutional eligibility in Title IV programs. Although the requirements for eligibility may, at times, seem daunting, we recognize and take seriously our responsibility to maintain the integrity of the student financial aid programs. We also believe that we have made significant improvements in the existing oversight system, both by reducing the unnecessary administrative burdens and by better monitoring institutions that pose risks to Federal funds. Our hard work in implementing the regulations arising from the 1992 Amendments and in improving the management of these programs is consistent with the President's belief of providing opportunity with responsibility.

In all, our efforts have allowed us to provide more financial aid to students than ever before, while ensuring that the institutions that participate in the Title IV programs are operating within the boundaries of financial and administrative responsibility.

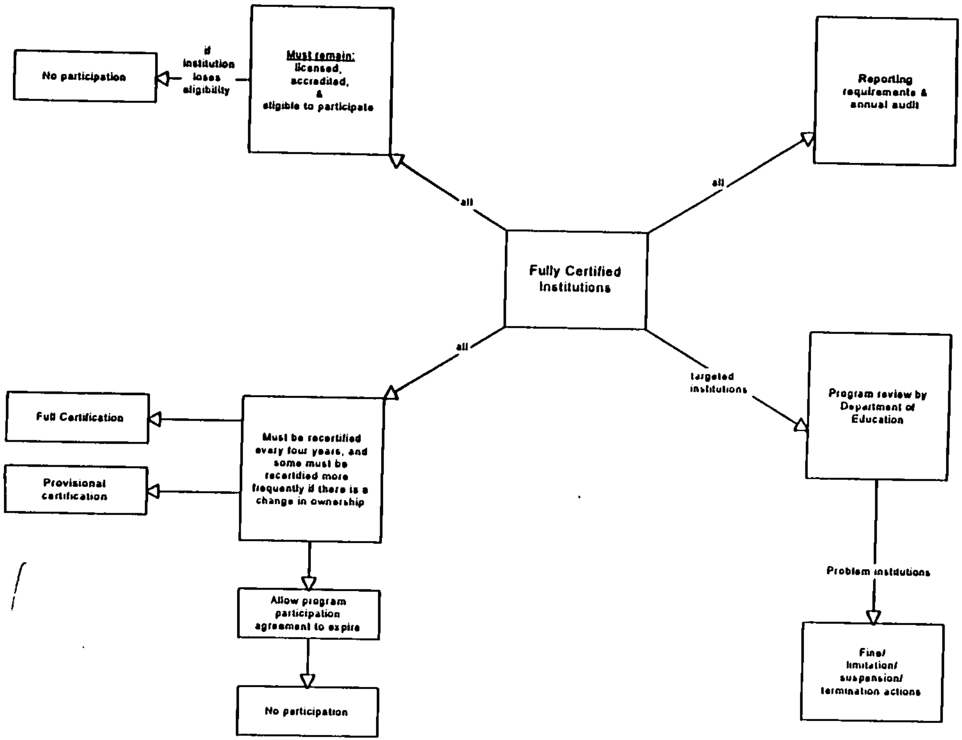
I would be happy to answer your questions at this time.

How Institutions Obtain Initial Eligibility to Participate in Title IV Programs



Flow Chart 1

Oversight of Fully Certified Institutions



Flow Chart 2

Chairman McKEON. Thank you very much.

We have just a few Members, so maybe we could do a round of questions with each of the panelists.

Ms. Woolsey, do you have a question?

Ms. WOOLSEY. Thank you, Mr. Chairman.

Well, I'd like to ask a very simple question, but I don't know the answer to it so I'm going to ask it. Once a school or a program has been decertified or eliminated can that program or that institution reapply, and under what parameters?

Mr. LONGANECKER. Yes, they can. They must be out of the programs for at least 18 months, at which point they can reapply, and if they have met the conditions, if the conditions under which they were eliminated have been corrected, they can come back, unless, of course, they've been involved in fraud against the Federal Government, in which case we will debar and their officers from further participation in the future.

Ms. WOOLSEY. And, is there a new level of scrutiny when they reapply and are they monitored more closely?

Mr. LONGANECKER. Well, they go through, basically, that total recertification process, and at that point we look to make sure that they meet the financial responsibilities and that they have the administrative capacity to serve the programs well.

Ms. WOOLSEY. Have you experienced that happening? I mean, is that happening now?

Mr. LONGANECKER. We do not have very many institutions that have been eliminated from the program that come back.

Ms. WOOLSEY. Okay, thank you.

Thank you, Mr. Chairman.

Chairman McKEON. Thank you.

Mr. Gunderson?

Mr. GUNDERSON. Could you give us a specific number, Mr. Secretary, of the number of institutions that have been decertified during the last three years?

Mr. LONGANECKER. Since we came in, we've decertified 300 institutions.

Mr. GUNDERSON. And, the primary basis for the decertification was?

Mr. LONGANECKER. There were a variety of factors, the most significant was non-compliance with the default conditions. Normally, they are just kicked out of the student loan programs if they have a high default rate for three years, but if they have a default rate that is exceptionally high the regulations provide for their being terminated from the program entirely. A number of institutions fall into that category.

We have other institutions that have been eliminated because of their financial circumstances, or, more frequently, because of substantial compliance problems or violations. It's not uncommon for institutions to be terminated from the program, in fact, it's fairly standard to be terminated from the program for non-compliance.

Some of the areas that are most prominent in that area are failure to meet the ability to benefit provisions of the law, failure to meet the satisfactory academic progress conditions of the law, or failure to provide appropriate refunds to students and to the Federal Government.

Mr. GUNDERSON. The 300 institutions that you have decertified, how many of those were private for profit?

Mr. LONGANECKER. The majority of them are. I don't have the specific numbers. I will provide those for you for the record.

Mr. GUNDERSON. Are there public institutions that have been decertified?

Mr. LONGANECKER. Yes, there are public institutions in that category, and there are independent institutions, but the majority of the institutions were proprietary institutions.

Mr. GUNDERSON. How many of the public institutions would be four-year institutions?

Mr. LONGANECKER. That were terminated?

Mr. GUNDERSON. Yes.

Mr. LONGANECKER. I don't know of any public four-year institutions that were terminated from eligibility.

Mr. GUNDERSON. Okay.

How do you handle these institutions from the perspective of direct lending? Are there students still eligible for direct lending?

Mr. LONGANECKER. The rules and regulations for direct lending are precisely the same as they are for the Federal family education loans. We don't make a distinction between loan programs. If a college has been eliminated from eligibility for the FFEL program, then they are certainly eliminated from eligibility for the direct student loan program.

In fact, in the first two years of eligibility for the direct loan program, the requirements for entry into that program were more rigorous than they had been for the FFEL program.

Mr. GUNDERSON. Let me go on to one quick question and then I'll conclude.

Mr. Childers suggests in his testimony that one of the problems that we are facing is the growing imbalance between loans and grants, in terms of the lower economic student's eligibility or willingness to participate in higher education. Does the Department agree with that conclusion, that we are spending too little money on grants compared to loans now?

Mr. LONGANECKER. Yes.

Mr. GUNDERSON. You do. And, you would advocate what?

Mr. LONGANECKER. Well, we don't have a specific position with respect to that, but as we put together our reauthorization proposals and work with you over the next couple of years, we would like to be able to try to come up with a set of public policies that specifically address that concern.

Mr. GUNDERSON. To what degree have you considered that question from a public versus private, if part of our problem today is looking at the dramatic costs and the increase in tuition, to what degree do you think the role of grants as to provide access to all students and the role of loans as to provide choice to higher cost institutions?

Mr. LONGANECKER. Well, I think that's the way we traditionally have looked at the circumstances, and it may well fit for the future, but I think we have a set of dynamics looking at us in the future that may require us to rethink even some of our old rhetoric.

We are going to be looking at such a substantial increase in the demand for higher education, because of the natural demographics of this country over the next decade, and we're going to be looking at such substantial constraints in our public resources that we may—we need to have—I think the old rhetoric about access and choice, grants and loans, we may have to rethink that.

We've unintentionally moved away from that policy over the last decade. Now, we have to intentionally reinvent our policies to be more responsive to the needs of our students.

Mr. GUNDERSON. In previous reauthorizations, we have had an impossible time determining the amount of true resources available to students. We can figure out the public funds at the State level and at the Federal level. We have been unable to find out the private foundation money available, both campus by campus or school by school, and within the private sector that would be available. To what degree does the Department have that information? Are you considering pursuing that information, or would you consider compiling it so that we can really get a handle on what the amount of resources is versus the need. I mean, we don't have any idea.

Mr. LONGANECKER. Yes. I think we can go a long way to helping to provide that information, but I think it's also very important to remember that we are in a partnership here, and in many respects we are the foundation of that partnership. So, it may not be entirely appropriate to look at the past and where people have been, because to some extent where we are will establish where the others settle in.

Our Pell Grant program is the foundation of all student financial assistance, and so, people will build on that, and how we build our philosophy and our theory around that will, to some extent, drive whether we encourage others to invest in student financial assistance or not.

All of this suggests we've got a mighty serious task ahead of us, one that I think you'll find the administration very interested in working closely with you on, but one that I think we think will take some challenging new ways of looking at things, other than what we've done just in the past.

I don't want to sound too vague in my response to you. Yes, we'll try to provide the best information. What I'm really trying to say is, I'm not sure that looking at the past and the information from the past, will necessarily provide the perfect knowledge about where we go.

Mr. GUNDERSON. I would suggest that the cost of tuition at Harvard, or Princeton, or Yale, is irrelevant to the public policy debate unless you consider the amount of private foundation money at that institution available to enable students to attend.

I mean, I come from the midwest. I could give you case after case of young students from the midwest who have made decisions to attend exclusive, private universities and colleges across this country, not because they could afford it, but because when they combined their student financial aid with the private foundation money they then concluded that the cost of attending that school was, frankly, no more than attending a State college or university within the midwest. And so, it has given them choices they otherwise didn't have, and we need to have that information to make the public policy decisions about where our limited Federal dollars are going to go.

Mr. LONGANECKER. Yes, no disagreement. We need all the information we have.

Chairman MCKEON. Thank you.

Mr. Green.

Mr. GREEN. Thank you, Mr. Chairman. I apologize for being late. I'd like to submit a statement for the record.

[The prepared statement of Mr. Green follows:]

STATEMENT OF HON. GENE GREEN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF TEXAS

Mr. Chairman:

I would like to thank the Chairman and the Ranking Member for the opportunity to have this hearing.

The Congress has created good programs that assist students in higher education pursuits.

As our nation becomes more and more technological, Americans will have to know more in order to succeed.

Higher Education is more important now, than ever in our history, and it is vitally important that the Congress continue its bipartisan support of these activities.

I look forward to hearing from our panel of witnesses as we learn more about our higher education system.

Mr. GREEN. Mr. Secretary, coming from Texas, I'd be interested if you or the Department could provide us the institutions particularly in the State of Texas that are no longer eligible for Title IV funds. I know I saw the list a couple of years ago but I would like to and see an update.

My question is, what happens to a student attending an institution that is no longer eligible for Title IV funds? Can the student transfer his or her eligibility to another institution?

Mr. LONGANECKER. Generally, that's an excellent question, because our focus, we always try to keep our focus on the student, but sometimes when we are working with an institution students actually get hurt in the process.

The law has changed in ways to protect students who are institutions that have precipitous closure, so if an institution now closes precipitously during a term, that student is eligible for discharge of that loan, if they are unable to be placed in another educational institution.

What we always try to do when an institution is closing is to provide a train-out opportunity, if it's a proprietary school, or transfer opportunity if it's a collegiate school, into a comparable educational experience, so that the student isn't punished.

But, we aren't always successful in achieving that. That's our objective, obviously, is to try to do that.

If we are unsuccessful and that student is left out in the cold, then they can ask for a discharge of that Federal student assistance and are eligible for that.

Mr. GREEN. That meets one of my questions, because I know five, six years ago we had a lot of students, before the law changed, that have student loans that, you know, were closed, whether it be some of the truck driving schools or what have you, and that student was still on the loan, even though the school closed.

Mr. LONGANECKER. Yes. And, we still get calls from students who are eligible but had no idea they were for some kind of benefit.

Mr. GREEN. Thank you, Mr. Chairman.

Chairman MCKEON. Mr. Petri.

Mr. PETRI. Thank you.

I just had one area I thought, perhaps, Mr. Childers or one of the other panels might want to respond to. We care a lot for our constituents and are reading an increasing amount about higher education costs increasing above the rate of inflation comparable to health care costs, rate of increase during the last decade or so. Is that accurate, or is it that schools are doing more massaging of their rates so that they are raising the posted charge and then discounting to various students or groups, so as to basically sock it to wealthier families who are able to pay and subsidize in one way or another those who are less able to pay. How much of this is a real increase and how much of it is just manipulation? Do we have any indication that there is some of that going on, or are these inflationary rates of increases real? I'm trying to think of some charitable explanation for why maybe schools aren't pricing themselves out of the middle class education market increasingly.

Mr. LONGANECKER. Mr. Petri, as I got into in my statement, this is sort of jumping into part of it at this point, but there have been increases in the prices of colleges and universities in this country over the last 15 years, which is the time period I used in my testimony, which have outstripped the rate of inflation in this country and have exceeded the rate of family income growth in this country.

However, there are great variabilities within that, and the focus on the highest priced institutions, that does not represent the universe of higher education institutions in this country. For example, the average tuition and fees of public four years and public community colleges is much lower than the statistics you often find. For example, the University of Wisconsin, Madison, this year, the cost of tuition and fees is $2,700 for the academic year. At the University of California, UCLA, it's $3,900.

But, within the higher priced institutions, yes, Congressman Petri, there is a reallocation, redistribution of funds, within the institution, which ranges in some institutions as high as 40 some percent of tuition and fees, which are basically reallocated to others and the price is discounted. So, the posted price is not the paid price in many cases. There's more and more examples and articles about that phenomenon in higher education institutions today, and that is definitely a trend that is going on in higher education today.

Chairman MCKEON. Mr. Graham.

Mr. GRAHAM. Thank you, Mr. Chairman. I'm not a Member of the subcommittee. I appreciate you letting me attend and participate, because I'm very interested in the topic. I have a lot of educational institutions in my district, and a lot of folks want to go to college.

Would anybody like to comment on the effect on an education tax credit and how that would help or hurt the availability or accessibility of higher education or another precedent supporting an education tax credit? Is that a good idea or a bad idea?

Mr. LONGANECKER. Well, I better answer that or I'd be in big trouble when I went back.

Mr. GRAHAM. I think I know what you might say.

Mr. LONGANECKER. Actually, what we are proposing is a tax deduction of up to $10,000, and we think that's a wise investment for this country. In fact, it's hard for us to envision that it—I mean, basically, we think investments in education are smart investments. They return, and in this case it's one that we think is particularly smart because it's encouraging families to invest in their children's future or in their own future, in a way that will return a substantial amount, both to society, thus, justifying the tax expenditure, and to the individual, thus, justifying the personal decision. So, we think that makes good sense.

Mr. GRAHAM. Do you have any cost estimates of what the deduction would cost?

Mr. LONGANECKER. I should know that off hand, I don't want to guess at that, let me provide that for the record to you. I'm sorry, I should know, and I don't.

Mr. GRAHAM. I understand.

I think Congressman Gunderson had some very good questions about the number of institutions that have been taken off the roles and the reasons. You said there were no public four-year institutions that were disqualified from the program?

Mr. LONGANECKER. To my knowledge there were none, that doesn't mean there weren't any, but I don't recall any four-year colleges that have lost their eligibility.

Mr. GRAHAM. What kind of default rates are we talking about for a school that does lose its eligibility?

Mr. LONGANECKER. Current law requires that an institution lose its eligibility for FFEL, for student loan eligibility, if it has consecutively three years defaults above 25 percent. If it has a default rate above 40 percent for one year, it loses eligibility for all student aid programs.

Mr. GRAHAM. Can you give me a generic description of the type institution we are talking about that has those problems?

Mr. LONGANECKER. The largest share of the institutions that have been eliminated are for profit institutions by sector. Generally, institutions with shorter term vocational programs, in the for profit sector the institutions that are two year of length and longer tend not to get in this problem as often, though, there was a whole chain of those that got in trouble a couple years ago, so that bumped up the number quite a bit.

Mr. GRAHAM. Do you believe that we're spending enough money on student loans in our current budgets?

Mr. LONGANECKER. In our current budget, the one for fiscal year 1995, I think we are spending enough on student loans. I think we would hope that we might be able to substantially increase our investment in grants in the future, and the President has a proposal to increase the Pell Grant somewhat, but we think our investment in loans overall is adequate.

Mr. GRAHAM. In the proposal, I think the balanced budget proposal, we increased student loan spending, I think, by 50 percent over the next seven years. Is that enough?

Mr. LONGANECKER. What we did is, we increased the loan volumes by 50 percent. The cost of the program actually won't go up by that amount, because we have cut some of the administrative expenses, both through combined efforts.

Do I think that that's enough? I hope that's enough, certainly, yes, we would certainly hope that that was adequate. The reason that loan volumes have gone up so much in the recent—well, one reason they went up is that the loan limits were increased in 1992, and whenever you increase the loan limits students will sort of move to that, and that was sort of a step increase that was substantially there, but over the last decade one of the reasons there's been so much more heavy reliance on student loans is that we haven't been able to keep pace on the grant side.

Mr. GRAHAM. Okay.

Let me ask you a question about the default procedure. Let's say that a school has a 30 percent default rate for year one and two, but year three they are under 30 percent, are they back in—there's no trigger?

Mr. LONGANECKER. No, they are safe for another two years.

Mr. GRAHAM. So, they could go back in year four and five?

Mr. LONGANECKER. They could be at 30 percent again for years four and five and they'd be okay, and if they came down in year six to 24.9 percent they'd be okay. That's the current law.

Mr. GRAHAM. Would you like to see us in Congress change that dynamic?

Mr. LONGANECKER. Actually, I think we'll probably, as we get into serious discussions about reauthorization, we'd like to rethink the whole concept of default, and whether we are defining it correctly overall.

Mr. GRAHAM. One last question. In the 21st century, how do you envision the student loan program working in terms of who is providing the capital, monitoring the payback, and policing the system?

Mr. LONGANECKER. Well, we're pretty strong proponents of the new direct student loan program, so we'd probably, in our dream environment, sort of see something that looked pretty much like it.

Mr. GRAHAM. Okay. Thank you.

Chairman MCKEON. Mr. Castle. Do you have any questions specifically for Mr. Longanecker?

Mr. CASTLE. I don't, Mr. Chairman. First of all, thank you for letting me sit in. I'm, of course, not on this subcommittee, and secondly, I will not ask any questions because I did miss the testimony. I know you want to go on to the others, and I'm going to have to leave to go to another committee meeting.

Just one point, Mr. Chairman, based on what I've heard and seen. I am delighted that you are doing it. We always say that about each other, but I am truly delighted that you are having these hearings on the cost of higher education.

I don't know if there are many more important subjects in the entire Congress or in this country. Some people might argue, is this really a matter of congressional interest? You are doggone right it is. We are dealing with grants, we are dealing with loan programs, these are a huge cost.

Every time, and I mean this very sincerely, because I'm a total defender and believer in higher education, but I just worry so much about the costs of it. Every time I look at the cost of living I see health care, and then someplace just beyond it I usually see higher education, particularly, in the last dozen years or so. We really need to do something about it.

I just talked to the president of my college, which is now $27,000 a year, and he indicated that they have, for the first time, hired somebody to deal strictly with the costs.

The Federal Government can only do so much. We are trying to balance the budget. Students can only absorb so many loans. We can only absorb so many grants and scholarship programs. We absolutely must start adjusting the costs.

I have not read all of the Philadelphia Enquirer's articles that I bet every one of you is aware of, but you may not be. They did a very extensive five-day series of articles, and they took on the University of Pennsylvania, among others, which changes in student population, virtually none at all in the last 15 years, but has increased tremendously with administrators, and we really have to look at the costs of education. I'm not enough of an educator to be able to say exactly where it is. You tend to think it's in administration, and it probably is to some degree, I think it's in more building than people realize.

I mean, I know at the University of Delaware, in which I was involved as a Governor of Delaware, and as somebody who lives there, every time a building goes up it costs a lot of money. It costs a lot of money to maintain it as well, and it looks good, and it's good competition for getting students, but it's a bit of a problem. But, I just absolutely believe that we need to address this, not just from the point of view of how we deliver whatever it is that we as the Federal Government are going to give, but what the all levels of education are doing with respect to costs.

And, yes, sure, a lot of these schools are private, and does the Federal Government have any interest in it, well, we do. There's virtually no school that doesn't have some sort of contracts or arrangements with the Federal Government in some way or another, as well as the grant and loan programs that go on. So, I think it's an area of tremendous study.

I appreciate and admire each of the witnesses here today, the background of whom I've read. I realize that they have a very tough job, but I hope we all get in this together, and that we start to really sit on the problem of the rising costs in the administration of our colleges, which are the very best in the world. I have no doubt about that, but we have to do it at a level that we can have all of our students go on to our best colleges.

Just a final story, I was at a high school in Newark, Delaware on Friday, and I talked to a young man who had opportunities to go to Penn and Johns Hopkins at $33,000 per year in their honors programs, and an opportunity to go to the University of Delaware at, of course, a much lesser rate. He had no choice, even though the University of Delaware is a very good school, he had to go to the University of Delaware. He had no choice. He couldn't begin to think about going to the other schools.

That's happening, I think, a little bit too much, so, hopefully, we can really address this problem, and I do admire this undertaking and I hope it is fruitful in the long run, and I thank you for the opportunity of being here.

Chairman MCKEON. Thank you.

I do think it's very important, and I hope that when we finish these hearings, you know, you've heard after all is said and done generally there is more said than done, I hope we don't end up with that, that we just end up talking and really don't address the real problem.

Just one quick question, the community college in my district has come to me with a problem, and I've written you a note on it. They hit the 25 percent default rate with nine students. I see other community colleges in our area, one of them has 35 students defaulted, they only hit a 20 percent rate. I'm wondering, and we need to talk about this as we move forward with this, looking at the overall, what is the real cost if you have 35 students versus nine, you are probably losing more money. So, there should probably be some kind of a combination as to how we look at that.

I think in this one that I addressed, I think that will be taken care of, because one of those students died and probably shouldn't be counted. I know we're not laughing at death, but it's the problem.

Mr. LONGANECKER. We're very sympathetic to that, and, in fact, we've been trying to figure out how we can deal with that situation, because if one has read the book *The Death of Common Sense,* this is the kind of thing that makes people just sort of wonder about their government. And, our dilemma on this one is some fairly stringent constraints in law. It might be one of those things we talk about a Thursday correction or something on, because I don't think anybody——

Chairman MCKEON. Just the 24.9 to the 25.

Mr. LONGANECKER. [continuing] I don't think anybody ever intended to get in this kind of bind. We are able to take care of it for those institutions that hit three years over 25, because we have regulations to provide mitigating circumstances, and it gives the Secretary the waiver authority in that regard, but we don't have anything for a one-year requirement. And so, I think we'll be working with it, and if we can't deal with it regulatorily, then we'll probably come back to you and see if we can work with you to handle it some other way.

Chairman MCKEON. It's something maybe the whole formula needs to be addressed, too, and leave some room for some judgment in some of these programs where your hands wouldn't be totally tied by a strict regulation.

Another thing we're concerned somewhat, our schools, in looking at this do you look at areas or do you look at the type of institution? We're concerned that you don't hit just certain types of institutions.

Mr. LONGANECKER. I think as we've started to develop this new concept there's been concern that somehow we were out to get certain sectors of higher education or postsecondary education. That is not our case. What we want to do is, we want to reward high-performing institutions in every sector, and we want to focus our attention on the most at-risk institutions in every sector.

Now, let's be honest, because of the nature of what we are talking about, that probably means predominantly there are going to be more institutions in the for profit sector that are the focus of our attention.

But, I'll tell you, I worked in two States, and some of the best institutions in those States were in the proprietary sector. They are very strong institutions, and they deserve to be respected and not have excessive administrative burden. And, as we fashion this new concept, we need to make sure that we're respecting the differences and celebrating the differences of American higher education, but that it's not one that puts a pejorative tent on any one sector.

Chairman McKeon. On some of my visits I've had the opportunity to see what some schools in the private sector are doing. They are doing a fantastic job, and I think we need to be open to what the end result is. I know I'm new at this, and I know we've had some problems in the past with some different organizations, and I'm sure there will be problems in the future, but we need to be able to be broad in how we look at these.

In the interest of time, what we'll do, I think, is change our format. We'll go through each of your presentations and then we'll come back with questions addressing to all of you. Could we start with Mr. Childers, please.

STATEMENT OF JOHN B. CHILDERS, VICE PRESIDENT FOR GOVERNMENT RELATIONS AND COMMUNICATIONS, THE COLLEGE BOARD

Mr. Childers. Mr. Chairman and Members of the committee, I am John Childers, with the College Board, and I'm delighted to be here today to share with you what some of us have learned at the College Board about college student financing of postsecondary education, and about the academic preparation and counseling students need to succeed in college.

I concentrate on these two areas, because they are vital to student success. Without both adequate financial aid and academic preparation, students cannot meet their educational goals.

We conduct at the College Board a great deal of research on college costs and financial aid. Using the charts attached to this statement, I will now summarize the conclusions we have drawn from our research efforts in these areas.

Although I will be talking about trends in student aid in the macro sense, and will be using a lot of averages and large numbers, I don't want that to mask the fact that there are many, many variations within higher education institutions and the fact that these costs fall differentially on different families and students who have real concerns and anxieties, which I'm sure they have expressed with you and your colleagues.

A great deal of attention has been paid lately to the rising cost of college, and with good reason. Since 1980, college costs have risen at double and triple in some years the rate of inflation, while family income has remained stagnant. At private institutions, costs have increased 90 percent over the past 15 years in inflation-adjusted terms. At public institutions, the increase has been about 100 percent, but median family income has only risen 5 percent in the last 15 years.

The problem of rising costs is real, but it should be placed in perspective, as we have already discussed a little bit. Forty-five percent of all postsecondary students attend community colleges, where tuition and fees average $1,200 a year. Another 30 percent attend four-year public universities, which average $2,800 a year for tuition and fees.

Further, almost half of all private colleges and universities charge below $10,000 a year for tuition and fees. Most of the articles we see focus mainly on the highest-price institutions.

Nonetheless, institutions recognize they cannot continue to increase their prices at such a rapid rate and many are taking steps to downsize and restructure.

The other side of the college financing equation is student aid. Over the past 20 years, the amount of aid awarded to students from public and private sources has increased by 60 percent in inflation-adjusted terms. Nevertheless, gaps in college participation by income are wider today than they were in 1980. In 1992, the last year for which data is available, 86 percent of dependent 18- to 24-year old high school graduates, in the highest family income quartile, were either currently enrolled or had enrolled in higher education. The corresponding statistic for those in the lowest income quartile is 52 percent, a gap of 34 percentage points. In 1980, the gap was 27 percentage points. The gap has widened in the last 15 years.

Part of the explanation for this continuing disparity must lie in the shifting composition of student aid. In 1975, grants peaked at 80 percent of aid awarded to students from all sources. Last year, grants represented 43 percent of aid awarded to students from all sources and 56 percent of all financial aid to all students in all institutions was Federal loans. I will just note that this is one of the real reasons why the College Board's Board of Trustees last month passed a resolution urging the Congress to focus on need-based grant assistance for the lowest income students as the most positive step that could be made in the student financial aid field.

There are charts attached to the paper that illustrate the point about the shift in grants and loans. Funding for Pell Grants and campus-based aid has changed very little in inflation-adjusted terms, while loan volume has increased dramatically. The shift from grants to loans falls hardest on the neediest students.

In 1975, the maximum Pell award covered almost 40 percent of tuition, room and board at private colleges. Today, the maximum award covers 15 percent of those charges or private institutions and only 36 percent of tuition, room and board at public colleges and universities.

On loans, the most up-to-date information we have, which, unfortunately, predates the 1992 reauthorization of the Higher Education Act, indicates that about 40 percent of students are leaving college with loans, and the average debt incurred is approximately $6,400. Undoubtedly, that figure is higher today for a number of reasons, including the run up in loans since 1992, but we don't have the national information on that. The National Center on Education Statistics is currently collecting information on the class this year, 1995–1996, which should be available one year from now, hopefully, in time for your work on reauthorization next year.

This information will be very important, because student loan volume has jumped 50 percent since the 1992 reauthorization of the Higher Education Act, due to increased loan limits, the introduction of unsubsidized Stafford loans, and changes in need analysis enacted in 1992.

Most dramatic, as some of the figures I have show, is the increase in Stafford unsubsidized loans since 1992. Dependent undergraduate students became eligible for this new unsubsidized Stafford program under the terms of the reauthorization, and in 1994 students took out almost $2.1 million unsubsidized Stafford loans.

It is important to remember that these borrowers are primarily middle-income students who cannot qualify for a subsidized Stafford. However, this data should not suggest that excess borrowing is not a real problem for some students. Clearly, low-income students, academically at-risk students who may not finish their degrees, and students in low-paying fields are all placed at financial jeopardy when they rely on loans to finance their postsecondary education.

In sum, what do these numbers tell us about the state of college financing? First, college costs are a growing problem, but many institutions remain quite affordable. Second, despite the effort of the Federal Government, States and institutions to increase the amount of aid available to students, loans have replaced grants at the centerpiece of student aid, decreasing college affordability for the most needy students. And finally, while the dramatic increase in loan volume may have serious consequences for certain groups of students, since 1992 it has been primarily caused by an influx of new middle-income borrowers into the student loan system.

Mr. Chairman, I'd like to briefly touch on a second area, which in my mind is, perhaps, even more important than college costs and financial aid, which is that all the data and research we have compiled shows that completion of rigorous academic course work is absolutely essential to student achievement. The problem is making sure that these courses are available to students and that students are allowed to take them and succeed.

We have a lot of experience working with school districts around the country the last five years, and I'm delighted to report, as one of the charts shows, that, for example, in three of our sites in Providence, Rhode Island, Milwaukee, Wisconsin, and San Jose, California, we are moving all students 100 percent into algebra and the higher level math courses, which we think is going to have tremendous results in both their high school completion rate and college going rate.

In addition to the academic preparation, we are providing lots of guidance and counseling. Counselors, particularly in California, are more and more a vanishing breed, but that is absolutely important for low-income students.

I raise this issue in the context of my remarks on student aid, not only because of its general importance, but because part of Title IV of the Student Financial Aid Act is devoted to counseling and academic preparation. The Federal TRIO programs are part of Title IV. Their purpose is to identify qualified individuals from disadvantaged backgrounds and prepare them for postsecondary education.

Therefore, Mr. Chairman, as you look forward to reauthorization next year, I encourage you to look at academic preparation and college information, as well as student financial information, as key ingredients to access to and success in postsecondary education.

Thank you very much.

Chairman McKEON. Thank you, Mr. Childers.
[The prepared statement of Mr. Childers follows:]

STATEMENT OF JOHN B. CHILDERS

Mr. Chairman and members of the committee, I am very pleased to have the opportunity to share with you some of what we have learned at the College Board about student financing of postsecondary education and about the academic preparation and counseling students need to succeed in college. I concentrate on these two areas because they are vital to student success—without both adequate financial support and academic preparation, students cannot meet their educational goals.

The College Board is a national membership association of 3,000 schools, colleges, universities, educational systems and organizations that focuses on the transition from high school to college. Along with sponsoring familiar programs such as the SAT and Advanced Placement, we conduct a great deal of research on college costs and financial aid and on the impact of rigorous course work and college counseling on student achievement. Using the charts attached to this statement, I will summarize some of the conclusions we have drawn from our research efforts in these two areas.

College Cost and Financial Aid

The media has paid a great deal of attention recently to the rising cost of college, and with good reason. Since 1980, college costs have risen at double and sometimes triple the rate of inflation, while family income has remained stagnant (Figure One). At private institutions, costs have increased 90 percent over the past 15 years in inflation adjusted terms, at public institutions the increase has been 100 percent, but median family income has only kept pace with inflation, rising just 5 percent.

The problem of rising college costs is real, but it should be placed in perspective. Forty-five percent of postsecondary students attend community colleges, where tuition averages $1,200 per year. Another 30 percent attend public four year institutions, which average $2,800 for tuition and fees (Figure Two). Further, almost half of all private colleges and universities charge below $10,000 for tuition and fees (Figure Three). By focusing on the highest priced institutions, the media has overstated the problem.

Nonetheless, institutions recognize that they cannot continue to increase their prices at such a rapid rate and many are taking steps to downsize and restructure, to deliver instruction more efficiently using technology, and to raise private funds to augment their student aid budgets.

The other side of the college financing equation is student aid. The College Board produces an annual survey that summarizes aid available to students, *Trends in Student Aid*; a copy of the most recent report is attached to this statement. Over the past 20 years, the amount of aid awarded to students from public and private sources has increased by 60 percent in inflation-adjusted dollars. Nonetheless, gaps in college participation by income remain as wide today as they were in 1980 (Figure Four). In 1992, the last year for which data is available, 86 percent of dependent 18 to 24 year old high school graduates in the highest family income quartile were either currently enrolled or had enrolled in higher education. The corresponding statistic for those in the lowest income quartile was 52 percent, a gap of 34 percentage points. In 1980, this gap was 27 percentage points.

Part of the explanation for this continuing disparity must lie in the shifting composition of student aid. In 1975, grants peaked at 80 percent of aid awarded to students from all sources. Last year, 43 percent of all aid awarded was in the form of grants (Figure Five). Federal loans now dominate the student aid system; they represent 56 percent of the aid available from all sources.

This shift from grants to loans is due primarily to changes in federal funding of Pell Grants and to expansions in the guaranteed student loan program. Figure Six illustrates this point; funding for Pell Grants and Campus-Based aid has changed very little in inflation-adjusted terms, while loan volume has increased dramatically. The shift from grants to loans falls hardest on the neediest students. In 1975, the maximum Pell award covered almost 40 percent of tuition, room, and board at private colleges; today, the maximum award covers 15 percent of these charges and 36 percent of the same items at public colleges and universities (Figure Seven).

Despite the effect of changes in student aid on low income students, most stories in the media focus on the growing indebtedness of middle income students. The most up-to-date information, which predates the 1992 reauthorization of the Higher Education Act, indicates that less than 40 percent of all undergraduate students leave college with some student loan debt and that the average debt incurred is approximately $6,400. This data does not reflect changes since the 1992 reauthorization; the National Center for Education Statistics is currently collecting updated information on student indebtedness that should be available one year from now.

This information will be very important because student loan volume has jumped by 50 percent since the 1992 reauthorization of the Higher Education Act (Figure Eight). This dramatic growth was due to increased loan limits, the introduction of unsubsidized Stafford loans, and changes in need analysis enacted in 1992. A closer look at this trend reveals that this jump in loan volume may not have caused a widespread crisis of student indebtedness.

The influence of the changes enacted in '92 is illustrated by Figures Nine and Ten. Figure Nine tracks the average Stafford subsidized loan since 1985. After '92, the average loan did increase. However, over the past ten years, this average has fluctuated very little in real terms, ranging from approximately $3,000 to $3,250.

Much more dramatic was the increase in the number of Stafford subsidized and, especially, unsubsidized loans (Figure Ten). Prior to the '92 reauthorization, only independent undergraduates and graduate students could borrow through the unsubsidized SLS program. Beginning in 1993-94, dependent undergraduate students who are ineligible for a subsidized Stafford loan became eligible for the new unsubsidized Stafford program. These students have taken full advantage of this newly available credit. In 1992, less than one million SLS loans were made; in 1994, students took out almost 2.1 million unsubsidized Stafford loans.

It is important to remember that these borrowers are primarily middle income dependent students who cannot qualify for a subsidized Stafford. The run-up in student loan volume is caused more by a larger pool of students in the loan program than by a dramatic increase in per student borrowing.

This data should not suggest, however, that excess borrowing is not a problem for some students. Clearly, low income students, academically at-risk students who may not finish their degrees, and students in low paying fields all are placed in financial jeopardy when they rely on loans to finance their postsecondary education.

In sum, what do these numbers tell us about the state of college financing? First, college costs are a growing problem, but many institutions remain quite affordable. Second, despite the efforts of the Federal government, states, and institutions to increase the amount of aid available to students, loans have replaced grants as the centerpiece of student aid, decreasing college affordability for the most needy students. Finally, while the dramatic recent increase in loan volume may have serious consequences for certain groups of students, it is primarily caused by an influx of new, middle-income borrowers into the student loan system.

Academic Preparation and College Counseling

The second area I'd like to address is, in my mind, even more important than college costs and financial aid. At the College Board, we collect a great deal of data from students when they register for our tests, including detailed information on their high school course work. We also operate a national school reform program, EQUITY 2000, premised on the notion that math is the key to the college-bound curriculum and that all students can and must learn key mathematical concepts from Algebra and Geometry. Finally, we have conducted additional research on our SAT seniors population to determine factors that are associated with improved college attendance by low income students.

All of this data and research has reaffirmed our belief that completion of rigorous academic course work in high school is absolutely essential to success in college. Average SAT scores increase in step with the total amount of academic course work students complete (Figure Eleven). Further, the type of courses students take makes a great deal of difference in their achievement. For example, students who take Calculus score over 100 points higher on the SAT Mathematics exam than those who have only completed Algebra (Figure Twelve).

The problem, of course, is moving students into these demanding courses and helping them to succeed once there. Even among college bound SAT takers, less than half take Physics or Precalculus (Figure Thirteen). The College Board's EQUITY 2000 national school reform project was created to define steps that school districts must take to move all students into rigorous academic course work. After four years of teacher retraining, Saturday academies, and parent workshops, among many other activities, the results are very encouraging. In Providence, Milwaukee, and San Jose, for example, all ninth graders in the public schools now take Algebra I or a higher level math course compared to much lower rates before the program began (Figure Fourteen).

A key component of EQUITY 2000 has been guidance and counseling. Students whose parents did not attend college are especially in need of college admission and financial aid information. Our research has shown that 85 percent of low income students who take the SAT saw a counselor at least two or three times during their junior and senior years of high school to discuss their future. In most public schools, counselors are spread so thin that it is very difficult—if not impossible—to provide that kind of encouragement, information, and guidance.

I raise this issue in the context of my remarks on student financial aid, not only due to its general importance, but also because part of Title IV is devoted to counseling and academic preparation.

The federal TRIO programs are part of Title IV; their purpose is to identify qualified individuals from disadvantaged backgrounds, prepare them for postsecondary education, and provide support services to help them complete a certificate or degree program. Unfortunately, the TRIO programs are able to serve only 7 percent of the eligible population.

Therefore, Mr. Chairman, as you prepare recommendations for reauthorization of the Higher Education Act next year, I encourage you to regard academic preparation and college information, as well as student financial aid, as key ingredients in access to, and success in, postsecondary education.

Figure One

15 Year Changes in Tuition, Family Income, and Student Aid

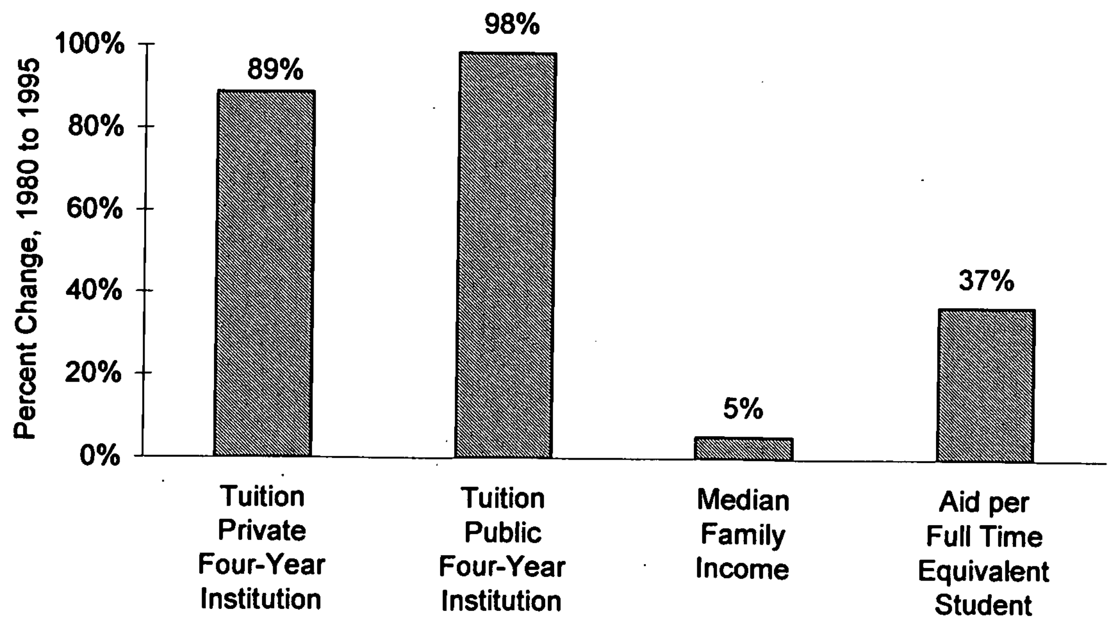
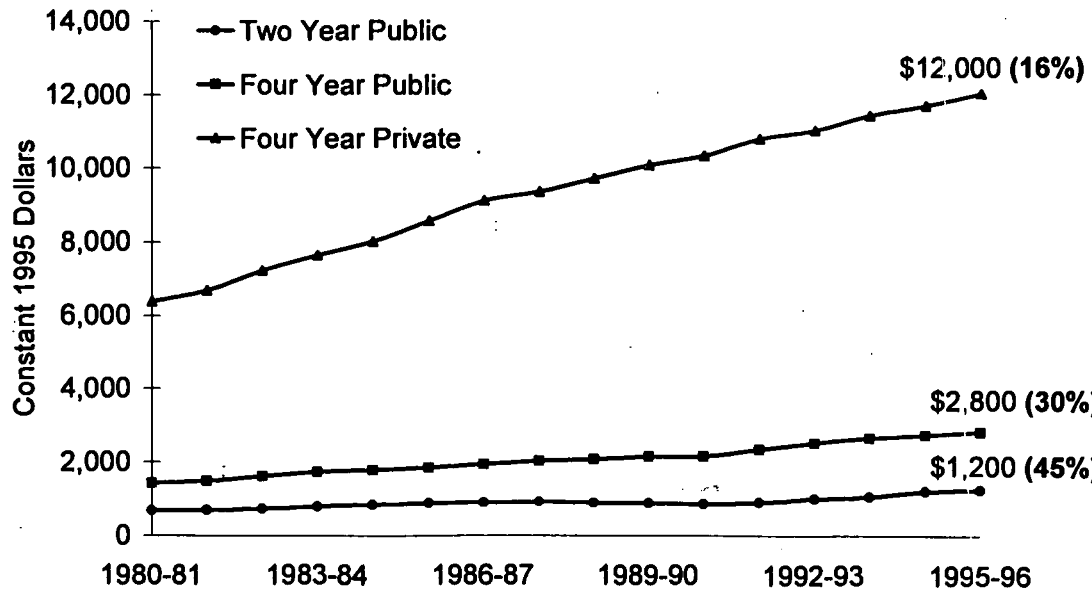


Figure Two

Average Tuition and Fees, 1980 to 1995, with Percent of Undergraduate Enrollment



Note: 8 percent of postsecondary students attend private, for-profit institutions.

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Figure Three

Distribution of Four-Year Private Institutions by Tuition and Fees

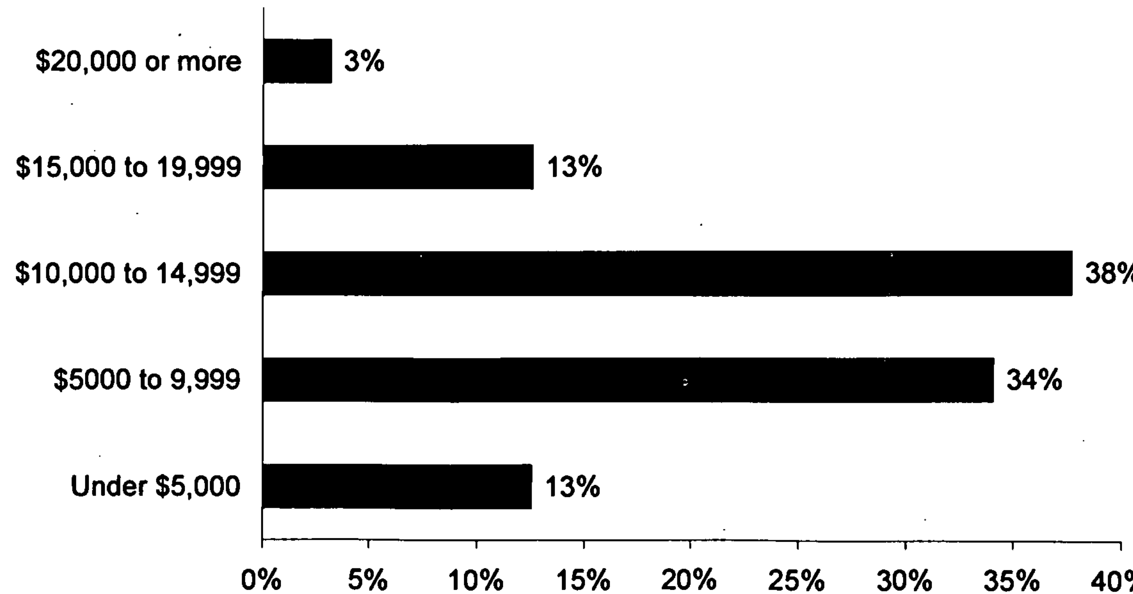
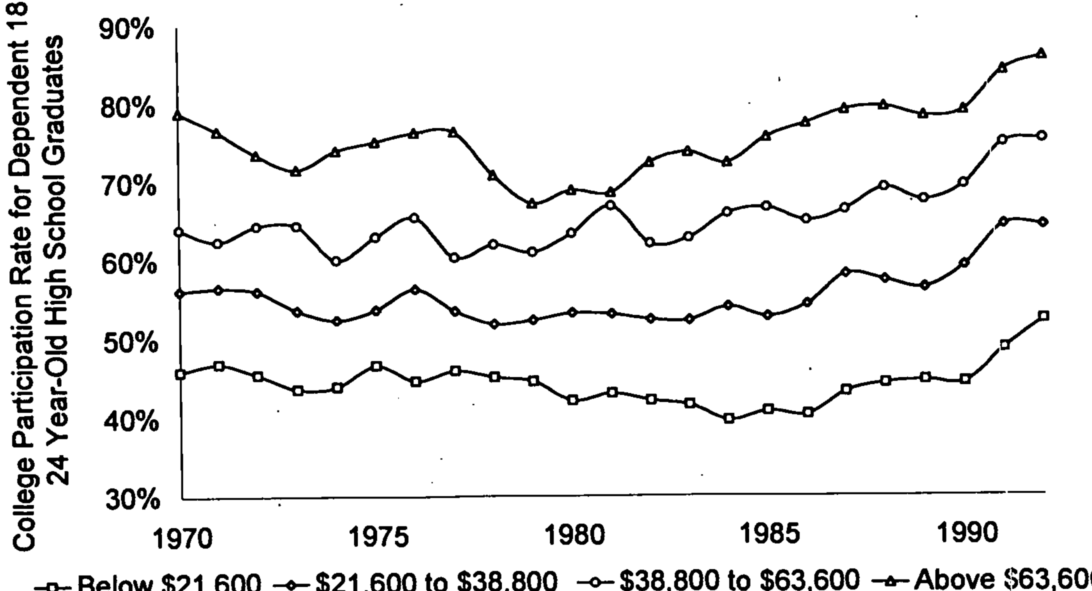


Figure Four

College Participation Rates by Family Income Quartile, 1970 to 1992



Source: Tom Mortenson, *Postsecondary Education OPPORTUNITY*.

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Figure Five

Composition of Aid to Postsecondary Students

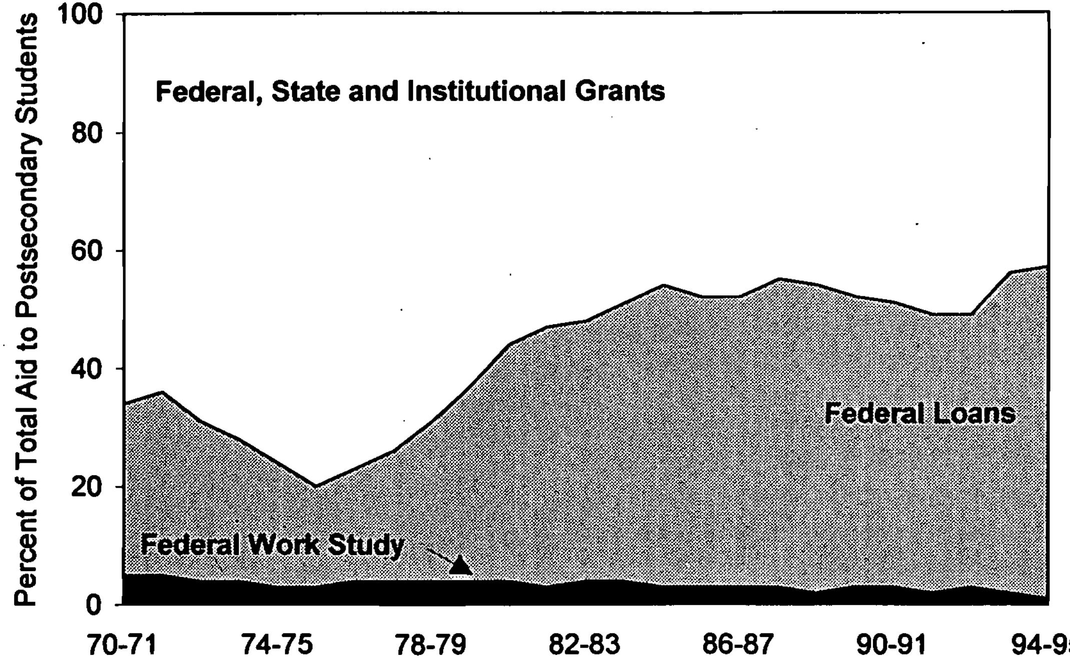

Figure Six

Title IV Aid to Students, 1974 to 1994

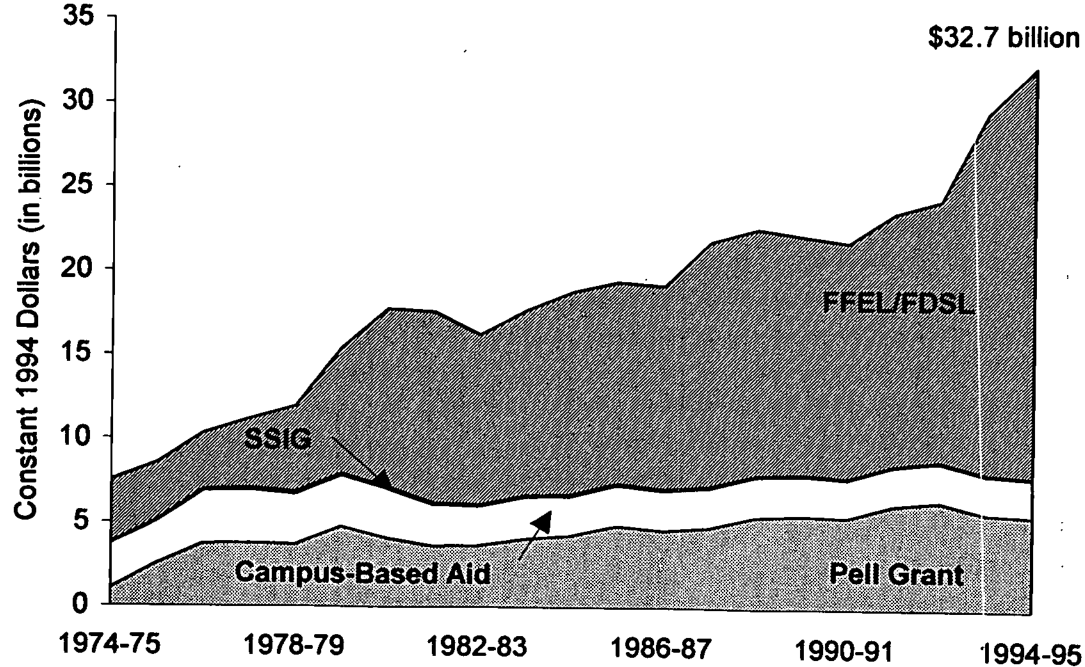

Figure Seven

Purchasing Power of the Maximum Pell Grant

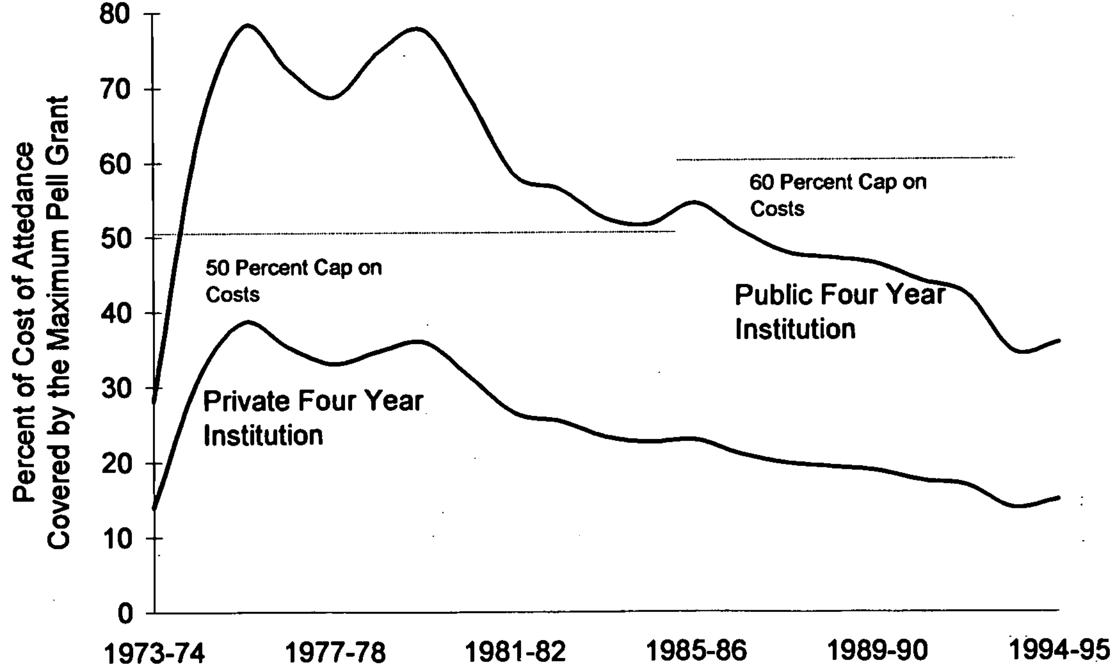

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Figure Eight

FFEL/FDSL Volume, 1970 to 1994

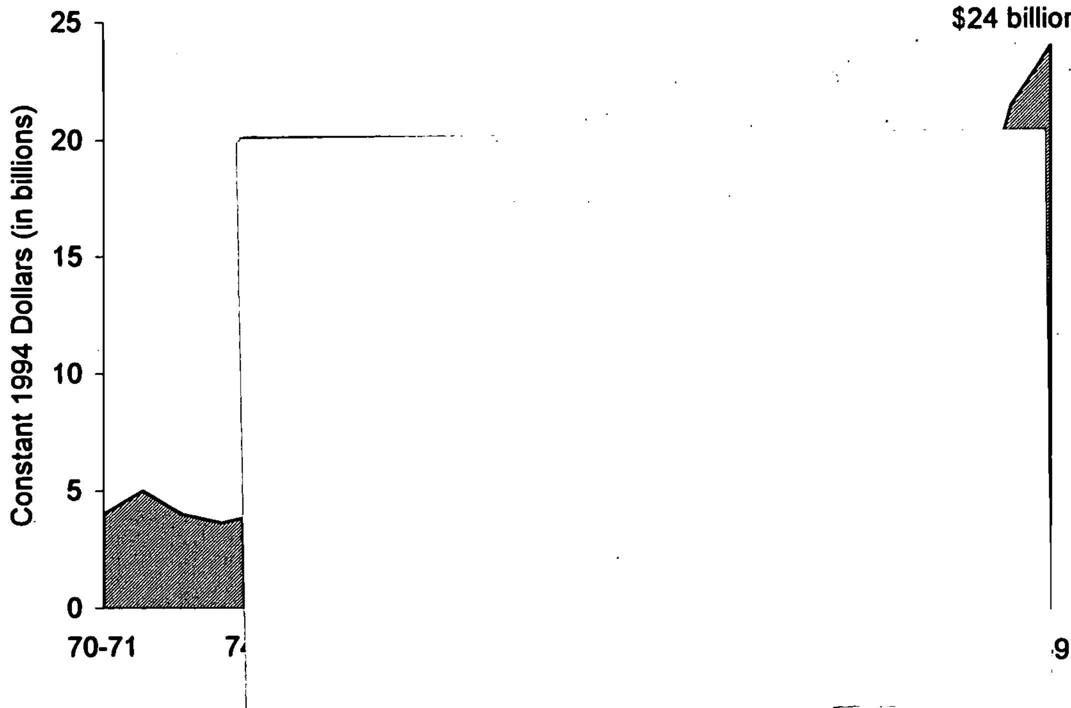


Figure Nine

Average Subsidized Stafford Loan, 1985 to 1995

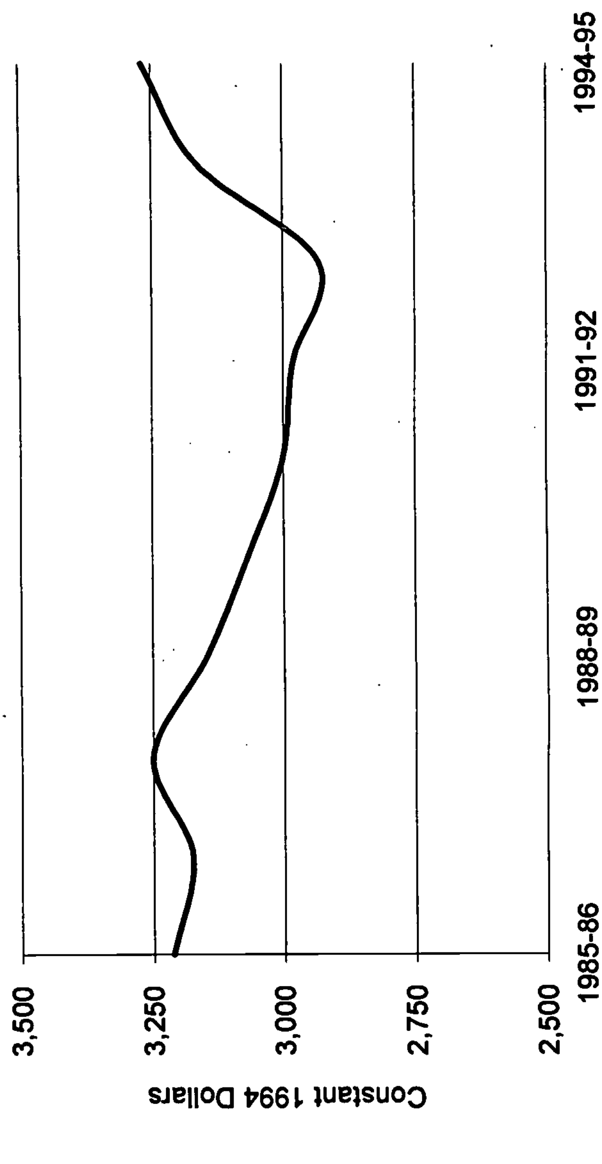


Figure Ten

Number of Stafford Loans, 1985 to 1994

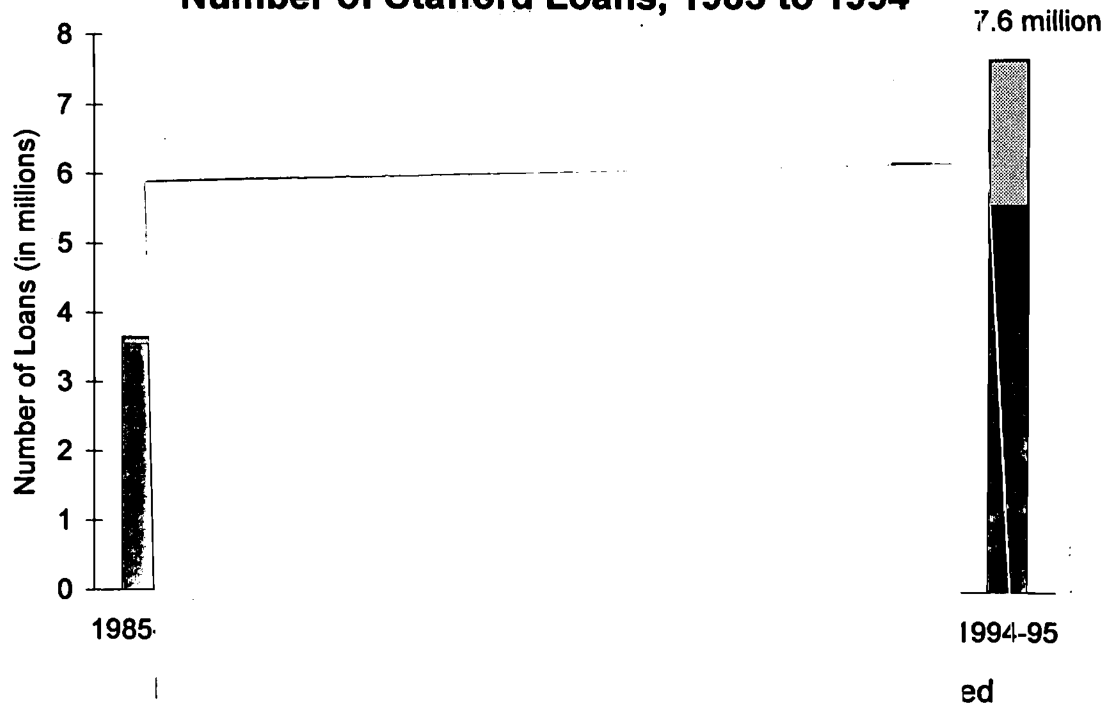


Figure Eleven

Years of Academic Course Work in High School and SAT Achievement

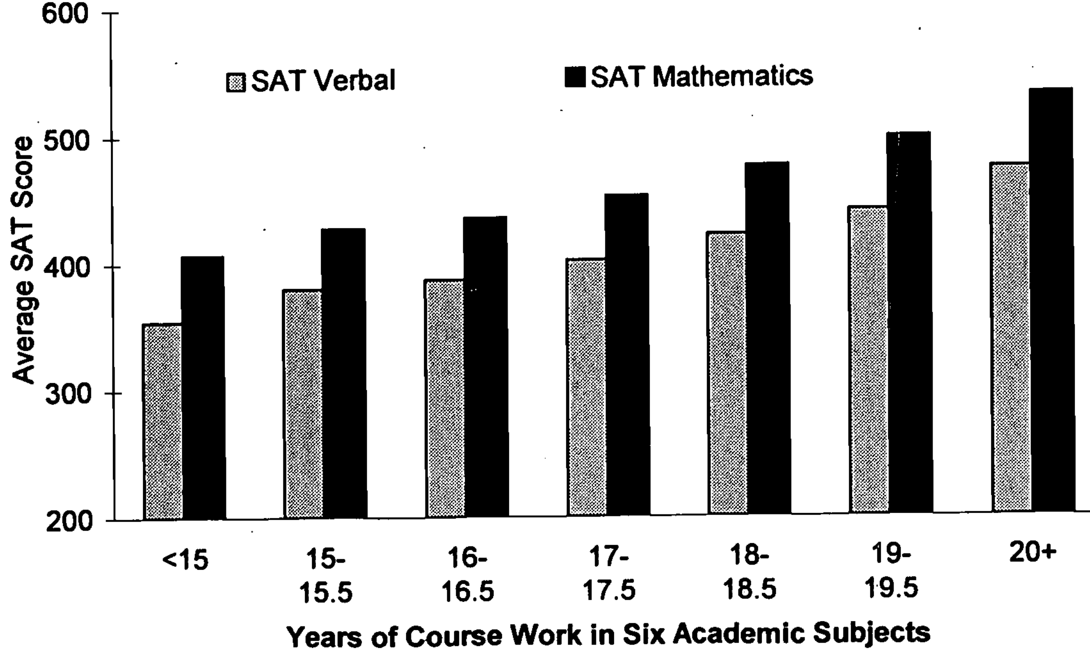


Figure Twelve

Highest Math Course Completed and SAT Math Achievement

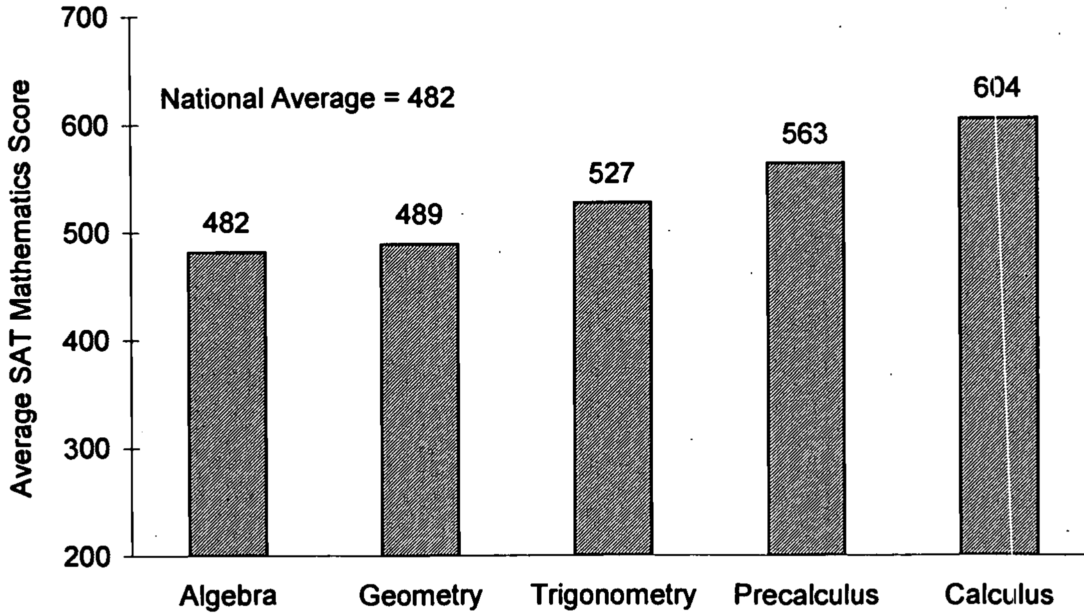


Figure Thirteen

Percent of SAT Takers Completing Key Academic Courses

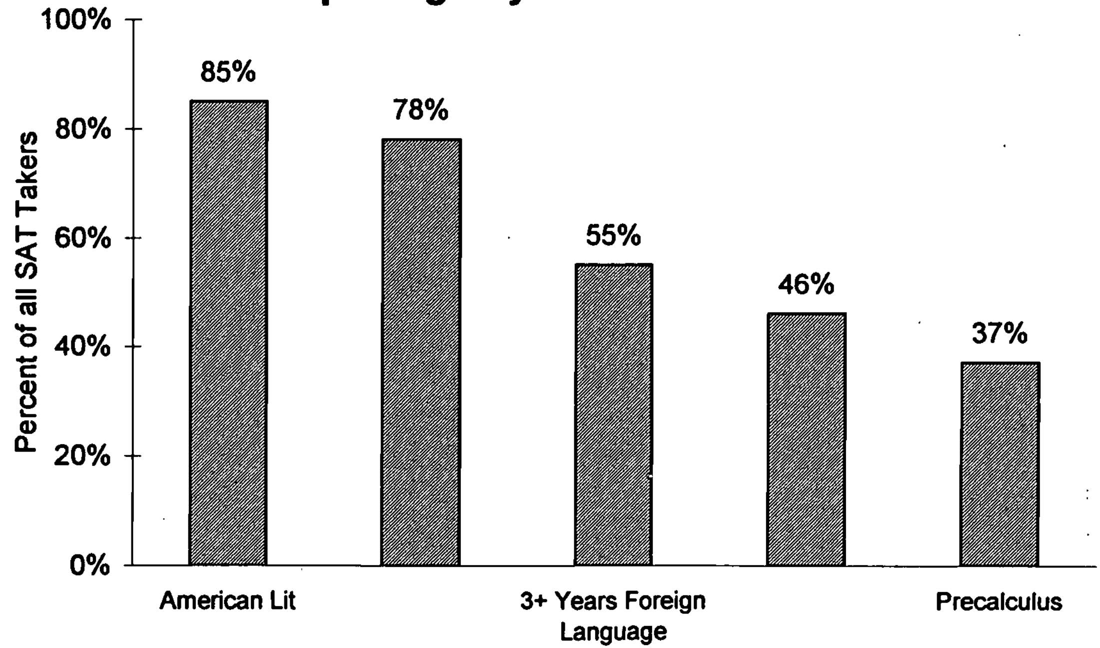
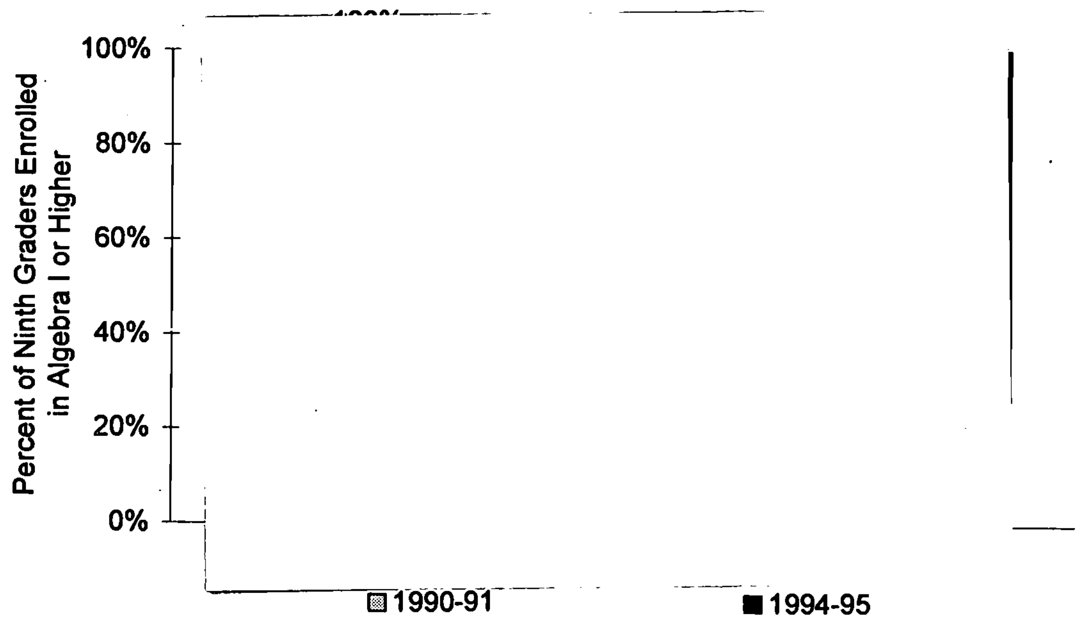


Figure Fourteen

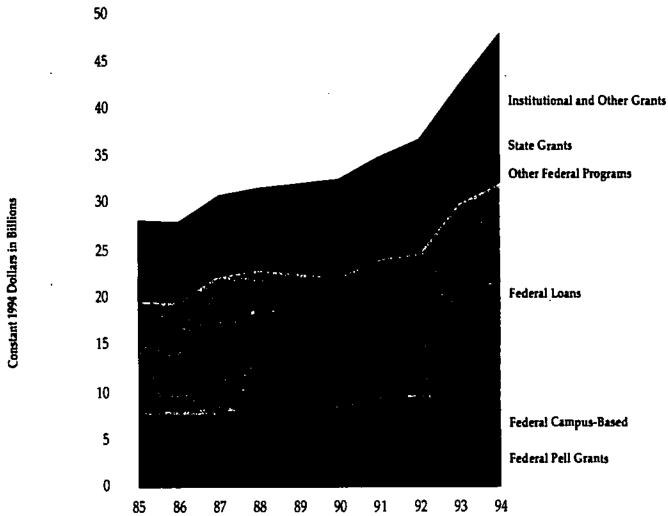
Enrollment in Algebra I or Higher Math Courses before and during Equity 2000



UPDATE

Trends in Student Aid: 1985 to 1995

FIGURE 1



INTRODUCTION

Trends in Student Aid presents annual data on the amount of financial assistance available to help students pay the tuition, room and board, and other costs of attendance in postsecondary education.

This publication is based on a data series the College Board began more than ten years ago in an effort to assemble comparable statistics over time on the major providers of student aid: the federal government, state governments, and educational institutions themselves.[1]

To collect comparable data from existing sources on an annual basis, we have had to accept several less-than-ideal statistical tradeoffs and restrictions:

- Because many available data sources do not separate assistance for undergraduate and graduate students, this report necessarily describes aid for both. The report gives a consistent picture over time of aid available to students in general; however, the impact of this aid may be different for graduate and undergraduate students.
- Likewise, because no reliable annual statistics exist for aid provided through state or institutional loan and work-study programs, our state and institutional figures refer to grant assistance only. We are also unable to capture the contributions made by students from earnings that are not the result of formal work-study job programs.
- Finally, our data series does not include private nonfederally-guaranteed borrowing programs for families.

Despite these limitations, the data that follow represent virtually all federal aid and the vast majority of state and institutional assistance available to students in postsecondary education. To encourage accurate interpretation of trends, we report all data in constant (adjusted for inflation) dollars, as well as in current dollars. This removes the statistical changes that are due to the fluctuating value of the dollar rather than to actual program changes.

In order to put student aid trends in context, we report on changes in the costs of attending college and in family incomes. To make the three different data series comparable, we adjust all three by the same inflation measure (the consumer price index). To determine if college is becoming more or less affordable, one must look at all three measures (costs, family ability to pay, and available aid) together. Ideally, we would present statistics on each of these by postsecondary sector, but data on incomes and aid (unlike data on costs) are unavailable by institutional type.

Ideally, too, we would report trends on a per-student as well as on an aggregate basis, to separate out program growth that reflects growth in the student population from program changes that reflect real increases in aid for each enrolled student. In fact, our original publication, covering the years 1963 to 1983, did this. For most of that period, however, student aid went largely to students in the traditional collegiate sector; so available statistics on enrollment in public and private nonprofit institutions were adequate. Since the early 1980s growing numbers of students in proprietary (for-profit) schools have participated in aid programs. Per-student calculations, then, should be based on postsecondary enrollments in all three sectors; and unfortunately, these are not available.

Tables 1 to 7 provide a variety of statistics on student aid, family income, and college costs for the period 1985–86 through 1994–95. Appendix tables A and B provide basic program statistics for all years in our data base back to 1963–64, for those who wish to calculate trends over longer periods than described in this update. As always, we continue to refine our coverage of programs and to update previously-reported statistics when better data become available.

Two changes in coverage and format mark this year's report. First, we include additional detailed information on the number of loans, and amount per loan, in the Federal Family Education Loan Program (FFELP) and the Ford Direct Student Loan Program (FDSLP). Second, we no longer report annual federal apppropriations for student aid programs (Table 3 in previous reports). The Credit Reform Act of 1992 substantially changed the way the federal government accounts for funds spent on loan programs. Because of these changes, it has become impossible to provide comparable trend data on federal apppropriations for student loans. Given that the value of the appropriations data is seriously compromised by this change, we have decided to discontinue this data series.

Note:

[1] This survey accounts only for direct aid to students, not the indirect subsidies provided in the form of relatively low tuition charged by public institutions. States contribute the most such indirect support for students. But the federal government remains the largest provider of direct aid to help students meet their costs of attendance, including tuition, fees, living costs, transportation, books, and supplies.

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HIGHLIGHTS

- Total available student aid in 1994-95 was $46.8 billion. After adjusting for inflation, this amount is 68 percent higher than a decade ago and 8 percent higher than in 1993-94. (Tables 1 and 2)

- The federal government provided 75 percent of available student aid in 1994-95. Ten years ago, the federal share was 80 percent. Institutional and other grants have grown from 13 to 19 percent of the total over this same period, with state grants remaining steady at 6 percent. (Table 1 and Appendix A)

- Continuing the trend of the past fifteen years, the largest single source of aid in 1994-95 was federal loans. The federal loan programs provided $26 billion in aid to students, 56 percent of all available aid. Over 7.7 million loans were made to students and parents through federal loan programs in 1994-95. (Tables 4 and 6)

- Most of these loans are subsidized to the extent that the government pays the interest on them while borrowers are enrolled in school. However, a growing share of student loans are now unsubsidized, adding in-school interest charges to the borrower's total cost of each loan.[1] In 1994-95, students borrowed $15.2 billion in subsidized loans and $7.6 billion in unsubsidized loans. (Table 1)

- The number of students borrowing unsubsidized loans increased 178 percent between 1993-94 and 1994-95, rising from 751,000 borrowers to over two million borrowers.[2] (Table 4)

- In contrast, growth in the larger subsidized loan program was moderate. Borrowing in this program rose by 7.5 percent in 1994-95 while the number of borrowers increased by only 24,000. (Tables 1 and 4)

- Student loans are administered through two major programs, the Federal Family Education Loan Program and the Ford Direct Student Loan Program. The Federal Family Education Loan Program, in which students borrow from banks and the federal government guarantees the funds, is by far the largest federal student aid program. Borrowing in the Federal Family Education Loan Program increased 8 percent, from $21.2 billion in 1993-94 to $22.9 billion in 1994-95. (Table 1)

- The Ford Direct Student Loan program, created by the Student Loan Reform Act of 1993, began disbursing loans in 1994-95. In this program, the U.S. Treasury, rather than private lenders, provide loan capital. Students borrowed $1.7 billion through this program, 7 percent of generally-available federal loans. (Table 1)

- Although the number of parents borrowing Parent Loans for Undergraduate Students showed no change, the average loan increased 14 percent, from $4,531 in 1993-94 to $5,181 in 1994-95. (Table 4)

- In contrast to loans, federal grant aid to students showed no increase over the past year. In particular, the Pell Grant program showed a slight decrease from $5.652 billion awarded in 1993-94 to $5.650 billion in 1994-95. As a result of slow growth in the major federal grant programs, and dramatic recent increases in student borrowing, grants now represent 43 percent of total federal, state, and institutional student aid. A decade earlier, grants and loans represented 48 and 49 percent of total aid, respectively. (Tables 1 and 6)

- The borrowing power of the maximum Pell Grant has declined steadily over the past decade. In 1985-86, the maximum Pell Grant covered 20 percent of average cost of attendance at private universities and half of cost of attendance at public universities. In 1994-95, the share of cost of attendance covered by the Pell maximum dropped to 10 percent and one third, respectively. (Tables 3 and 7, Figure 3)

- The share of funds going to proprietary school students from the two largest federal aid programs, Pell Grants and Stafford subsidized loans, grew substantially prior to 1987, then began to decline. The proportion of Pell Grants going to proprietary students peaked at 27 percent in academic year 1987-88 and fell to 15 percent in 1993-94. Likewise, the percentage of Stafford subsidized loan dollars going to proprietary students peaked at 35 percent in fiscal year 1987 and fell to 10 percent in 1993. (Table 5)

Notes:

[1] Eligibility for subsidized loans is determined by student need, defined as the difference between the cost of college attendance and a student's (and their parents') ability to pay that cost. Unsubsidized loans are available to all students, regardless of need. Students may borrow up to $23,000 in subsidized and unsububsidized loans as undergraduates.

[2] It is important to note that the dramatic increase in the new unsubsidized program is due in part to the discontinuation of the Supplemental Loans for Students program (SLS), which previously provided unsubsidized loans to graduate and professional students. Many students who would have borrowed through SLS have shifted to the new unsubsidized program.

TABLES & FIGURES

TABLE 1

Aid Awarded to Postsecondary Students in Current Dollars (in Millions)

Federally Supported Programs	1985–86	1986–87	1987–88	1988–89	1989–90	1990–91	1991–92	1992–93	Estimated 1993–94	Preliminary 1994–95
	Academic Year									
Generally Available Aid										
Pell Grants	3,567	3,441	3,736	4,471	4,768	4,910	5,777	6,177	5,652	5,650
SEOG	410	400	419	422	445	453	498	554	564	554
SSIG	76	73	75	72	71	59	62	71	72	73
CWS	656	629	635	625	663	728	760	780	771	760
Perkins Loans	703	763	805	874	903	870	868	892	919	972
Income Contingent Loans	0	0	5	5	6	6	5	5	0	0
Ford Direct Student Loans	0	0	0	0	0	0	0	0	0	1,737
(Subsidized Stafford Loans)	0	0	0	0	0	0	0	0	0	(1,089)
(Unsubsidized Stafford Loans)	0	0	0	0	0	0	0	0	0	(478)
(PLUS)	0	0	0	0	0	0	0	0	0	(170)
Family Education Loans	8,839	9,102	11,385	11,985	12,151	12,669	13,993	14,914	21,182	22,936
(Subsidized Stafford Loans)	(8,328)	(8,330)	(9,119)	(9,319)	(9,508)	(10,002)	(10,805)	(10,937)	(14,123)	(14,104)
(Unsubsidized Stafford Loans)	0	0	0	0	0	0	0	(323)	(2,033)	(7,139)
(SLS)	(269)	(520)	(1,830)	(2,015)	(1,835)	(1,710)	(2,022)	(2,375)	(3,477)	(32)
(PLUS)	(242)	(252)	(436)	(651)	(808)	(957)	(1,165)	(1,279)	(1,550)	(1,660)
Subtotal	14,251	14,408	17,060	18,455	19,007	19,694	21,963	23,392	29,161	32,681
Specially Directed Aid										
Veterans	864	783	762	724	790	679	876	1,037	1,192	1,410
Military	342	361	349	341	364	369	394	393	405	421
Other Grants	67	74	92	102	110	118	160	162	168	186
Other Loans	372	316	298	332	355	345	367	411	456	405
Subtotal	1,646	1,534	1,502	1,498	1,620	1,510	1,796	2,003	2,221	2,423
Total Federal Aid	15,897	15,942	18,562	19,952	20,627	21,204	23,759	25,395	31,382	35,104
State Grant Programs	1,311	1,432	1,503	1,581	1,719	1,860	1,968	2,125	2,375	2,665
Institutional and Other Grants	2,962	3,371	3,808	3,978	4,951	5,761	6,679	7,485	8,233	9,057
Total Federal, State, and Institutional Aid	20,169	20,745	23,873	25,511	27,297	28,825	32,406	35,006	41,990	46,826

Notes for Table 1

Several of the federally-supported programs include small amounts of funding from sources other than the federal government. For example, College Work-Study (CWS) includes contributions by institutions, although most of the funds in the program are federal. Perkins Loans (until 1987 called National Direct Student Loans or NDSL) are funded from federal and institutional capital contributions as well as collections from borrowers.

The monies reported under federally supported aid as State Student Incentive Grant (SSIG) expenditures are federal monies only; the state share is included under the "state grants" category. Likewise, institutional matching funds required by the Supplemental Educational Opportunity Grant (SEOG) program since 1989–90 are reported under "institutional and other grants".

The Income Contingent Loan Program was discontinued after 1992–93.

The Ford Direct Student Loan Program began disbursing loans in academic year 1994–95. It includes Stafford Subsidized and Unsubsidized Loans and Parent Loans for Undergraduate Students (PLUS). Under this program, loans are provided directly to students by the federal government, using funds from the U.S. Treasury.

The Federal Family Education Loan Program (until 1992 Guaranteed Student Loans), which includes Stafford Subsidized and Unsubsidized Student Loans, PLUS, and Supplemental Loans for Students (SLS), relies on private sources of capitol. The federal government subsidizes interest payments and guarantees repayment of defaulted loans. Amounts reported here represent loan commitments rather than actual amounts loaned, but differences between the two are insignificant. Until SLS was created by the 1986 Amendments to the Higher Education Act, supplemental loans were provided to students under the Auxiliary Loans to Assist Students (ALAS) program. ALAS loans are shown on the SLS line for 1985–86 to 1986–87. The SLS program has been discontinued; academic year 1994–95 is the last year in which loans were disbursed through this program.

Veterans Benefits are payments for postsecondary education and training to veterans and their dependents authorized under Chapters 30, 31, 32, 34, 35, and 106 of the U. S. Code. These are often referred to as "readjustment benefits" because they are designed to reacclimate veterans to civilian life. Federal contributions to Chapter 34, the Veterans' Educational Assistance portion of the Post-Korean Conflict Educational Assistance Programs, were terminated in 1990. After 1990, remaining eligible veterans were funded through chapter 30.

Military expenditures for education are reported for three types of programs: the F. Edward Hebert Armed Forces Health Profession Scholarship Program, Reserve Officers' Training Corps programs for the Air Force, Army, and Navy/Marines, and higher education tuition assistance for the active duty Armed Forces.

The other grants category includes Higher Education Grants for Indian Students, Fellowships for Indian Students, American Indian Scholarships, Indian Health Service Scholarships, National Science Foundation pre-doctoral fellowships (minority and general graduate), National Health Service Corps Scholarships, National Institutes of Health predoctoral individual awards including Nursing Fellowships, fellowships awarded through the Council on Legal Educational Opportunity, the Jacob K. Javits Fellowship Program, the Paul Douglas Teacher Scholarship Program, the Robert C. Byrd Honors Scholarship Program, and college grants provided to volunteers in the Americorps and Learn and Serve America national service programs.

Other loans include amounts loaned under the Health Professions Student Loan Program, the Health Education Assistance Loan Program, and the Nursing Student Loan Program.

Institutional awards include, in addition to awards from the institution's own funds, scholarships, fellowships, and trainee stipends from government and private programs that allow the institution to select the recipient. Data for 1993–94 and beyond are estimates.

TABLE 2
Aid Awarded to Postsecondary Students in Constant 1994 Dollars (in Millions)

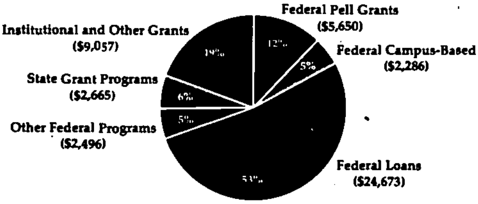
Federally Supported Programs	1985–86	1986–87	1987–88	1988–89	1989–90	1990–91	1991–92	1992–93	Estimated 1993–94	Preliminary 1994–95
Generally Available Aid										
Pell Grants	4,866	4,590	4,786	5,477	5,570	5,436	6,199	6,427	5,731	5,570
SEOG	559	533	537	518	520	501	535	576	572	546
SSIG	103	97	97	89	83	65	67	74	73	72
CWS	895	839	814	766	775	806	815	812	782	749
Perkins Loans	959	1,018	1,031	1,070	1,054	964	931	928	932	958
Income Contingent Loans	0	0	6	6	6	6	5	5	0	0
Ford Direct Student Loans	0	0	0	0	0	0	0	0	0	1,712
(Subsidized Stafford Loans)	0	0	0	0	0	0	0	0	0	(1,073)
(Unsubsidized Stafford Loans)	0	0	0	0	0	0	0	0	0	(471)
(PLUS)	0	0	0	0	0	0	0	0	0	(168)
Family Education Loans	12,056	12,141	14,584	14,681	14,196	14,028	15,015	15,518	21,480	22,613
(Subsidized Stafford Loans)	(11,360)	(11,112)	(11,681)	(11,415)	(11,108)	(11,075)	(11,594)	(11,381)	(14,321)	(13,906)
(Unsubsidized Stafford Loans)	0	0	0	0	0	0	0	(336)	(2,061)	(7,039)
(SLS)	(367)	(694)	(2,344)	(2,468)	(2,143)	(1,894)	(2,170)	(2,471)	(3,526)	(32)
(PLUS)	(330)	(336)	(559)	(797)	(944)	(1,059)	(1,250)	(1,331)	(1,572)	(1,637)
Subtotal	19,439	19,219	21,854	22,606	22,206	21,806	23,567	24,340	29,571	32,221
Specially Directed Aid										
Veterans	1,178	1,045	976	887	923	752	940	1,079	1,209	1,390
Military	467	481	447	417	426	408	422	409	411	415
Other Grants	92	98	118	125	128	130	171	169	170	184
Other Loans	508	422	382	407	415	382	394	428	462	400
Subtotal	2,245	2,046	1,924	1,835	1,892	1,672	1,927	2,085	2,252	2,388
Total Federal Aid	21,684	21,265	23,778	24,441	24,098	23,479	25,494	26,425	31,823	34,610
State Grant Programs	1,788	1,911	1,926	1,936	2,008	2,059	2,112	2,212	2,408	2,628
Institutional and Other Grants	4,040	4,496	4,878	4,873	5,784	6,379	7,166	7,788	8,349	8,929
Total Federal, State, and Institutional Aid	27,511	27,672	30,581	31,250	31,890	31,917	34,772	36,425	42,580	46,167

Academic Year

Notes for Table 2

Constant dollar figures are based on data in Table 1. For an explanation of constant dollar conversions, see page 14.

FIGURE 2
Estimated Student Aid by Source for Academic Year 1994–95 (Current Dollars in Millions)



Total Aid Awarded ($46,826)

Notes to Figure 2

Based on Table 1.

"Federal Loans" includes Federal Family Education Loans and Ford Direct Student Loans. "Other Federal Programs" includes SSIC, Military, Other Grants, and Other Loans.

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TABLE 3

Total Cost of Attendance and Income; Tuition and Fees

Current Dollars

	Cost of Attendance					Income	
	Private University	Private Four-Year	Public University	Public Four-Year	Public Two-Year	Disposable Personal (Per Capita)	Median Family
1985–86	11,034	8,551	4,146	3,637	2,981	12,324	27,735
1986–87	12,278	9,276	4,470	3,891	2,988	13,000	29,458
1987–88	13,075	9,854	4,618	4,250	3,066	13,528	30,970
1988–89	14,073	10,620	4,905	4,525	3,183	14,457	32,191
1989–90	15,098	11,375	5,324	4,723	3,299	15,291	34,213
1990–91	16,503	12,221	5,584	5,003	3,468	16,173	35,353
1991–92	17,779	13,189	6,051	5,460	3,623	16,706	35,939
1992–93	18,898	13,881	6,442	5,740	3,799	17,580	36,812
1993–94	20,027	14,702	6,709	6,159	4,006	18,177	36,959
1994–95	21,152	15,528	7,035	6,454	4,119	18,963	N.A.

Constant 1994 Dollars

	Cost of Attendance					Income	
	Private University	Private Four-Year	Public University	Public Four-Year	Public Two-Year	Disposable Personal (Per Capita)	Median Family
1985–86	15,051	11,664	5,655	4,961	4,066	17,004	38,268
1986–87	16,377	12,373	5,962	5,190	3,986	17,604	39,891
1987–88	16,749	12,623	5,916	5,444	3,928	17,666	40,443
1988–89	17,239	13,009	6,008	5,543	3,899	18,140	40,391
1989–90	17,639	13,289	6,220	5,518	3,854	18,303	40,951
1990–91	18,273	13,532	6,183	5,540	3,840	18,354	40,120
1991–92	19,077	14,152	6,493	5,859	3,888	18,191	39,134
1992–93	19,664	14,444	6,703	5,973	3,953	18,579	38,905
1993–94	20,309	14,909	6,803	6,246	4,062	18,658	37,937
1994–95	20,854	15,310	6,936	6,363	4,061	18,963	N.A.

Tuition and Fees

	Current Dollars					Constant 1994 Dollars				
	Private University	Private Four-Year	Public University	Public Four-Year	Public Two-Year	Private University	Private Four-Year	Public University	Public Four-Year	Public Two-Year
1985–86	7,374	5,641	1,536	1,157	641	10,058	7,694	2,095	1,578	874
1986–87	8,118	6,171	1,651	1,248	660	10,828	8,231	2,202	1,665	880
1987–88	8,771	6,574	1,726	1,407	706	11,236	8,421	2,211	1,802	904
1988–89	9,451	7,172	1,846	1,515	730	11,577	8,785	2,261	1,856	894
1989–90	10,348	7,778	2,035	1,608	756	12,089	9,087	2,377	1,879	883
1990–91	11,379	8,389	2,159	1,707	824	12,599	9,289	2,391	1,890	912
1991–92	12,192	9,053	2,410	1,933	937	13,082	9,714	2,586	2,074	1,005
1992–93	13,055	9,533	2,604	2,192	1,025	13,584	9,920	2,710	2,281	1,067
1993–94	13,812	10,151	2,822	2,368	1,114	14,006	10,294	2,862	2,401	1,130
1994–95	14,693	10,798	2,990	2,509	1,161	14,486	10,646	2,948	2,474	1,145

Notes for Table 3

Cost of attendance includes tuition, fees, and room and board costs. Four-year institutions offer undergraduate programs only; universities offer graduate as well as undergraduate programs.

Beginning in 1986–87 board data are based on 20 meals per week, rather than on meals served 7 days a week. Thus, they are higher but reflect a more accurate accounting of total board costs. Data for 1994–95 are preliminary. Note that these averages apply to undergraduate costs only, and are weighted by enrollment to reflect average cost to the student rather than average charge by the institution.

Income data are for the calendar year in which the academic year begins.

N.A. = Not Available.

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TABLE 4
Number of Recipients and Aid Per Recipient (in Current and Constant 1994 Dollars)

Federal Pell Grant Program

	Recipients	Aid per Recipient	
	Number (000)	Current Dollars	Constant Dollars
1985–86	2,813	1,268	1,729
1986–87	2,660	1,294	1,726
1987–88	2,882	1,297	1,661
1988–89	3,198	1,398	1,712
1989–90	3,322	1,435	1,677
1990–91	3,405	1,442	1,597
1991–92	3,781	1,528	1,640
1992–93	4,177	1,479	1,539
1993–94	3,743	1,510	1,531
1994–95	3,717	1,520	1,499

Federal SEOG Program

	Recipients	Aid per Recipient	
	Number (000)	Current Dollars	Constant Dollars
1985–86	686	598	815
1986–87	631	633	844
1987–88	635	659	845
1988–89	679	622	762
1989–90	728	612	715
1990–91	761	595	659
1991–92	881	565	607
1992–93	976	567	590
1993–94	1,068	529	536
1994–95	991	559	551

Federal CWS Program

	Recipients	Aid per Recipient	
	Number (000)	Current Dollars	Constant Dollars
1985–86	728	901	1,228
1986–87	690	912	1,217
1987–88	686	926	1,187
1988–89	673	930	1,139
1989–90	677	980	1,145
1990–91	687	1,059	1,172
1991–92	697	1,090	1,169
1992–93	714	1,092	1,136
1993–94	712	1,084	1,099
1994–95	713	1,066	1,051

Federal Perkins Loan Program

	Recipients	Aid per Recipient	
	Number (000)	Current Dollars	Constant Dollars
1985–86	701	1,003	1,368
1986–87	716	1,067	1,423
1987–88	674	1,195	1,531
1988–89	692	1,263	1,546
1989–90	696	1,297	1,515
1990–91	660	1,318	1,460
1991–92	654	1,326	1,423
1992–93	669	1,333	1,387
1993–94	685	1,342	1,360
1994–95	724	1,343	1,324

State Grant and SSIG Programs

	Recipients	Aid per Recipient	
	Number (000)	Current Dollars	Constant Dollars
1985–86	1,583	876	1,195
1986–87	1,531	983	1,311
1987–88	1,554	1,016	1,302
1988–89	1,571	1,052	1,288
1989–90	1,605	1,115	1,303
1990–91	1,673	1,147	1,270
1991–92	1,652	1,229	1,319
1992–93	1,739	1,263	1,315
1993–94	1,859	1,317	1,335
1994–95	1,957	1,399	1,380

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TABLE 4 (continued)
Number of Loans and Amount per Loan (in Current and Constant 1994 Dollars)

Federal Family Education Loan Program

	Stafford Subsidized			Stafford Unsubsidized		
	Loans	Amount per Loan		Loans	Amount per Loan	
	Number (000)	Current Dollars	Constant Dollars	Number (000)	Current Dollars	Constant Dollars
1985–86	3,536	2,355	3,212	N/A	N/A	N/A
1986–87	3,499	2,381	3,175	N/A	N/A	N/A
1987–88	3,595	2,537	3,250	N/A	N/A	N/A
1988–89	3,626	2,570	3,148	N/A	N/A	N/A
1989–90	3,619	2,627	3,070	N/A	N/A	N/A
1990–91	3,689	2,712	3,002	N/A	N/A	N/A
1991–92	3,889	2,778	2,981	N/A	N/A	N/A
1992–93	3,883	2,817	2,931	159	2,035	2,118
1993–94	4,527	3,120	3,163	751	2,708	2,746
1994–95	4,257	3,313	3,267	1,954	3,653	3,602

	PLUS			SLS		
	Loans	Amount per Loan		Loans	Amount per Loan	
	Number (000)	Current Dollars	Constant Dollars	Number (000)	Current Dollars	Constant Dollars
1985–86	91	2,650	3,615	102	2,638	3,598
1986–87	91	2,761	3,683	191	2,724	3,633
1987–88	147	2,966	3,799	629	2,907	3,724
1988–89	212	3,075	3,766	757	2,662	3,261
1989–90	257	3,140	3,669	670	2,738	3,198
1990–91	298	3,213	3,558	601	2,847	3,152
1991–92	356	3,270	3,509	690	2,932	3,147
1992–93	388	3,300	3,434	761	3,120	3,246
1993–94	342	4,531	4,595	885	3,930	3,985
1994–95	321	5,178	5,105	10	3,337	3,290

Ford Direct Student Loan Program

	Stafford Subsidized			Stafford Unsubsidized		
	Loans	Amount per Loan		Loans	Amount per Loan	
	Number (000)	Current Dollars	Constant Dollars	Number (000)	Current Dollars	Constant Dollars
1994–95	294	3,701	3,649	132	3,617	3,566

	PLUS		
	Loans	Amount per Loan	
	Number (000)	Current Dollars	Constant Dollars
1994–95	30	5,749	5,668

Notes for Table 4

The number of 1994–95 recipients of SSIG and state grants is estimated.

Because the Department of Education reports the number of loans in the Federal Family Education and Ford Direct Student Loan programs rather than the number of recipients, and because a student may receive more than one loan from these programs in a given year, we report the number of loans.

1994–95 is the last year of the SLS program and the first year loans were made by the Ford Direct Student Loan Program.

The numbers of loans in SLS and PLUS programs in 1985–86 had to be estimated from fiscal year data.

N.A. = Not Applicable.

TABLE 5

Percentage Distribution of Aid from the Federal Pell, Campus-Based, and Family Education Loan Programs By Type of Institution, 1985–86 to 1993–94

	Academic Year								
Federal Pell Program	1985–86	1986–87	1987–88	1988–89	1989–90	1990–91	1991–92	1992–93	Estimated 1993–94
Public Institutions	55.8	54.4	53.3	55.3	56.9	58.1	59.8	62.0	65.9
Two-Year	(18.8)	(18.7)	(18.5)	(19.7)	(21.1)	(22.6)	(24.3)	(25.7)	(30.0)
Four-Year	(37.0)	(35.7)	(34.8)	(35.6)	(35.8)	(35.5)	(35.5)	(36.3)	(35.9)
Private Institutions	22.0	20.8	20.1	20.2	20.0	19.8	19.6	19.5	18.8
Proprietary Institutions	22.2	24.8	26.6	24.5	23.1	22.1	20.7	18.5	15.3
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Federal Campus-Based Programs	1985–86	1986–87	1987–88	1988–89	1989–90	1990–91	1991–92	1992–93	Estimated 1993–94
Public Institutions	51.4	51.5	50.8	51.1	50.3	50.0	49.5	49.1	49.6
Two-Year	(9.8)	(9.7)	(9.0)	(8.9)	(8.8)	(9.2)	(9.3)	(9.7)	(9.6)
Four-Year	(41.6)	(41.8)	(41.8)	(42.1)	(41.4)	(40.8)	(40.2)	(39.4)	(40.0)
Private Institutions	43.3	42.9	43.4	43.8	44.3	44.7	45.0	45.5	45.3
Proprietary Institutions	5.3	5.6	5.8	5.2	5.4	5.2	5.5	5.5	5.1
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
	Fiscal Year								
FFEL Stafford Subsidized Program	1985	1986	1987	1988	1989	1990	1991	1992	Estimated 1993
Public Institutions	45.7	42.1	35.1	36.4	37.8	42.2	45.9	48.3	52.5
Two-Year	(8.5)	(11.4)	(8.0)	(5.8)	(5.7)	(5.8)	(6.3)	(6.4)	(6.3)
Four-Year	(37.2)	(30.7)	(27.1)	(30.6)	(32.1)	(36.4)	(39.6)	(41.9)	(46.2)
Private Institutions	32.0	30.3	30.0	33.7	33.9	36.2	37.3	38.0	37.6
Proprietary Institutions	22.3	27.6	34.9	29.9	27.2	21.6	16.8	13.7	9.9
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
FFEL PLUS Program	1985	1986	1987	1988	1989	1990	1991	1992	Estimated 1993
Public Institutions	35.5	37.6	37.6	42.5	42.8	44.7	46.4	47.5	41.4
Two-Year	(3.2)	(3.2)	(3.4)	(4.1)	(3.4)	(3.4)	(3.6)	(3.7)	(2.9)
Four-Year	(32.3)	(34.4)	(34.2)	(38.4)	(39.4)	(41.3)	(42.8)	(43.8)	(38.5)
Private Institutions	48.3	41.2	33.9	30.9	31.4	33.5	35.2	36.1	42.1
Proprietary Institutions	16.2	21.2	28.5	26.6	25.8	21.8	18.4	16.4	16.5
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
FFEL SLS Program	1985	1986	1987	1988	1989	1990	1991	1992	Estimated 1993
Public Institutions	24.9	25.7	17.7	15.5	15.9	23.5	28.8	34.0	32.5
Two-Year	(1.2)	(1.2)	(3.0)	(3.8)	(3.3)	(3.8)	(4.5)	(5.6)	(4.5)
Four-Year	(23.7)	(24.5)	(14.7)	(11.7)	(12.6)	(19.7)	(24.3)	(28.4)	(28.0)
Private Institutions	69.8	66.1	32.2	23.0	24.9	36.1	41.9	42.1	49.1
Proprietary Institutions	5.3	8.2	50.1	61.5	59.2	40.4	29.3	23.9	18.4
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Notes for Table 5

In this table, "four-year" includes nonprofit institutions offering bachelors and/or graduate degrees. "Two-year" includes non-profit institutions of any other program length from six months to three years. "Proprietary" refers to private for-profit institutions.

FFELP distributions were only available for fiscal, not academic, years and are based on a sample of borrowers for each year. Comparable statistics for the entire population are not available.

TABLE 6

Grants, Loans, and Work in Current and Constant 1994 Dollars (in Millions) and as a Percentage of Total Aid

Current Dollars

	1985–86	1986–87	1987–88	1988–89	1989–90	1990–91	1991–92	1992–93	1993–94	Estimated 1994–95
Grants	9,599	9,934	10,745	11,691	13,219	14,208	16,413	18,004	18,662	20,016
Loans	9,914	10,182	12,493	13,195	13,414	13,890	15,232	16,222	22,557	26,050
Work	656	629	635	625	663	728	760	780	771	760
Total Aid	20,169	20,745	23,873	25,511	27,297	28,825	32,406	35,006	41,990	46,826

Constant 1994 Dollars

	1985–86	1986–87	1987–88	1988–89	1989–90	1990–91	1991–92	1992–93	1993–94	Estimated 1994–95
Grants	13,093	13,251	13,764	14,320	15,444	15,732	17,612	18,734	18,924	19,734
Loans	13,523	13,581	16,004	16,163	15,672	15,380	16,345	16,879	22,874	25,684
Work	895	839	814	766	775	806	815	812	782	749
Total Aid	27,511	27,672	30,581	31,250	31,890	31,917	34,772	36,425	42,580	46,167

Percentage

	1985–86	1986–87	1987–88	1988–89	1989–90	1990–91	1991–92	1992–93	1993–94	Estimated 1994–95
Grants	48	48	45	46	48	49	51	51	44	43
Loans	49	49	52	52	49	48	47	46	54	56
Work	3	3	3	2	2	3	2	2	2	2
Total Aid	100	100	100	100	100	100	100	100	100	100

Notes for Table 6

Based on data from Tables 1 and 2.

The category "grants" includes Pell Grants, SEOG, SSIG, Veterans Benefits, Military expenditures, Other Grants, State Grant Programs, and Institutional and Other Grants. "Loans" includes all remaining programs except CWS, which makes up the "work" component.

Notes for Table 7

The 1992 Reauthorization of the Higher Education Act eliminated the percent cap on college costs beginning in 1993-94.

N.A. = Not Available

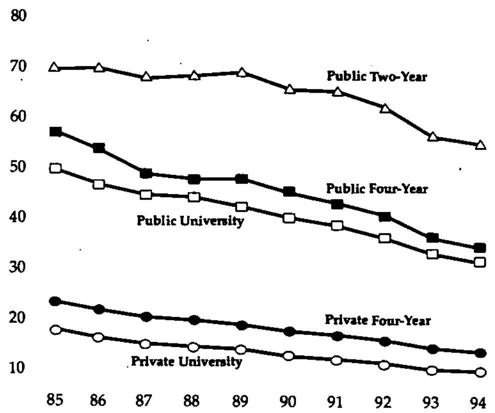
TABLE 7

Description of Federal Pell Grant Awards from 1973–74 to 1994–95

Year	Authorized Maximum Awards		Actual Maximum Awards		Actual Minimum Awards		Percent Cap on Costs	Percent of Recipients Independent
	Current Dollars	Constant Dollars	Current Dollars	Constant Dollars	Current Dollars	Constant Dollars		
1973–74	1,400	4,342	452	1,402	50	176	50	13.3
1974–75	1,400	3,907	1,050	2,930	50	140	50	21.9
1975–76	1,400	3,649	1,400	3,649	200	521	50	29.8
1976–77	1,400	3,447	1,400	3,447	200	492	50	38.3
1977–78	1,800	4,154	1,400	3,231	200	462	50	38.5
1978–79	1,800	3,798	1,600	3,376	50	106	50	36.7
1979–80	1,800	3,352	1,800	3,352	200	372	50	33.8
1980–81	1,800	3,083	1,750	2,997	150	257	50	40.6
1981–82	1,900	2,995	1,670	2,633	120	189	50	41.9
1982–83	2,100	3,175	1,800	2,721	50	76	50	45.9
1983–84	2,300	3,354	1,800	2,625	200	292	50	47.5
1984–85	2,500	3,508	1,900	2,666	200	281	50	48.6
1985–86	2,600	3,546	2,100	2,864	200	273	60	50.4
1986–87	2,600	3,468	2,100	2,801	100	133	60	53.9
1987–88	2,300	2,946	2,100	2,690	200	256	60	57.5
1988–89	2,500	3,062	2,200	2,695	200	245	60	57.9
1989–90	2,700	3,154	2,300	2,687	200	234	60	59.0
1990–91	2,900	3,211	2,300	2,547	100	111	60	61.1
1991–92	3,100	3,326	2,400	2,575	200	215	60	61.5
1992–93	3,100	3,226	2,400	2,497	200	208	60	62.1
1993–94	3,700	3,752	2,300	2,332	400	406	—	59.2
1994–95	3,900	3,845	2,300	2,268	400	394	—	N.A.

FIGURE 3

The Maximum Pell Grant as a Share of Cost of Attendance



Notes to Figure 3
Based on Tables 3 and 7.
Academic Year 85 = 1985–86.

TABLE A

Aid Awarded to Postsecondary Students in Current Dollars (in Millions), Selected Years 1963–64 to 1984–85

Federally Supported Programs	Academic Year 1963–64	1970–71	1971–72	1972–73	1973–74	1974–75	1975–76	1976–77	1977–78	1978–79	1979–80	1980–81	1981–82	1982–83	1983–84	1984–85
Generally Available Aid																
Pell Grants	0	0	0	0	50	357	937	1,474	1,588	1,693	2,505	2,387	2,299	2,418	2,792	3,033
SEOG	0	134	153	174	189	200	201	244	244	266	333	368	362	343	361	374
SSIG	0	0	0	0	0	19	20	44	60	64	76	72	78	74	60	76
CWS	0	227	240	266	296	295	295	436	469	489	595	660	624	615	683	645
Perkins Loans	114	241	312	398	433	440	460	560	615	640	646	694	580	598	682	677
Guaranteed Loans (FFELP)	0	1,015	1,274	1,171	1,139	1,298	1,267	1,325	1,737	2,360	3,926	6,202	7,219	6,695	7,576	8,608
Subtotal	114	1,617	1,979	2,008	2,107	2,608	3,179	4,082	4,712	5,512	8,081	10,383	11,161	10,743	12,155	13,413
Specially Directed Aid																
Social Security	0	499	570	701	784	894	1,093	1,250	1,370	1,477	1,587	1,883	1,996	733	220	35
Veterans	67	1,121	1,320	1,936	2,261	3,353	4,180	2,997	2,700	2,176	1,821	1,714	1,351	1,356	1,148	1,004
Military	42	64	59	55	81	95	97	101	105	117	167	201	232	266	297	329
Other Grants	9	16	20	27	33	57	63	67	82	98	114	122	106	85	62	60
Other Loans	0	42	51	57	62	59	45	47	42	46	42	62	109	210	279	327
Subtotal	117	1,742	2,020	2,776	3,221	4,458	5,478	4,461	4,299	3,914	3,731	3,982	3,793	2,650	2,005	1,756
Total Federal Aid	231	3,359	3,999	4,784	5,328	7,066	8,657	8,543	9,011	9,426	11,812	14,365	14,954	13,393	14,160	15,169
State Grant Programs	56	236	269	315	364	422	490	608	677	726	788	801	921	1,006	1,106	1,222
Institutional and Other Grants	270	837	942	978	1,009	1,020	1,169	1,195	1,228	1,283	1,460	1,625	1,746	1,960	2,280	2,556
Total Federal, State, and Institutional Aid	557	4,432	5,210	6,077	6,701	8,508	10,316	10,347	10,916	11,435	14,060	16,791	17,621	16,359	17,545	18,948

Notes for Table A

Figures on military-related aid are not precisely comparable to Table I. Armed Forces tuition assistance amounts are not available for these years, and some ROTC data are estimated.

See notes to Table I for further details.

(28)

TABLE B

Aid Awarded to Postsecondary Students in Constant 1994 Dollars (in Millions), Selected Years 1963–64 to 1984–85

Federally Supported Programs	1963–64	1970–71	1971–72	1972–73	1973–74	1974–75	1975–76	1976–77	1977–78	1978–79	1979–80	1980–81	1981–82	1982–83	1983–84	1984–85
	Academic Year															
Generally Available Aid																
Pell Grants	0	0	0	0	159	1,021	2,505	3,725	3,761	3,668	4,788	4,088	3,624	3,655	4,072	4,256
SEOG	0	499	552	601	602	573	538	616	577	577	636	630	570	518	526	524
SSIG	0	0	0	0	0	54	53	110	141	138	146	124	123	112	88	107
CWS	0	849	865	920	942	845	789	1,102	1,111	1,058	1,138	1,131	984	930	997	905
Perkins Loans	547	898	1,125	1,378	1,378	1,260	1,231	1,414	1,457	1,387	1,234	1,188	915	904	995	950
Guaranteed Loans (FFELP)	0	3,791	4,592	4,058	3,626	3,718	3,389	3,349	4,115	5,112	7,504	10,623	11,380	10,122	11,048	12,079
Subtotal	547	6,038	7,134	6,958	6,708	7,472	8,505	10,317	11,162	11,938	15,446	17,784	17,595	16,241	17,725	18,822
Specially Directed Aid																
Social Security	0	1,864	2,055	2,429	2,496	2,561	2,924	3,159	3,245	3,199	3,033	3,225	3,147	1,108	321	49
Veterans	322	4,187	4,758	6,709	7,198	9,605	11,182	7,575	6,396	4,713	3,481	2,936	2,129	2,049	1,673	1,409
Military	201	241	214	190	256	271	259	255	248	253	319	344	366	402	434	462
Other Grants	42	59	72	95	106	164	169	169	195	212	218	209	166	129	90	84
Other Loans	0	157	184	198	197	168	120	118	100	100	80	106	171	318	406	458
Subtotal	565	6,508	7,282	9,621	10,253	12,769	14,654	11,276	10,183	8,477	7,131	6,820	5,979	4,006	2,924	2,464
Total Federal Aid	1,112	12,546	14,414	16,579	16,961	20,241	23,159	21,592	21,345	20,416	22,577	24,604	23,574	20,247	20,649	21,286
State Grant Programs	269	882	970	1,092	1,159	1,209	1,311	1,537	1,604	1,572	1,506	1,372	1,452	1,521	1,613	1,715
Institutional and Other Grants	1,297	3,125	3,395	3,388	3,213	2,921	3,126	3,022	2,909	2,780	2,790	2,782	2,753	2,963	3,324	3,587
Total Federal, State, and Institutional Aid	2,679	16,553	18,778	21,059	21,332	24,371	27,596	26,151	25,857	24,768	26,873	28,758	27,778	24,731	25,586	26,588

Notes for Table B

Constant dollar figures are based on data in Table A. For an explanation of constant dollar conversions, see page 14.

NOTES & SOURCES

Acronyms

CWS	= Federal College Work Study
FFELP	= Federal Family Education Loan Program
ICL	= Income Contingent Loan Program
FDSLP	= William D. Ford Direct Student Loan Program
PLUS	= Parent Loans to Undergraduate Students
SEOG	= Federal Supplemental Educational Opportunity Grant
SLS	= Supplemental Loans for Students
SSIG	= State Student Incentive Grant

Definitions

Academic Year:	July 1 to June 30
Calendar year:	January 1 to December 31
Fiscal year:	October 1 to September 30

General Notes

- Details may not add to totals due to rounding.
- Aid is reported by the academic year in which it is awarded. When necessary, fiscal year data are converted to the academic year equivalents by reassigning the July through September expenditures.
- For a more detailed description of the programs and past trends, see *Trends in Student Aid: 1963 to 1983.*

A Note on Constant Dollar Conversion

The Consumer Price Index for all urban dwellers (the CPI-U) is used to adjust for inflation. Calendar, fiscal, and academic year CPI's were used as appropriate. The base year used for constant dollar conversions in this publication is 1994, the latest year available.

Formula for Constant Dollar Conversion:

Constant (base year) Dollars =

$$\text{Current year dollars} \times \frac{\text{CPI for the base year}}{\text{CPI for the current year}}$$

Consumer Price Indexes (1982–84=100)

Calendar year CPIs		Academic Year CPIs	
1985	107.5	1985–86	108.8
1986	109.6	1986–87	111.2
1987	113.6	1987–88	115.8
1988	118.3	1988–89	121.1
1989	124.0	1989–90	127.0
1990	130.7	1990–91	134.0
1991	136.3	1991–92	138.3
1992	140.4	1992–93	142.6
1993	144.1	1993–94	146.5
1994	148.4	1994–95	150.5

SOURCES

Tables 1,2,4,5,6, and 7:

Campus-Based Aid (CWS, Perkins, and SEOG)

1994–95: unpublished data and estimates from the Office of Student Financial Assistance, U.S. Department of Education.

1985–86 to 1993–94: Office of Student Financial Assistance, U.S. Department of Education, *Campus-Based Programs Annual Reports and Distribution of Awards in the Campus-Based Program Reports.*

Federal Family Education Loan and Ford Direct Student Loan Programs

Unpublished data from the Office of Student Financial Assistance, U.S. Department of Education.

Institutional and Other Aid

1992–93 to 1994–95: Estimated by the College Board.

1986–87 to 1991–92: unpublished data from the National Center for Education Statistics.

1985–86: National Center for Education Statistics, U.S. Department of Education, *Digest of Education Statistics,* 1991, Table 299, p. 303, with modification.

Military

F. Edward Hebert Armed Forces Health Profession Scholarship amounts were obtained from the Office of the Assistant Secretary for Defense (Health Affairs). ROTC program data were obtained separately from the Air Force, Army, and Navy program offices. The Education Policy Directorate of the Office of the Secretary of Defense provided Armed Forces tuition assistance amounts.

Other Grants and Loans

The data were collected through conversations and correspondence with the officials of the agencies that sponsor the programs.

Pell

Office of Student Financial Assistance, U.S. Department of Education, *Pell Grants End of Year Reports and Basic Grant Institutional Agreement and Authorization Reports.*

SSIG and State Grant Programs

1994–95: Preliminary figures reported by 20 states with largest grant appropriations. Figures for remaining 30 states, the District of Columbia, and Puerto Rico estimated by the College Board.

1985–86 to 1993–94: 18th through 25th *Annual Survey Reports* of the National Association of State Scholarship and Grant Programs.

Veterans Benefits

Benefits Program series (annual publication for each fiscal year), Office of Budget and Finance, U.S. Veterans Administration and unpublished data from the same agency.

Table 3

Cost of Attendance Data

1994–95: Cost estimates were generated by applying the sectoral cost increases between 1993–94 and 1994–95 found in the 1994 *College Board Annual Survey of Colleges* to the 1993–94 costs reported by the National Center for Educational Statistics.

1985–85 through 1993–94: National Center for Education Statistics, U.S. Department of Education, *Digest of Education Statistics*, 1994: Table 304, pp. 311–312.

Income Data

Median Family Income from Bureau of the Census, U.S. Department of Commerce, Current Population Reports, Series P-60, and information provided by the income section of that Department.

Disposable Personal Income, Per Capita from the Bureau of Economic Analysis, U.S. Department of Commerce, National Income and Wealth Division, Survey of Current Business.

Consumer Price Index:

The Consumer Price Index (CPI) for current and past years is from the Bureau of Labor Statistics, U.S. Department of Labor, unpublished compilation of monthly CPIs since 1949. Forecasts of the CPI are from the Congressional Budget office.

THE WASHINGTON OFFICE
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The College Board
Educational Excellence for All Students

Lawrence E. Gladieux, *Executive Director for Policy Analysis*
Jacqueline E. King, *Assistant Director for Policy Analysis*
Roberta Merchant-Stoutamire, *Administrative Associate*

This report provides the most recent and complete statistics available on student aid in the 1980s and 1990s, complementing the publication by Gillespie and Carlson, *Trends in Student Aid: 1963 to 1983* (New York: The College Board, 1983) and replacing several previously published updates. It revises figures presented earlier for the 1990s and, for the first time, gives estimates for academic year 1994–95.

Jacqueline King performed the analysis and wrote the report. Lawrence Gladieux provided advice, and Roberta Merchant-Stoutamire assisted in data collection, graphics production, and preparation of the report. The College Board is grateful to the many staff members in public and private agencies who contributed the basic data, as well as their insights and expertise.

Notes to Figure 1

Based on Table 2.

Academic Year 85 = 1985–86.

"Federal Loans" includes Federal Family Education Loans and Ford Direct Student Loans. "Other Federal Programs" include SSIG and all federal specially-directed aid programs.

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Chairman McKEON. Ms. Schenet

STATEMENT OF MARGOT SCHENET, SPECIALIST IN SOCIAL LEGISLATION, CONGRESSIONAL RESEARCH SERVICE

Ms. SCHENET. Thank you, Mr. Chairman. My name is Margot Schenet, and I'm a specialist in social legislation at CRS. I appreciate the opportunity to appear before the subcommittee to testify about postsecondary enrollment and student aid based on a memo that I also prepared on the subject. I would also like to acknowledge the other CRS staff who helped in this memorandum and the presentation, Rick Apling, Laura Monagle and Liane White.

My purpose in this testimony is to provide a snapshot of enrollment and student aid to answer questions about where students go to school and who gets student aid. It's taken from a national survey that was conducted in 1992–1993. This is the most current, complete information we have on a national level that is available, but as a result it does not reflect the changes that took place in the 1992 reauthorization of the Higher Education Act.

Turning first to the question of where students go to school, the first chart illustrates why we use the term postsecondary education as opposed to higher education, since half of all undergraduates are going to institutions that would be considered non-traditional, that is, they are not going to four-year colleges and universities. Fifty-five percent of undergraduates are going to community colleges, proprietary schools and other less than four-year schools. Only 14 percent are attending the private, independent colleges and universities.

I might also note that undergraduates are non-traditional in a number of other ways. If we think of traditional students as those who graduate from high school in the spring, then enroll in a school in the fall, are dependent on their parents for financial support, and attend full time, then many undergraduates don't fit the picture. Overall, 52 percent of undergraduates were independent of their parents, 63 percent were older than typical, 6 percent did not even have a high school diploma, and 54 percent attended part time.

Postsecondary enrollment patterns also varied with income, particularly, for dependent students. We divided the students, the dependent students, into four income categories, the lowest, those with family incomes below $15,000, and then two middle-income categories, and then the highest with incomes, family incomes above $50,000.

Chart two shows the variations in enrollment for these different groups of dependent students. One interesting thing is that middle-income dependent students, those in families with incomes between $25,000 and $50,000, were more likely to go to community colleges than their wealthier counterparts, and, indeed, somewhat more likely than the lowest income students to go to those schools. This is in part because the lowest income students were the most likely to be attending the proprietary institutions.

A second question concerns who gets student aid and from what sources. This includes any aid, regardless of source, Federal student aid, which is mostly authorized under Title IV of the Higher Education Act, State aid, and then institutional aid, by which we mean aid that's provided by the school the student attends, either through cash awards or through tuition discounting.

Chart three shows first that fewer than half of all undergraduates, 41 percent, received any aid at all to attend a postsecondary institution, and only about a third received Federal student aid. Smaller percentages, 10 and 12 percent respectively, received any State or institutional aid.

I might note here that attendance data is particularly important in explaining this pattern and the fact that only a third of the students are receiving Federal aid. If you look only at full-time students, 47 percent of the full-time students received Federal aid, and only 19 percent of the part-time students did.

Chart three also shows the proportion of students in different kinds of institutions that received aid. Community college students were the least likely to receive aid of any kind, and the least likely to receive Federal aid. Proprietary school students were the most likely to receive aid and the most likely to receive Federal aid.

Institutional aid is primarily a phenomenon of the private, independent sector of postsecondary education. Thirty-seven percent of the students who attended private, independent colleges and universities received aid from their school, whereas, only 14 percent in public colleges received aid from the school, and less than 5 percent of those in community colleges and proprietary schools received aid from the school.

The next chart examines more closely the receipt of Federal aid, most of which is authorized under Title IV of the Higher Education Act, and it's based both on financial need and also on the cost of attendance.

Chart four was an attempt to illustrate how those two factors interact in the delivery of Federal student aid. In this case, the data is only for full-time dependent students, classified both by the type of institution they attend and their income levels. The income levels go across the chart from right to left, decreasing in income, whereas, the type of schools, we've arrayed them from the least expensive type of school, the community college on the bottom, to the most expensive type of school, the four-year private, independent colleges on the top.

Overall, the lower income and the more expensive the school the greater the likelihood of getting Federal aid. If you look at the upper left corner of the chart, you see that 90 percent of the lowest income students attending the most expensive schools receive Federal aid. In contrast, at the bottom right-hand corner only 3 percent of the students with family incomes above $50,000 attending the least expensive schools, community colleges, receive Federal aid. So, it gives you an illustration of how the two factors interact.

Finally, the last chart presents some information about the reliance on loans for recipients of aid. In that chart, what we looked at what just those students who are receiving aid, not all undergraduates, and we were examining the extent to which loans are a part of the aid package overall, and depending on the type of school attended.

Overall, approximately 40 percent of aid recipients had a loan as part of their package. Nine percent had a loan only, while 31 percent had a loan in combination with other types of aid. The proportion of aid recipients with loans was greatest at proprietary schools, however, almost half of aid recipients had loans at every type of school except community colleges.

I would expect that the pattern of difference between types of schools continues to be similar today, what has probably changed because of the changes in 1992, is that more students are receiving loans overall than in the past. If we look just at need-based loans, that is, the subsidized Stafford loans, I would expect these patterns are relatively similar today to what they were back then. One of the big changes, as Mr. Childers mentioned, was the creation of the unsubsidized Stafford loans in 1992.

Additional descriptive information from the survey is included in my memorandum on postsecondary enrollment and student aid, and I'd be happy to answer any questions.

[The prepared statement of Ms. Schenet follows:]

Margot A. Schenet
Specialist in Social Legislation
Education and Public Welfare Division
Congressional Research Service
April 23, 1996

Thank you, Mr. Chairman. My name is Margot Schenet, and I'm a specialist in social legislation at the Congressional Research Service (CRS). I appreciate the opportunity to appear before you and other members of the Subcommittee on Postsecondary Education, Training and Life-Long Learning to present information about postsecondary enrollment and student aid. My testimony is based on a memorandum on this subject that I also prepared and which I have included as an appendix to my written testimony. I would like to acknowledge the other CRS staff who contributed to the memorandum and this presentation -- Rick Apling, Laura Monagle, and Liane White.

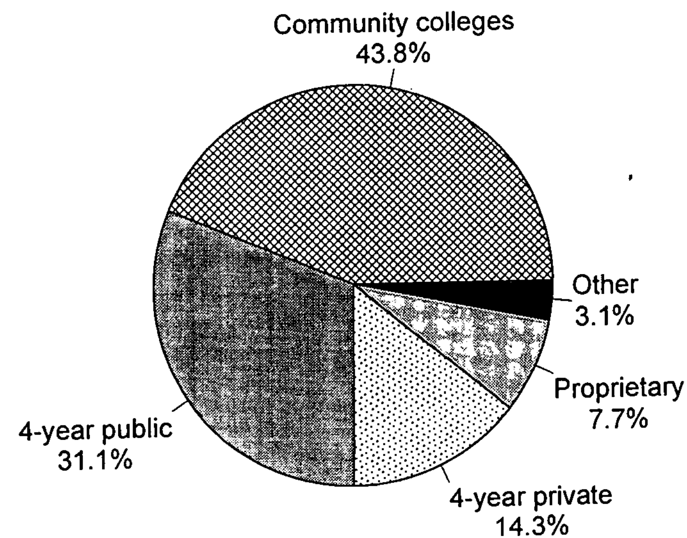
My purpose in this testimony is to provide a "snapshot" of enrollment and student aid to answer questions about where postsecondary students go to school and who gets student aid. The information is taken from a national survey of postsecondary students conducted in the 1992-93 academic year by the U.S. Department of Education. Unfortunately, this is the most current source of information available on the characteristics of students and multiple sources of aid. It should be noted, as a result, that the information does not reflect changes that have taken place in federal student aid programs since that time. The picture presented here is also limited to undergraduate students only.

Turning first to the question of where students go to school, the first chart illustrates why the term postsecondary education has come to replace "higher" education, since fewer than half of all undergraduates are enrolled in traditional institutions of higher education, that is, in public and private colleges and universities offering at least a baccalaureate degree. Approximately 55% of undergraduate students were enrolled in community colleges, proprietary schools, and other less-than-4-year institutions. Only 14% attended private, independent colleges and universities.

I might also note that undergraduates are nontraditional in other ways than the type of school they attended. If we think of the traditional student as someone who graduates from high school in the spring, enrolls in a postsecondary institution in the fall of the same year, attends full-time, and is dependent on his/her family for financial support, many undergraduates in 1992-93 did not correspond to this picture. Overall, 52% of undergraduates were independent, 63% were older than typical, 6% did not have a high school diploma, and 54% attended parttime. Community colleges enrolled large percentages of students who could be considered nontraditional according to any one of these criteria. Of course, many students may fall into more than one of these "nontraditional" categories.

Chart 1:

Where Undergraduates Go To School



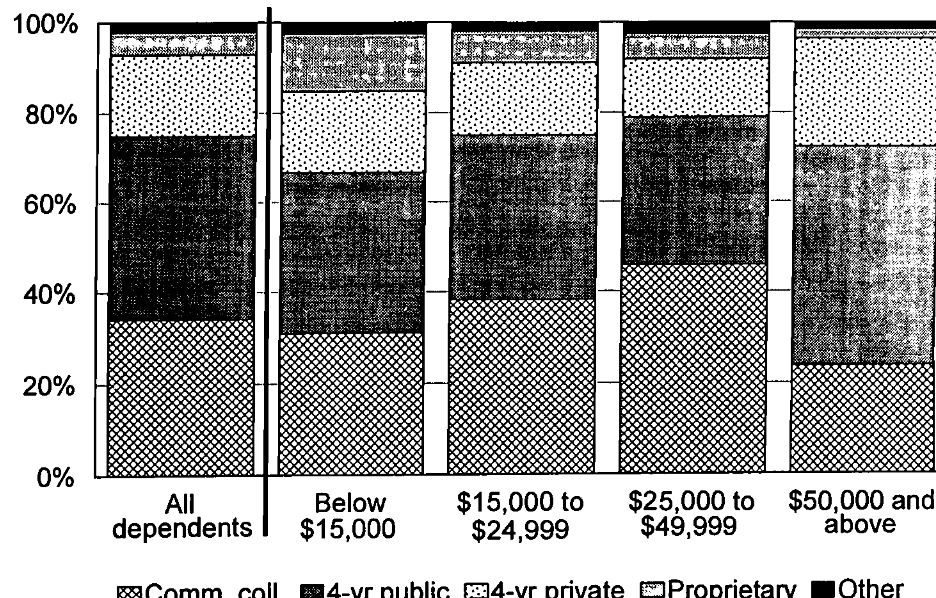
Source: NPSAS 92/93 data

Postsecondary enrollment patterns also varied with income, particularly for dependent students. In the case of dependent students, the income referred to is family income. The dependent students were divided into 4 income categories: those with family incomes of less than $15,000 -- the lowest income group; two middle-income groups -- those with family incomes from $15,000 to $24,999, and from $25,000 to $49,999; and those from families with incomes of $50,000 or more. For comparison, the poverty threshold for a family of 4 in 1992 was $14,355; median family income in that year was $36,812.

Chart 2 shows the variations in enrollment for these different groups of dependent students. Middle-income dependent students (those with family incomes between $25,000 and $50,000) were more likely to go to community colleges than their wealthier counterparts (46% to 24%) and indeed somewhat more likely than the lowest income students (46% to 31%) to attend such schools. The lowest income students were more likely than any other income group to attend proprietary schools (12.5% versus 7% or less for the other income categories.) A higher percentage of dependent students in the highest income group (24%) attended private, independent colleges and universities than was true for other categories of dependent students; in fact, they were twice as likely as middle income dependent students to do so.

Enrollment patterns for independent students showed less variation by income; regardless of income, more independent students were likely to be enrolled in community colleges.

Chart 2:
Where Low-Income and Other Dependent Students Go To School



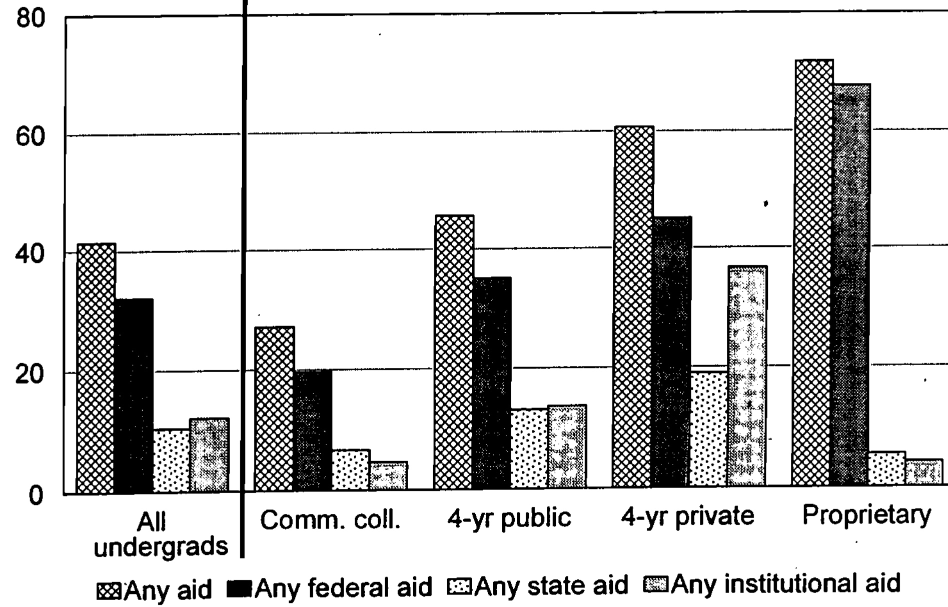
Source: NPSAS 92/93 data

The second question concerns who gets student aid, and from what sources. This includes which undergraduates got aid from any source, and then, by source: federal aid, which is primarily aid authorized by title IV of the Higher Education Act (HEA); state aid,and institutional aid, which includes not only cash awards or scholarships, but also discounted tuition and fees. The 1992 amendments to the HEA changed the formulas for determining need, and established a new non need-based loan program. While the percentages have doubtless changed as a result, the patterns found in these data, particularly for need-based aid, are unlikely to have changed significantly.

Chart 3 shows first, that fewer than half of all undergraduates (41%) received any aid at all to attend a postsecondary institution. About a third (32%) of the undergraduate students in 1992-93 received federal aid, while similar, small percentages (10% and 12%) received any state or institutional aid, respectively. We should note that attendance status is particularly important in whether students received aid. Part-time students were less likely to receive aid, regardless of the source. For example, 47% of full-time students received federal aid, but only 19% of part-time students did so.

Chart 3 also shows the proportion of students in different kinds of institutions that received aid from these various sources. Community college students were less likely to receive any aid than students in other types of schools and also less likely to receive federal aid. Proprietary school students were the most likely to receive aid from any source and also the most likely to receive federal aid -- 68% of proprietary school students received federal aid compared to 20% of community college students. Students attending private, independent colleges and universities were most likely to receive institutional aid -- 37% of students attending these schools received aid from the school compared to 14% of those at public colleges and universities and less than 5% of those students attending community colleges or proprietary schools. Institutional aid is primarily a phenomena of the private, independent sector of postsecondary education.

Chart 3:
Percentage of Undergraduates Who Were Awarded Aid, by Source of Aid and Type of Institution

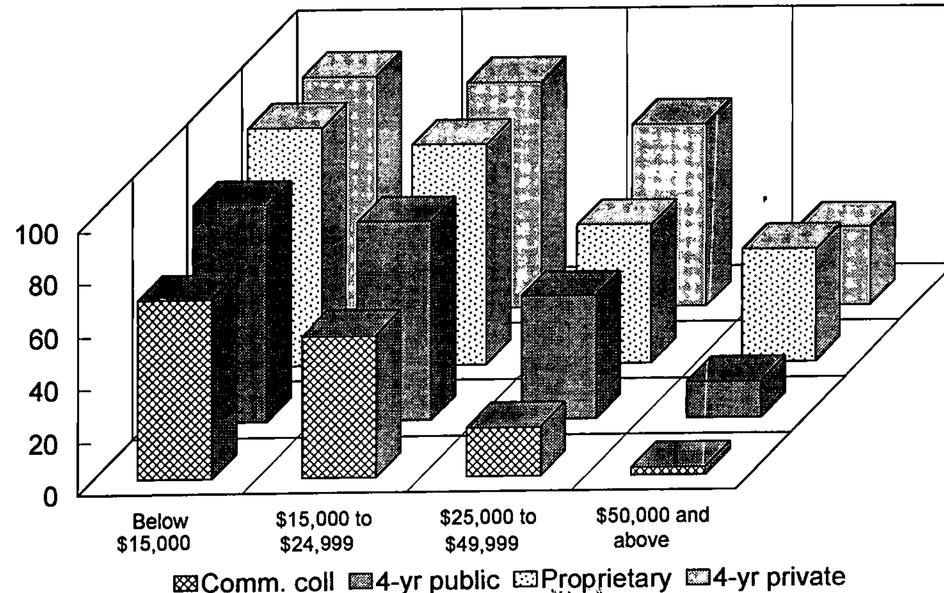


Source: NPSAS 92/93 data

The next chart examines more closely the receipt of federal aid, most of which is authorized under title IV of the HEA and is based on financial need. The title IV formulas that determine need and size of awards take into account both the financial circumstances of the students and their parents (in the case of dependent students) and the cost of attendance. Chart 4 illustrates the results of that interaction. In this case, the data are for full-time, dependent students, classified by the type of institution they attended, and their income levels. The type of institution can be considered a rough proxy of costs, with community colleges the least expensive institutions, public colleges and universities next higher in costs, then proprietary schools, and most expensive -- the private, independent colleges and universities.

As the chart indicates, for students at each type of school, the likelihood of getting federal aid increased as income decreased. Conversely, within each income category, the likelihood of getting aid generally increased as costs rose, although proprietary schools were something of an exception, with more of their students in the highest income range getting aid than similar students at private, independent colleges and universities. Overall, the lower the income and the more expensive the school, the greater the likelihood of receiving federal aid: if you look at the upper left corner of the chart, 90% of the lowest income dependent students attending private, 4-year schools fulltime received federal aid, compared to the lower right corner, where only 3% of students with incomes above $50,000 attending community colleges received federal aid. This chart also illustrates other consequences of combining financial need and cost in awarding aid -- for example, the lowest income students at the least expensive schools, and those students from middle-income families attending private, independent colleges had about the same chance of receiving federal aid (68% versus 71% respectively).

Chart 4:
Percentage of Full-time, Dependent Students Receiving Federal Aid, by Income and Type of Institution



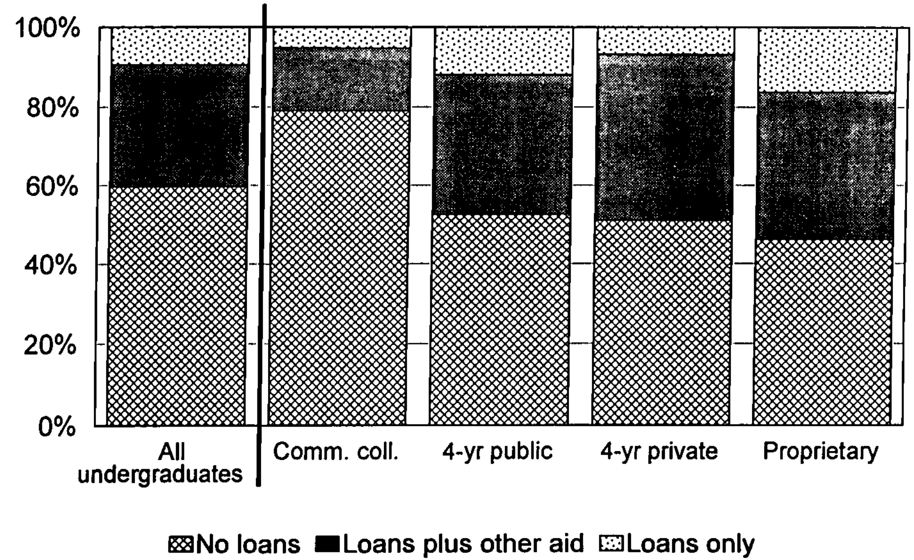
Source: NPSAS 92/93 data

Finally, the last chart presents some information about the reliance on loans for recipients of any student aid. Generally, aid can be divided into three types -- grants (which do not need to be repaid), loans, and work-study. For purposes of this chart, only those students receiving any aid were included. For aided undergraduates, the chart shows the extent to which loans were a part of the aid package overall, and depending on the type of school attended. Overall, approximately 40% of aid recipients had a loan as part of the package -- 9% had a loan only, and 31% had a loan in combination with other types of aid. As you can see, the proportion of aid recipients with loans as part of their aid package was greatest at proprietary schools. Nevertheless, almost half of aid recipients had loans at every type of school except community colleges. (Changes in federal student aid since these data were collected are likely to have led to increased proportions of students with loans as part of their aid packages.)

Additional descriptive information from the survey is included in my memorandum on postsecondary enrollment and student aid. I would be pleased to answer any questions you might have.

Chart 5:

Aided Undergraduates Receiving Loans as Part of Aid Package, by Type of School



Source: NPSAS 92/93 data

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Chairman MCKEON. Doctor Nettles.

STATEMENT OF MICHAEL T. NETTLES, PH.D., EXECUTIVE DIRECTOR, FREDERICK D. PATTERSON RESEARCH INSTITUTE, THE COLLEGE FUND/UNCF, PROFESSOR, SCHOOL OF EDUCATION, UNIVERSITY OF MICHIGAN

Mr. NETTLES. Thank you very much, Mr. McKeon, Members of the committee. It's a real privilege, I think, to be before you this afternoon. I am a Professor of the School of Education at the University of Michigan, and the brand new, first Executive Director of the Frederick D. Paterson Research Institute. I have submitted a copy of my testimony including some text and 12 tables of enrollment data that I will not belabor over this afternoon in detail, but will make a few points from the paper.

Before I do, I would like to tell you a little bit about the Frederick D. Patterson Research Institute and our mission. We were established as part of the United Negro College Fund. This is the brain child of one of your former colleagues, William H. Gray, III, and when he first when to the UNCF Mr. Gray said that when he served in Congress he often looked around for data and information and analyses to help him understand the issues that he was concerned about and didn't always have them. So, he vowed when he became the President of UNCF to establish such a research institute and he succeeded in doing so.

Our mission is to develop data, information and research that will help us to improve the education of African-Americans in the United States. And so, we have just begun, we are making daily progress. The data and information that I've presented to you in the testimony that I've presented in written form, and now orally, were not original data from the Frederick Patterson Institute but are mostly from the U.S. Department of Education.

I have been asked this afternoon to speak to the issue of enrollment trends, and this is a very complex issue. There are all types of colleges and universities. People go part time and full time, some stop out, and drop out, others stay in and complete on a regular schedule. Even within sectors, like community colleges or four-year institutions, there's a great deal of variety. So, to give global trends is, while useful in some respects, you really have to ask much more detailed questions about what I'm going to say to you, and I'm certainly open to that today and in the future, welcome the opportunity to engage in this process toward the reauthorization.

The first point I'd like to make is that colleges and universities are very popular institutions in this country. The enrollments over the past three decades have quadrupled, even in times when the general population is not growing as fast, the general population grew over that time period by 45 percent.

Now, even when we have declining rates of high school graduates, even when costs are going up, and even when the population growth is slow, we see enrollment growths in colleges and universities that are pretty dramatic. There are about 14 million students who are pursuing degrees of one type or another in all sectors of higher education. In 1960, there were around 4 million.

A second point is that although the rates of increase in enrollments vary by institution, the enrollment growth is apparent in every type. The fastest growing institutions over the past couple decades have been the proprietary and community college sectors, but the four year sectors have also grown and continue to be the most popular choice among high school graduates. About 61 percent of people who graduate from high school every year enter college and some form of institution of higher education within a year of completing high school, and about 60 percent of those people choose four-year institutions and about 40 percent two-year institutions.

The increases in enrollment are also clear for every racial, ethnic group. The fastest growing has been the Asian population in the country, which has increased more than eight-fold over the past two decades, followed by the Hispanic enrollment and the African-American enrollment. African-American increases in higher education have been fairly phenomenal since the 1960s, and we often attribute the growth in enrollments to two things. One is the increasing demand for higher levels of education in the society, to perform in professional careers and to attend graduate and professional education, and also the support that is being provided from here in Washington and at the institutional level as well. Colleges and universities are making grave investments into student aid of various types.

One of the major trends that we've also heard about this morning is somewhat the declining participation by people who are going to college, actually, in financial programs of all types, whether they are institutional aid or provided here from Washington, and one thing that has us concerned at the Pattern Research Institute is that the decline in African-American participation has been greater than for other groups with the exception of Asians.

For example, about 9 percent over the past decade fewer undergraduate students who are African-Americans are participating in financial aid programs of any type and in grant programs as well. We don't know why, but we anticipate that the reasons for the Asian decline in participation may be different from that of the African-American participation. This is of particular concern because there has been an increase in the percent of African-Americans in the country who are considered to be living in poverty. About a third of the population of African-Americans in the country are in poverty, living in poverty. This is up about 5 percent over the last decade.

We also have seen not as rapid growth in the percent of African-Americans who actually hold baccalaureate degrees or four or more years of college. About 11 percent of the population of African-Americans do so, this compares to about 22 percent, for example, of White Americans.

I would like to suggest that in your deliberations that more questions and research be conducted to examine such issues as the influence of various types and amounts of student assistance toward expanding the choices that students have for college. There are many poor, high-ability students in the country who may not be having access to the highest levels of education that would benefit them more in the long run, and this is something that we need to examine.

I would also encourage us to join us at the Frederick D. Patterson Institute in investigating the decline in the African–American participation in student aid programs, and also the student persistence in degree completion rates of students who actually use various types of financial aid. For example, what happens with students who enter college and receive grants or loans. Are they dropping out? What do you consider this to be in terms of the quality of investment or the efficiency and the use of grants versus loans, should those awards be used primarily for people who are completing college? How should we think about that?

Another area that I think we have not spent any time on this morning, but should, is to think about the investment of aid into graduate and professional education. We do that, much of some of the reauthorization is targeted at those levels, and those enrollments at the graduate level have been increasing as well.

Mr. Chairman, I'd like to conclude my remarks. If you have questions about any of the data that I've presented today or would like to engage in any of these trends, I would be delighted to do so.

Thank you.

Chairman McKEON. Thank you very much.

[The prepared statement of Mr. Nettles follows:]

Michael T. Nettles, Ph.D.

Congressional Testimony

Introduction

My name is Michael T. Nettles and I am a Professor in the School of Education at the University of Michigan, and the Executive Director of the Frederick D. Patterson Research Institute of the United Negro College Fund. I would like to thank you for the invitation to address you at this first hearing leading up to the 1997 projected Reauthorization of the Higher Education Act of 1965.

I have been requested by the Chair to focus my remarks upon student enrollment trends in higher education. But before I get into the substance of this topic, let me just make a few introductory remarks about the new Frederick D. Patterson Research Institute. The Institute was opened this year as a new entity of the United Negro College Fund (UNCF) and I am the first Executive Director of the Institute. This is the brain child of your former colleague Mr. William H. Gray, III. When he became President of the College Fund, Mr. Gray sought to establish the Research Institute in order to provide information and research to improve the education of African Americans in the U.S. from pre-school through adulthood. We view it as our function at the Institute to establish the very best data-bases possible that will help to understand the challenges facing African Americans in preschool, elementary, secondary school, and colleges and universities at all levels and of all types. We expect to become a valuable educational resource center that people call upon when they have questions or need solutions for challenges pertaining to the education of African Americans. That is my charge as Executive Director of the Patterson Research Institute. We are making daily progress to achieve those objectives. My testimony before you this morning is my first opportunity to talk to public policy makers about one of the topics of immense importance to UNCF and to the Frederick D. Patterson Research Institute.

Enrollment trends are very important to keep in mind throughout the deliberations leading up to the Reauthorization because of the implications they have for the undergraduate and post baccalaureate student aid components of the Higher Education Act. Additionally, enrollment trends reflect the public demand for higher education. Enrollment trends seem especially important for this early hearing, not solely because of what the data reveal, but also because they identify the need for additional data that are not presently available, as well as data that are available but are not presented in sufficient data and precision to provide insight into the challenges that public policy makers must confront.

My presentation has two dimensions. First. I present to you some general trends that describe the growth and distribution of enrollments in the nation's colleges and universities. and second I suggest some important data that I believe the Committee should demand from the higher education community, and from government agencies as it deliberates about a new Act and policy direction to support higher education for the nation's people. In some cases, when data are available I present trends dating back to the 1960s. Analyses dating back to the '60s through the present parallel the life of the Higher Education Act.

College and university enrollments are very complex. and general national enrollment data often fail to capture important distinctions. For example, enrollments consist of part-time and full-time students, students with a broad array of abilities and interests. students from a variety of race/ethnic groups, students of varying economic classes, and students attending institutions of various levels. types and sizes. Therefore, for every generalization we make about enrollments in the nation's colleges and universities, exceptions and qualifications about the data need to be presented in order to ensure accurate and appropriate interpretation. There is great variety among the nation's nearly 2,100 4-year colleges and universities, nearly 1,500 community colleges and technical institutes, and over 3,000 proprietary institutions. With suitable caveats, however, general trends can be useful as long as they are presented in the proper context. The contexts from which I will present to you the general trends today are the following three: (1) college and university enrollment growth relative to population growth, (2) differences in enrollment trends for institutions of various types (e.g. two year versus four year; historically Black colleges and universities compared to other types of institutions; and public versus private); and (3) differences in enrollment trends among different racial and ethnic groups.

<u>Enrollments changes relative to population changes</u>

When viewed in isolation, the trends in higher education enrollments show a continuous and steady increase over the past three decades. Table 1 shows that college and university enrollments have gradually increased over that time period from just over 4.7 million students in 1963 to over 14 million in 1993. But when higher education enrollment trends are juxtaposed with U.S. population trends, then the growth in the demand for college attendance can be seen as being far more dramatic. Table 2 illustrates that over the past three decades, the total size of the U.S. population increased by approximately 45 percent, and that the traditional college age (15-24 years) population by 35 percent. By contrast, during roughly the same time period, college and university enrollments increased by approximately 200 percent.

Table 1: Total Fall Enrollment in Institutions of Higher Education: 1963 to 1993

Year	Total	Change from 1963
1963	4,779,609	
1965	5,920,864	23.88%
1970	8,580,887	79.53%
1975	11,184,859	134.01%
1980	12,096,895	153.09%
1985	12,247,055	156.24%
1990	13,818,637	189.12%
1993	14,305,658	199.31%

Source: U.S. Department of Education, NCES, "Fall Enrollments in Colleges and Universities," and IPEDS, "Fall Enrollment" surveys.

Table 2: Total resident U.S. population by selected group 15 to 24 years of age: 1960 to 1994

Year		Percent Change from 1960	15-24 Years	Percent of Total Population	Percent Change from 1960	25-44 Years	Percent of Total Population	Percent Change from 1960
				[in thousands]				
1960	179,323	0.00%	26,759	14.92%	0.00%	46,899	26.15%	0.00%
1970	202,235	12.78%	35,922	17.76%	34.24%	48,024	23.75%	2.40%
1980	226,546	26.33%	42,487	18.75%	58.78%	62,716	27.68%	33.73%
1990	248,718	38.70%	37,021	14.88%	38.35%	80,596	32.40%	71.85%
1994	260,341	45.18%	35,942	13.81%	34.32%	82,014	31.50%	74.87%

Source: U.S. Bureau of the Census, Current Population Reports, P-25-1095; and Population Paper Listing 21.

Another important trend that reflects the growth in the popularity of higher education is the rate at which high school graduates enter college. Table 3 shows the change in the rate at which high school graduates go on to college. Over the past three decades, the overall college going rate among high school graduates has increased from 45 percent in 1960 to over 62 percent in 1994.

Table 3: Percent of high school graduates enrolling in college within one year of high school graduation, by race ethnicity: 1960 to 1994

Year		White High School Graduates	Black High School Graduates	Hispanic High School Graduates	Percent of High School Graduates Enrolled in College	Percent of White High School Graduates Enrolled in College	Percent of Black High School Graduates Enrolled in College	Percent of Hispanic High School Graduates Enrolled in College
				[number in thousands]				
1960	1,679	1.565	N.A.	N.A.	45.15%	46%	N.A.	N.A.
1970	2,757	2,461	N.A.	N.A.	51.76%	52%	N.A.	N.A.
1980	3,089	2.682	361	129	49.34%	50%	42%	53%
1990	2,355	1.921	341	112	59.87%	62%	46%	47%
1994	2.517	2.065	318	178	61.94%	64%	51%	49%

Source: American College Testing Program. unpublished tabulations. 1987. derived from statistics collected by the U.S. Bureau of the Census; and U.S. Department of Labor. College Enrollment of 1993 High School Graduates. and unpublished data.

It is important to know more than the rate at which high school graduates are attending college in order to make judgments about the needed levels of financial assistance and other types of support. Such additional information as whether they are attending full time or part-time, pursing baccalaureate degrees or associates' degrees, or whether they are attending trade and technical types of postsecondary programs can lead to decisions about the types and amounts of financial assistance required to adequately support today's college students. It is also important to know the changes in the various types of postsecondary institutions that high graduates are attending. Additional data are needed to reveal more about the variety of college choices that high school graduates are making immediately after completing high school, and more about student persistence rates in various disciplines, their rates of graduating from college, and the changing personal and societal benefits gained from attending and completing college.

The increase in enrollments has been steady throughout the three decades; and the growth continues through the present. We commonly attribute the enrollment growth to both increasing demand in the nation for a highly educated work force, and to the expanded opportunity provided by national, state and institutional level financial assistance (grants and loans). But no one has examined the direct influence of components of the Higher Education Act on students' decisions to go to college, or on the range of choices that students make about the types of institutions to attend.

Enrollment trends for institutions of various types.

It is important to examine enrollment trends in the context of the various types of colleges and universities. The growth in the community college sector over this span of time has been phenomenal. Table 4 illustrates that community college enrollments increased more than five-fold over the past three decades from eight hundred and fifty thousand in 1963 to over five and a half million in 1993. By contrast four year college enrollments have increased approximately 122 percent. Despite the less dramatic enrollment growth at four year colleges and universities compared to two year institutions, four year institutions continue to be the most popular choice among high school graduates. Table 5 shows that in 1993, 55 five percent of college and university undergraduates enroll in four year institutions compared to nearly 45 percent in community colleges. Table 5 also reveals that even with the enormous growth in the community college sector, the ratio of four year to two year undergraduate college shifted somewhat modestly since the mid 1970s.

Table 4: Total Fall Enrollment in Institutions of Higher Education: 1963 to 1993

Year	Total Enrollment	4-year Enrollment	Percent of Total Enrollment	Change from 1963	2-year Enrollment	Percent of Total Enrollment	Change from 1963
1963	4,779,609	3,929.248	82.21%		850,361	17.79%	
1965	5,920,864	4,747.912	80.19%	20.84%	1.172,952	19.81%	37.94%
1970	8.580.887	6.261,502	72.97%	59.36%	2,319,385	27.03%	172.75%
1975	11,184,859	7,214,740	64.50%	83.62%	3,970,119	35.50%	366.87%
1980	12,096,895	7,570,608	62.58%	92.67%	4,526,287	37.42%	432.28%
1985	12,247,055	7.715.978	63.00%	96.37%	4,531,077	37.00%	432.84%
1990	13,818,637	8,578.554	62.08%	118.33%	5,240,083	37.92%	516.22%
1993	14,305,658	8,739,791	61.09%	122.43%	5.565.867	38.91%	554.53%

Source: U.S. Department of Education. NCES, "Fall Enrollment in Colleges and Universities," and IPEDS, "Fall Enrollment" surveys.

Additional data are needed to give greater meaning to the enrollment distribution between two year and four year institutions. When comparing the two-year enrollments with the four year enrollments, such additional characteristics as the age of the students, and their full-time versus part-time enrollment status are essential for understanding the extent to which community college growth is due to a shift in the types of higher education institutions traditional college students are choosing to attend, or simply the expansion in the types of students (e.g., differences in age, career interests, etc.) attending college.

Table 6 presents the enrollment growth in public compared to the private sector of higher education. The enrollment growth in the public sector of higher education and the private not for profit sector have been somewhat similar during the last two decades, rising approximately 29 percent and 25 percent, respectively. Table 6 shows that the most dramatic enrollment growth over the past two decades occurred among proprietary sector institutions where enrollments more than quadrupled.

In the context of the Reauthorization of the Higher Education Act in 1997, it is important to identify how the financial aid (grants and loans) are distributed to students among the various sectors of colleges and universities. Not only will this type of analysis reveal the types of institutions that are providing access to economically needy students, but also show how various types of colleges and universities benefit from the Higher Education Act.

Table 7 shows that enrollments in historically Black Colleges and Universities have also been increasing. In the period from 1980 to 1993, enrollments in Black colleges and universities increased by 21 percent from 233,557 to 282,856. Within this sector enrollment among the 41 private colleges and universities that comprise the UNCF has increased by 25 percent since 1984 going from 43,495 students to 53,969 students. The number of applicants for the freshman class at UNCF institutions has nearly doubled since 1984 going from 31,567 to 61,879. This represents yet another indicator of growing interest among the nation's African American citizenry in pursuing higher education.

Enrollment trends among different racial and ethnic groups.

The enrollment trend line has been going up not just overall, but for each major American racial group. At the undergraduate level, Table 8 shows that since 1976, the Asian enrollment growth has been the greatest increasing by 274 percent, followed by Hispanics (160 percent), American Indians (61 percent), African Americans (36 percent), and Whites (17 percent). The non-resident Alien enrollment also increased substantially (87 percent) during the past two decades.

Table 5: Total fall enrollment in institutions of higher education, by level of study: 1976 to 1993

Level of Study	1976	Percent	1980	Percent	1984	Percent	1988	Percent	1990	Percent	1991	Percent	1992	Percent	1993	Percent
	[number, in thousands]															
Total																
Undergraduate	9,419	85.74%	10,469	86.62%	10,611	86.74%	11,304	86.67%	11,959	86.54%	12,439	86.63%	12,537	86.54%	12,324	86.15%
2-year	3,879	41.18%	4,521	43.19%	4,527	42.66%	4,868	43.06%	5,240	43.82%	5,652	45.44%	5,722	45.65%	5,566	45.16%
4-year	5,540	58.82%	5,948	56.81%	6,084	57.34%	6,436	56.94%	6,719	56.18%	6,788	54.56%	6,814	54.35%	6,758	54.84%

Source: U.S. Department of Education, NCES, "Fall Enrollment in Colleges and Universities," and IPEDS, "Fall Enrollment" surveys.

Table 6: Total fall enrollment in institutions of higher education, by control of institution: 1976 to 1993

Year	Total	Percent Change from 1976	Public	Percent Change from 1976	Private Total	Percent Change from 1976	Non-profit	Percent Change from 1976	Proprietary	Percent Change from 1976
1976	11,012,137		8,653,477		2,358,660		2,314,298		44,362	
1980	12,096,895	9.85%	9,457,394	9.29%	2,639,501	11.91%	2,527,787	9.22%	111,714	151.82%
1985	12,247,055	11.21%	9,479,273	9.54%	2,767,782	17.35%	2,571,791	11.13%	195,991	341.80%
1990	13,818,637	25.49%	10,844,717	25.32%	2,973,920	26.09%	2,760,227	19.27%	213,693	381.70%
1993	14,305,658	29.91%	11,189,088	29.30%	3,116,570	32.13%	2,889,752	24.87%	226,818	411.29%

Source: U.S. Department of Education, NCES, "Fall Enrollment in College and Universities," and IPEDS, "Fall Enrollment" surveys.

Table 7: Enrollment at historically black colleges and universities: 1980, 1988, and 1993

	Total Enrollment	Black Men Enrolled	Black Men as a Percent of Total Enrollment	Black Women Enrolled	Black Women as a Percent of Total Enrollment
1980	233,557	81,818	35.03%	109,171	46.74%
1988	239,755	78,268	32.64%	115,883	48.33%
1993	282,856	93,110	32.92%	138.088	48.82%

Source: U.S. Department of Education, NCES, "Fall Enrollment in Institutions of Higher Education," and IPEDS, "Fall Enrollment," Completions," surveys.

Table 6: Total fall enrollment in institutions of higher education, by level of study and race/ethnicity of student: 1976 to 1993

Level of Study	1976	Percent	1980	Percent	1984	Percent	1988	Percent	1990	Percent	1991	Percent	1992	Percent	1993	Percent	Change from 1976 to 1993
								(number, in thousands)									
Total Undergraduate	9,419		10,469		10,611		11,304		11,959		12,439		12,537		12,324		30.84%
2-Year	3,879	41.18%	4,521	43.19%	4,527	42.66%	4,868	43.06%	5,240	43.82%	5,652	45.44%	5,722	45.65%	5,566	45.16%	43.48%
4-year	5,540	58.82%	5,948	56.81%	6,084	57.34%	6,436	56.94%	6,719	56.18%	6,788	54.56%	6,814	54.35%	6,758	54.84%	21.99%
Total Whites	7,741		8,481		8,484		8,907		9,273		9,508		9,387		9,103		17.60%
2-year	3,077	39.75%	3,558.5	41.96%	3,514.3	41.42%	3,701.5	41.56%	3,954.3	42.65%	4,198.8	44.16%	4,131.2	44.01%	3,960.6	43.51%	28.71%
4-year	4,663	60.25%	4,922.1	58.04%	4,969.7	58.58%	5,205.2	58.44%	5,318.2	57.35%	5,309.0	55.84%	5,255.6	55.99%	5,142.4	56.49%	10.27%
Total Black, non-Hispanics	943		1,019		995		1,039		1,147		1,229		1,280		1,288		36.58%
2-year	429	45.51%	472.5	46.37%	458.7	46.11%	473.3	45.56%	524.3	45.70%	577.6	46.99%	601.6	46.99%	599.0	46.49%	39.53%
4-year	514	54.49%	546.4	53.63%	536.2	53.89%	565.5	54.44%	623.0	54.30%	651.7	53.01%	678.8	53.01%	689.4	53.51%	34.12%
Total Hispanics	353		433		495		631		725		804		888		918		160.10%
2-year	210	59.56%	255.1	58.90%	288.8	58.32%	383.9	60.89%	424.2	58.55%	483.7	60.14%	545.0	61.39%	556.8	60.66%	164.89%
4-year	143	40.44%	178.0	41.10%	206.4	41.68%	246.6	39.11%	300.3	41.45%	320.6	39.86%	342.7	38.61%	361.1	39.34%	153.05%
Total Asians or Pacific Islanders	169		249		343		437		501		559		613		634		274.42%
2-year	79	46.78%	124.3	49.98%	167.1	48.70%	199.3	45.65%	215.2	43.00%	255.7	45.76%	289.5	47.23%	295.0	46.54%	272.47%
4-year	90	53.22%	124.4	50.02%	176.0	51.30%	237.3	54.35%	285.3	57.00%	303.1	54.24%	323.4	52.77%	338.9	53.46%	276.14%
Total American Indians/Alaskan Natives	70		78		78		86		96		106		111		113		61.46%
2-year	41	59.03%	47.0	60.33%	45.5	58.48%	50.4	58.74%	54.9	57.49%	62.6	59.17%	64.4	58.12%	63.2	56.08%	53.40%
4-year	29	40.97%	30.9	39.67%	32.3	41.52%	35.4	41.26%	40.6	42.51%	43.2	40.83%	46.4	41.88%	49.5	43.92%	73.08%
Total Non-resident Aliens	143		210		216		205		219		234		258		268		[illegible]22%
2-year	42	29.47%	64.1	30.54%	52.5	24.32%	59.6	29.07%	67.1	30.68%	73.5	31.48%	90.6	35.14%	91.2	34.02%	116.11%
4-year	101	70.53%	145.8	69.46%	163.4	75.68%	145.4	70.93%	151.6	69.32%	160.0	68.52%	167.2	64.86%	176.9	65.98%	75.15%

Source: U.S. Department of Education, NCES, "Fall Enrollment in Colleges and Universities,: and IPEDS, "Fall Enrollment" surveys.

At the graduate level between 1976 and 1993, Table 9 illustrates that similar to the undergraduate trends, Asian Americans increased by the greatest amount (166 percent), followed by Hispanics (120%), American Indians (43%), African Americans (30%) and Whites (14%). Over the same time period, the non-resident Alien graduate enrollment increased by 151 percent. Table 9 also shows that the growth in professional school enrollment of racial/ethnic groups mirrors the pattern at the graduate level.

Table 10 illustrates the change in various types of financial aid awarded to undergraduate students from 1986 to 1992. The data in Table 10 reveal a rather large decline in the number of African Americans and Asians receiving financial aid of any kind and especially grants (more than a 9 percent decline for each group receiving both financial assistance and grants). This is particularly surprising given that the enrollments of both of these groups have been increasing. It is also alarming because despite the progress African Americans have made in attaining college degrees. Table 11 shows that half as many African Americans 25 years or older have completed four or more years of college as their White counterparts (11 percent compared to 22 percent). At the same time, however, Table 11 shows that 40 percent of Asian Americans 25 years or older have completed four or more years of college. This suggests that the decline in African American and Asian participation in financial aid programs may be explained by different factors, but the data needed to explain the declining participation for each of the two groups are not presently available. This points to the fact that more needs to be known about the characteristics of the people (students) who are represented by the enrollment trends in order to interpret the meaning of the trends.

Table 12 shows that nearly one third of the African American population and families lived below the poverty level in 1994 and this is 5 percent greater than a decade ago. While this cannot be conclusive evidence of the financial need of African American college students, it certainly suggests that the financial needs are likely to be even greater than in the past. Therefore, the participation rate in financial aid programs should be increased in tandem with enrollments, rather than decline. Research is needed to explain the declining participation rate of African Americans in financial aid.

Table 9: Total fall enrollment in institutions of higher education, by level of study and race/ethnicity of student: 1976 to 1993

Level of Study	1976	Percent	1980	Percent	1984	Percent	1988	Percent	1990	Percent	1991	Percent	1992	Percent	1993	Percent	Change from 1976 to 1993
								[number, in thousands]									
Graduate	1,323		1,341		1,344		1,472		1,586		1,639		1,669		1,689		27.74%
White, non-Hispanic	1,116	84.36%	1,105	82.38%	1,087	80.92%	1,153	78.35%	1,228	77.44%	1,258	76.75%	1,267	75.95%	1,275	75.47%	14.28%
Black, non-Hispanic	79	5.94%	75	5.60%	67	5.02%	77	5.20%	84	5.29%	89	5.42%	94	5.63%	102	6.02%	29.55%
Hispanic	26	2.00%	32	2.39%	32	2.36%	40	2.68%	47	2.98%	51	3.11%	55	3.31%	58	3.45%	120.45%
Asian or Pacific Islander	25	1.85%	32	2.36%	37	2.76%	46	3.10%	53	3.35%	58	3.51%	62	3.69%	65	3.86%	166.12%
American Indian/Alaskan Native	5	0.39%	5	0.39%	5	0.36%	6	0.38%	6	0.39%	7	0.40%	7	0.42%	7	0.43%	43.14%
Non-resident Alien	72	5.47%	92	6.88%	115	8.58%	151	10.29%	167	10.55%	177	10.80%	184	11.00%	182	10.76%	151.10%
Professional	244		277		279		267		273		281		281		292		19.79%
White, non-Hispanic	220	90.13%	248	89.49%	243	87.40%	223	83.56%	222	81.02%	224	79.86%	221	78.53%	226	77.26%	2.68%
Black, non-Hispanic	11	4.59%	13	4.62%	13	4.81%	14	5.35%	16	5.82%	17	6.13%	18	6.48%	20	6.91%	80.36%
Hispanic	5	1.84%	7	2.35%	8	2.87%	10	3.71%	11	3.91%	11	4.08%	12	4.27%	13	4.38%	184.44%
Asian or Pacific Islander	4	1.68%	6	2.20%	9	3.34%	14	5.39%	19	6.84%	21	7.42%	23	8.01%	25	8.55%	509.76%
American Indian/Alaskan Native	1	0.53%	1	0.29%	1	0.36%	1	0.41%	1	0.40%	1	0.46%	2	0.53%	2	0.58%	30.77%
Non-resident Alien	3	1.27%	3	1.05%	3	1.22%	5	1.76%	5	1.98%	6	2.07%	6	2.21%	7	2.36%	122.58%

Source: U.S. Department of Education, NCES, "Fall Enrollment in Colleges and Universities," and IPEDS, Fall Enrollment" surveys.

Table 10: Percent of undergraduates in the fall of 1986, 1989, 1992 receiving aid by type of aid, average award, and race/ethnicity

	Any Aid				Grants				Loans				Workstudy			
	1986	1989	1992	Change	1986	1989	1992	Change	1986	1989	1992	Change	1986	1989	1992	Change
PERCENT:																
All Undergraduates	45.5	44	41.4	-4.1	37.6	37.2	36.6	-1	24.4	20.4	20.4	-4	6.1	5.4	4.8	-1.3
Race/Ethnicity																
White, non-Hispanic	43.3	41.2	39.9	-3.4	35.1	34.2	32.1	-3	23.6	19.1	20	-3.6	5.6	5.2	4.5	-1.1
Black, non-Hispanic	63.8	61.2	54.1	-9.7	56.6	55.3	47.2	-9.4	35	28.2	26.8	-8.2	9.8	8.4	6.8	-3
Hispanic	47.8	44.2	43	-4.8	41.1	38.7	38.8	-2.3	24	19.9	15.2	-8.8	5.8	5.3	4	-1.8
Asian American	40.5	35.5	30.8	-9.7	36.2	31.2	26.8	-9.4	18.4	14.7	15.3	-3.1	7.6	5.7	5.8	-1.8
American Indian	48.9	51.6	47.8	-1.1	41.2	46.8	42.6	1.4	19.7	16.2	15.4	-4.3	6.8	6.9	4.4	-2.4
AVERAGE AWARD:																
All Undergraduates	$ 3,813	$ 4,732	$ 5,543	$ 1,730	$ 2,630	$ 3,095	$ 3,487	$ 857	$ 2,456	$ 2,764	$ 3,834	$ 1,378	$ 1,077	$ 1,071	$ 1,357	$ 280
Race/Ethnicity																
White, non-Hispanic	$ 3,716	$ 4,597	$ 5,495	$ 1,779	$ 2,525	$ 2,976	$ 3,438	$ 913	$ 2,484	$ 2,783	$ 3,879	$ 1,395	$ 1,044	$ 1,033	$ 1,362	$ 318
Black, non-Hispanic	$ 4,126	$ 5,116	$ 5,738	$ 1,612	$ 2,827	$ 3,433	$ 3,424	$ 597	$ 2,257	$ 2,543	$ 3,619	$ 1,362	$ 1,170	$ 1,143	$ 1,324	$ 154
Hispanic	$ 3,817	$ 5,139	$ 4,960	$ 1,143	$ 2,728	$ 3,388	$ 3,302	$ 574	$ 2,439	$ 2,755	$ 3,655	$ 1,216	$ 1,186	$ 1,252	$ 1,301	$ 115
Asian American	$ 4,374	$ 5,614	$ 6,454	$ 2,080	$ 3,280	$ 3,836	$ 4,569	$ 1,289	$ 2,478	$ 2,915	$ 3,827	$ 1,349	$ 1,206	$ 1,296	$ 1,542	$ 336
American Indian	$ 4,201	$ 6,299	$ 5,072	$ 871	$ 3,299	$ 3,921	$ 3,181	$ (118)	$ 2,762	$ 3,361	$ 3,568	$ 806	–	$ 1,182	–	N.A.

Source: U.S. Department of Education, NCES, National Postsecondary Student Aid Survey, 1986, 1989, 1993.

Table 11: Percent of persons 25 years old and over who completed 4 years of college or more by race and ethnicity: 1960 to 1990

Year	Total	White	Black	Asian and Pacific Islander	Hispanic
1960	7.7	8.1	3.1	N.A.	N.A.
1970	10.7	11.3	4.4	N.A.	4.5
1980	16.2	17.1	8.4	N.A.	7.6
1990	21.3	22	11.3	39.9	9.2

Source: U.S. Bureau of the Census, U.S. Census of Population, U.S. Summary, PC80-1-C1 and Current Population Reports P20-455, P20-459, P20-462, P20-465RV, P-20-475; and unpublished data.
Note: Total includes other races, not shown separately.
Note: Persons of Hispanic origin may be of any race.

Table 12: Economic Characteristics of White and Black Populations: 1980 to 1994

	White			Black		
	1980	1990	1994	1980	1990	1994
	[number (1,000)]					
Total Persons	**191,905**	**206,983**	**215,221**	**26,033**	**30,392**	**33,040**
Total Families	**52,243**	**56,590**	**57,870**	**6,185**	**7,470**	**7,989**
Less than $5,000	908	1,188	1,432	405	665	856
$5,000 to $9,999	2,110	2,264	2,765	872	964	1,205
$10,000 to $14,999	3,097	3,339	3,818	787	896	911
$15,000 to $24,999	7,906	7,923	8,756	1,326	1,389	1,485
$25,000 to $34,999	7,963	8,262	8,719	871	1,031	1,093
$35,000 to $49,000	12,244	11,318	10,865	972	1,091	1,035
$50,000 or more	18,015	22,296	21,515	952	1,434	1,404
Median income (dol.)	39,911	41,922	39,308	22,601	23,550	21,548
Families below poverty level	3,581	4,409	5,452	1,722	2,077	2,499
Percent of total families	6.85%	7.79%	9.42%	27.84%	27.80%	31.28%
Persons below poverty level	17,214	20,785	26,226	8,050	9,302	10,877
Percent of total persons	8.97%	10.04%	12.19%	30.92%	30.61%	32.92%

Source: U.S. Bureau of the Census, Current Population Reports, P20-480, and earlier reports: P-60-188; and unpublished data.

The higher education enrollment trends presented in this paper lead to six general conclusions:

1. Student demand for postsecondary education is increasing.

2. Even when general population trends and the trends in the number of high school graduates are in decline, the demand to enroll in college continues to increase.

3. Although the rates of enrollment increase vary by type of institution, the increases in student enrollment are apparent at all types of colleges and universities including two-year, four-year, proprietary, and historically black colleges and universities.

4. Even though community colleges and proprietary institutions are experiencing the most substantial enrollment growth, four year institutions continue to be the most popular choice of the majority of college students.

5. While the enrollment of all major racial groups in the U.S. have been increasing, the growth of Hispanics, and Asians are especially noteworthy for more than doubling during the past decade.

6. More data and research are needed in order to assess the following:

- the influence of various types and amounts of student assistance toward expanding student choices of colleges to attend;
- the decline in African American and Asian participation in student aid programs;
- student persistence to degree completion.

This concludes my formal remarks on the topic of enrollments this morning. There are many other questions that could be raised about enrollments for which we will need to generate a different array of analyses than what I have brought before you this morning. At some point, we should discuss the degree productivity of the nation's colleges and universities. Data and information about degrees will resemble in some respects the patterns that we observed about enrollments, but there will also be some differences. Among the most notable will be the dramatic changes that have occurred in the distribution of people in the country receiving graduate and professional degrees. I would like to suggest that over the course of these deliberation during the next year that the committee focus much of its attention upon providing opportunities for more of the nation's qualified students to pursue undergraduate education as well as graduate and professional education. This continues to be an investment in our nation that yields great social benefit for us all. Thank you very much, Mr. Chair and members of the committee for this opportunity that you have given me to address you this morning.

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Chairman McKEON. Mr. Rutter.

STATEMENT OF THOMAS M. RUTTER, DIRECTOR OF FINANCIAL AID, SENIOR DIRECTOR OF ENROLLMENT SERVICES, SAN FRANCISCO STATE UNIVERSITY

Mr. RUTTER. Mr. Chairman and Members, thank you for inviting me out to Washington and the beautiful weather you have out here. It's better than California, by the way.

I have a short presentation, and I have submitted my testimony for the record.

My name is Tom Rutter. I have spent 24 years in serving in financial aid in three different institutions, University of California, two campuses, and now at San Francisco State University. I've also been advisor on various panels and participated in professional organizations, so I'm familiar with coming to Washington.

At San Francisco State, we have 27,000 students on one campus, about 15,000 of those students are on financial aid, so we have a big program. Last year, it was $93 million on one campus. About $10 million of that were institutional funds. This is the question that had come up about public schools, well, we are a public school and we do commit about $10 million now to supporting our students with grant money.

Our fees are only about $2,000 a year, and the total cost of education, with room and board, and all the different components, are about $12,000. So, our fees are low but because we are in a relatively high-cost area the total cost of education is quite high compared to other schools with that level of fee.

Over 88 percent of our students repay their loans. This is always a question when I'm on the airplane, someone says, what do you do for a living? I say I give away money, then I correct it and say, no, I lend money, and they say all those students are defaulting. Well, they aren't. In actuality, most students, a vast majority of students, are repaying their loans, and our experience is very good in that area.

We have a distinguished faculty at San Francisco State University. Most recently, Geoffrey March discovered three new planets outside of our solar system, with the hope of life and water out there renewed, so we are very excited about that. And, we have a famous alum now, Mayor Willie Brown went to San Francisco State.

I did provide 150 copies of my testimony and a packet of handout materials, and I won't go through those at all, but one of the publications was provided by the Department of Education, thank you, and others from our campus, and an application for financial aid in case you hadn't seen one of those, that's in there.

My first topic is the role of the financial aid administrator. This is one of the problems that take in a fairly complicated issue and making it simple, so I tried to do that for you. I consider, from my experience, the financial aid director to having one of the most complex roles at an institution of higher education, or community college, or any of the segments, proprietary school as well. It's a difficult position, because it involves marketing, we are involved in the recruitment of students and financing of students from that end. As finance people, I'm managing a $93 million program, that's fairly significant, and in-depth counseling of families and students.

So, what we call this is, we have the people side and the paper side of life. The Counseling Center is primarily counseling, and maybe accounting is primarily accounting, in financial aid we have to do all of those, so it makes things pretty complicated.

I've been audited four times in the last 15 months by four different audit agencies, so I have to be good at managing audits, we all do. We have to be good at processing large amounts of paper and computer files, so our role becomes a manager. Twenty-seven thousand people have sent their files to San Francisco State University, so we have huge numbers of applications.

We are a service organization. We must organize our offices to be service organizations, and take care of people who are often in desperate need, sometimes very desperate need, that come into the offices.

We have to train. We are a training organization. We train our staff, we train the other staff that go out, and we actually train the students, because we teach them how to apply for financial aid.

And, we develop computer systems in order to handle all this. So, the role of the financial aid administrator is fairly complicated, quite diverse and touches on many different parts of the campus.

My second topic is how we serve students, and it begins with the information dissemination process. A nice booklet, like the Department of Education booklet, and ones we supplement. We use those with junior high students, we actually go into junior highs, sometimes even younger than that, talk to students, talk to parents about financing higher education. We go into high schools, the intensity—the students usually don't get too excited about the financing of higher education until about the 11th and 12th grade, and then suddenly they go, how am I going to pay for this, and then the parents come in and it gets very intense for them.

We work with community colleges and we go out in the community, because many of our students, especially at San Francisco State, are non-traditional students. They are not coming from high school, they are 21 years old. They've already been working, they are out there in the community somewhere, they are coming back to school for a variety of reasons, so we do that.

We distribute the applications that are produced by the Department of Education, and at San Francisco State we mail those out to our entering students, so we make sure they have them. We distribute it to the public. Anyone that comes out wanting to attend any school in the United States, we give them an application.

We collect forms from students. This might not be an interesting activity, but it's a very large activity, because we have to collect a lot of different forms from students. So, we are dealing with paper and when our mail comes in we distribute it and analyze it and organize that.

We do verification of the information as required by the law, we do at least 30 percent verification. That means we go in, we have an application from a student, and then we require further documentation to verify that. It's, in essence, an audit, and we collect the 1040s, the IRS forms from the families, and we use that.

We package financial aid. I'm going to talk about that a little bit more. We do appeals. A lot of people come in to our office because they don't like the financial aid package they got, to be honest about it. Too many loans, not enough money, we are expecting too much from the parents, their circumstances have changed, so they come in to appeal to us. And, we do a lot of counseling.

My third topic is packaging. What is packaging? This is one of those buzz words in financial aid, people always talk about packaging. It sounds like, you know, we are Federal Express or something, but we're not. What we do is, we assign a variety of different funds to a student to meet their need. The reason we have to package multiple funding is because we don't have a single fund that is enough to meet the student's need. So, for instance, the Pell Grant, which is a very good program, has been very effective as the floor of financial aid, is not adequate to meet the student's need typically. So, we add something else on it, maybe we'll add a State grant, maybe we'll add an institutional grant, maybe we'll add an SEOG grant, Federal SEOG, and then we'll add the loans to balance out the package. So, that's what packaging is about.

Some institutions package the opposite direction, by the way, after the Pell Grant they package loans and then they package grants, so it depends on the institution.

We try to give the students the best possible package. Best, from our definition, is the most amount of grants, the least amount of loans, and that's been more and more difficult in recent years.

We target students with packaging. What does that mean? Well, entering students, typically, will be targeted with a specific entering student package, and it might be more grant money for an entering student because they are more at risk. We don't want them to come, get in debt, and then drop out of school. Those are where the defaults happen quite often. And, we have to comply with the requirements of each of the programs in the package. A freshman coming to school gets a 26/25 loan, that's the maximum, we can't give anymore, so we are obliged to follow those regulations.

And then, we monitor our expenditures very carefully, and as we run out of funds in one area or another, we change our packaging. For instance, a late applicant might get a very different package, a much higher loan package, typically, then would an on-time applicant. So, there are many revisions to packages for students, too.

The Chairman asked me also to speak on key institutional factors in financial aid. Well, we talked about the cost of education, that was first on my list. Cost of education is very critical. When it's stable, and as I said I've been doing this for 24 years so I've watched it, especially in California public schools, it was stable for a long time, growing primarily in the non-fee areas, and then the State of California ran into some economic difficulty and pulled funds back from the public universities and suddenly the fees took off. And, it changed the environment dramatically, and that's where the loans took off and it became a very different world. We became almost like public/privates. As I say, we were like the privates were 10 years before, we have the fees they had and we have the problems of financing before.

We have to worry about the enrollment. What size the enrollment is, how much the needy students are, what's the available funds? These are institutional things we are considering, what the prior year experience was. I base a great deal of next year upon last year. What happened, did we meet their needs? Did we run out of money too early? Did we give them too much loan? Did we handle specific groups of students well or not? Then, looking at that we roll forward with our policies and our packages.

And, we have to evaluate what the support is from the State. Almost all institutions, at least in California, almost all institutions get some form of State aid, be that direct State aid, in terms of grants, or subsidies, as we have at the State university, but most of the private schools all receive quite a bit of State grant.

The campus philosophy is very important, and the age of the student body. We talked about independent students. Well, if a large number of students are independent, either graduate or older students, then that changes what money we have available for them.

We talked about campus financial aid a little bit, and campus-based aid is a term that usually applies to the three campus-based Federal programs. The Federal SEOG grant program, the Federal work study program, and the Federal Perkins loan program. These are three Federal programs that are campus-based as opposed, for instance, to the Pell Grant program, which is not campus-based, centrally-based. These programs have had considerable review, in terms of some administrations or another wanting to get rid of them. Actually, it's happened quite often over the years, and I would like to speak in favor of the campus-based programs. Those three, as other colleagues have said to me as recently as today, we have to be very careful not to lose these programs. They are the flexibility, even though they are relatively small, they are the flexibility we need to meet our students' needs.

The work study program itself, which has been level funded for a long time, or maybe even lost funds, is considered by many people to be the best financial aid program that we have, and yet, the support has not been there to agree with that. The reason why it's the best is because many of our students have no experience working. They get work experience, it avoids further debt, and it's a subsidized program for them to work, so it works out very well. Many employers want them.

In terms of campus-based aid that the campuses generate, we have a term in California that's not used elsewhere, but it's called return to aid. One of the things that the committee may not be aware of is, a lot of the money that goes into student aid that's institutional money is actually part of the fee money or tuition money paid by the other students. So, it's money that's sort of recirculated from tuition and fees back into funding needy students, which has a lot to do with the cost of education, by the way, another one of those.

So, and that's true in private schools as well as in public schools.

Another topic I was going to hit on is professional judgment, commonly called as PJ in financial aid, it's one of those other buzz words. The financial aid community is very supportive of having professional judgment. We encounter individual personal circumstances that are as unique as every person in this country. We have people who are having domestic violence, divorce, unemployment, and many, many personal circumstances that don't allow the formula-based system to meet their needs. That is why these programs work very well, because on the local level the financial aid administrator can meet the needs of the student and their family.

So, professional judgment, which was actually incorporated into the law, is an excellent tool for us to make national programs effective at the local level. That's an important one.

My last couple comments are just to list some national issues that from my perspective are out there. The first one was the grant loan imbalance, two thirds of our aid are loans now in a public institution. I think that's pretty easy to see that's not a good balance. There's a considerable debate about the need analysis system, that is, the congressional-controlled system for determining family contribution, and there's considerable debate in the higher education community, particularly the financial community, about that system and whether it's effective or not. The ongoing debate about the PELL and direct loans, I think that will be very intense in the near future, and reauthorization will add to that. The processing delays that we experienced, and it's fair to note that we're catching up now, but we did have significant processing delays.

In conclusion, I have one important message I want to make sure you hear from me, and that is that the financial aid programs are working very well. They are difficult, they are complex, people's eyes glaze over when you start talking about need analysis, packaging, funding and everything. But, the real thing that happens is when a student walks across that counter, or to our desk, and they are able to go and be educated. They came from families where that would have never been possible without financial aid's help.

So, what you do and what all of us do together is extremely important. I hope we would always remember that, remember those students and those families.

Thank you.

[The prepared statement of Mr. Rutter follows:]

STATEMENT OF THOMAS M. RUTTER

Honorable Chairman Mr. McKeon and Distinguished Members of the US House of Representatives, Subcommittee on Postsecondary Education, Training and Life-Long Learning.

Thank you for the opportunity to speak before your committee this afternoon. I have submitted 150 packets of my testimony and attachments for your further reference.

By way of introduction, I offer three profiles; one of myself, one of San Francisco State University and one of our financial aid programs.

Personal Profile

I have 24 years of campus service in the field of student financial aid. I am currently the San Francisco State University (SFSU) Director of Financial Aid. I am in my second year in this position. I have recently also been appointed as the SFSU Senior Director of Enrollment Services responsible for Admissions, Registration, Outreach, Financial Aid and the Educational Opportunity Program.

For the previous 21 years, I served as the Financial Aid Director at the University of California, San Diego and for two years before San Diego I was the Associate Director at University of California, Davis. As an advisor, I have worked with all the segments of higher education including private universities, community colleges and proprietary schools.

I have held the professional leadership position of President of the Western Association of Student Financial Aid Administrators (WASFAA) and two terms as the Vice President of that organization. I served as a board member of the National Association of Student Financial Aid Administrators (NASFAA) for three terms. In

1980, I participated with a small group of financial aid administrators to develop ideas for the Reauthorization of the Higher Education Act for Senator Pell.

During my career, I have been responsible for awarding approximately $1 billion in student aid to hundreds of thousands of students.

My educational background includes an MBA and an undergraduate degree in business. Previous to financial aid, I was a teacher and served in the US Peace Corps in Malaysia.

SFSU Institutional Profile

Founded as a "State Normal School" in 1899, today San Francisco State University is one of the most diverse schools in the nation. For the past several years, the university has consistently ranked among the top five universities in the U.S. in graduating under represented students with bachelors degrees. We offer undergraduate and Masters levels programs to our nearly 27,000 students. Top majors include Business Administration, Psychology, Biology, English, Film, Radio and TV and Art.

While our faculty are teachers first, they are award-winners, grant-getters and discoverers. Professor Geoffrey Marcy and his colleague and SFSU alum Paul Butler recently announced the third planet they've discovered outside our solar system, raising new questions of life beyond Earth. MacArthur "genus" and engineering professor Ralph Hotchkiss has attracted world-wide attention for his empowerment of disabled people around the world by teaching them to build their own low cost wheelchairs using local materials. Anthropology professor Phillipe Bourgois is making waves with his new book on the urban crack cocaine culture.

Notable SFSU alumni include the new mayor of San Francisco, Willie Brown; actress Annette Bening, conductor Kent Nagano and Congressman Ron Dellums, to name only a few.

SFSU is part of the 22 campus California State University system which enrolls over 230,000 students and we are the largest senior higher education institution in the United States.

SFSU Student Financial Aid Profile

SFSU receives over 27,000 applications for financial aid each year using the Free Application for Federal Student Aid (FAFSA) or the renewal if they have applied in previous years.

When the school selection process is over and the evaluations of the financial aid applications are complete, over 15,000 students are actually awarded each year. SFSU students received approximately $93 million in financial aid in 1995-96.

Grants from a variety of sources made up $31 million of this total. These funds do not have to be repaid. The three loan programs totaled $60 million. Work-study was only $1.8 million.

While student debt has increased dramatically, over 88.8 percent of SFSU students who have borrowed student loans in the past have repaid or are repaying their loans on time.

The SFSU cost of education for a California resident is $12,382. This includes $2,000 in fees. The remainder is room and board, books and supplies, transportation and personal expenses.

Role of the Financial Aid Administrator

The role of the campus financial aid administrator is one of the most diverse and demanding on the college campus. Because of the high volume of applications and the importance of timely awarding, the aid administrator must be an effective production manager.

Because of the quantity and complexity of the various state, federal, institutional and private aid programs, the aid administrator must be a capable program administrator. Parents and students must reveal to the aid administrator the most intimate facts about their lives requiring sensitive counseling skills. Managing millions of dollars requires the abilities of an accountant and an auditor. Projecting funding requirements demands skills in statistical analysis and fund management. Because these programs are regulated by the federal and state governments, the aid administrator must be the agent for these entities and assure compliance with the governing regulations. The aid programs are highly computerized which requires the ability to manage and operate computers. The aid administrator is a student advocate, working to assure the best service for their students. Because financial aid is key to the admissions decisions to most students, the financial aid administrator is an information specialist, explaining the intricacies of education, finance and the financial aid programs.

Few other campus offices are subject to as many audits, administer as much money or have as much impact on the success or failure of students as the financial aid office. Few offices can threaten the well being of an institution of higher education as much as the financial aid office. Few offices provide support to as many students.

Serving Students

The financial aid office serves students in the following ways:

1. Provide financial aid application and eligibility information to junior high, high school and community college students and their parents.
2. Distribute financial aid applications to students and parents.
3. Collect supporting documents such as the family's IRS forms.
4. Verify at least 30 percent of the student applications which have been selected by the federal processor to assure application information is correct. Adjust expected family contributions and awards as necessary.
5. Package awards to students of the various aid types according to a equitable formula. Send award letters and promissory notes.
6. Evaluate and decide on solutions for special circumstances and appeals from students and their parents.
7. Monitor students' academic progress, unit load, prior debt, holds, defaults and academic performance.
8. Provide personal counseling to students and parents regarding their finances and relative family circumstances.
9. Provide workshops and publications to assist students in completing the student aid application process.
10. Refer students to other offices such as housing.

How We Package Financial Aid

"Packaging" is the process of establishing a student's eligibility for specific financial aid grant, loan and work programs. Students are offered a package of grants, loans and work because there is insufficient grant aid to meet all the students' eligibility or "need." The first step in packaging is to establish award policies which award limited grant funds to a large number of students. Once grant funds are assigned, loan and work funds are used to meet the students' remaining need.

Packaging policies often prioritize grant eligibility for students with specific characteristics. Often, grant eligibility increases as family available resources decrease. Frequently, grant funding is larger for entering students and is reduced as a student progresses through their education. Packages for late applications are usually less desirable than those for on-time students.

In order to prepare for packaging each year, the aid administrator must complete numerous planning steps. He/she must review prior year spending patterns to determine if goals have been met and if adjustments are required for the next year. Were all the funds disbursed? Did spending exceed projections? Were targeted students served according to plans? Who was not served well? Has the institutional emphasis changed and are we keeping up with these changes?

If the cost of education increases rapidly, will there be an adequate increase in grant funds? If not, how will the "gap" be funded? What students will suffer from packaging changes and how can their difficulties be reduced?

Increased educational costs result in increases in the demand for financial aid. When grant funds are not sufficient to meet increased need, students are packaged with additional loan funds and student debt grows.

Available funds must be determined or projected prior to packaging. Student awarding must often precede the official allocations of funds from the state and federal governments and the institution. Preliminary student awards are often made early and may be adjusted later when actual funding is known. Many institutions use income from tuition and fees to fund their financial aid programs. This "return to aid" process creates grant funds for student packages.

Enrollment projections determine the number of students attending the campus. Based on prior years experience, the aid administrator projects how many students will require financial aid support.

Campus Based Aid

The three financial aid programs that are called "campus based" are the Federal Supplemental Educational Opportunity Grant (SEOG), the Federal Perkins Loan and the Federal Work Study programs. These federally funded programs are called "campus based" because the funds are allocated to the campuses and award eligibility is campus determined.

The Federal Supplemental Educational Opportunity Grants are awarded to low income students. As grants, these funds do not have to be repaid. Funding is relatively low compared to Pell Grants or institutional funds.

Each campus has the collection responsibilities for the Perkins Loans they provided to their students. The campus uses collection revenue to lend to current year students. Perkins loans have a low interest rate of 5 percent without a guarantee fee.

The Federal Work Study program uses federal funds to supplement wages for students to work on and off the campus. Considered by many aid administrators the best student aid program because of the valuable work experience gained by students and reduced student debt when compared to student loans. Work Study is grossly under funded and under emphasized in the federal student aid plan.

The three campus based federal programs are targeted carefully to students with high need and exceptional circumstances. Funding is limited for these programs. At SFSU, the campus based programs total \$5.1 million while the entire student aid program exceeds \$93 million. However, because of the flexibility of these programs, they provide help to needy students who do not meet the stricter, national criteria of the other aid programs.

The larger federal student aid programs are the Stafford and PLUS loans and the Pell Grants. The Stafford and PLUS loan programs may be funded by private banks or federally funded through direct loans. Of the \$93 million of student aid at SFSU, \$60 million is in Stafford Loans, the largest aid program, and almost \$1 million is in PLUS loans. Interest rates for Stafford loans are variable with a cap of 8.25 percent. PLUS loans have a variable interest rate with a 9 percent cap.

The Federal Pell Grant program is the nation's largest grant program. SFSU provided \$12 million of the \$93 million total aid program in Pell Grants this year.

Institutional Factors

The key institutional factors relative to the financial aid process are:

1. The institution's Cost of Education.
2. The size of the institution and the number and percentage of needy students.
3. The availability of funds and the mix of grants and loans.
4. If the institution is publicly or privately funded.
5. The level of state support for the institution.
6. The academic programs.
7. The campus philosophy regarding needy students.
8. The level of endowment and alumni support for students.
9. The opportunity for students to work on and off campus.

Professional Judgment

Professional Judgment or "PJ" as aid administrators call it, is the use of the aid administrators judgment to make individual student exceptions to the rules and regulations governing the student aid programs. This authority is given to the aid administrator in the Higher Education Act, Section 49A(a).

Using professional judgment, the aid administrator determines their response to student's and parent's unique circumstances. Students and parents appeal to the financial aid office for exceptions to policy and procedures. The aid administrator requires documentation to support the appeal.

Examples of professional judgment appeals include decreasing the expected parental contribution due complex family circumstances such as changing marital status, modifying the student's satisfactory academic progress requirement due to changing major, or specific issues regarding the income or assets of the student or parents such as loss of job.

A vast majority of students do not require the use of PJ. Most students apply, are awarded and do not need special attention. However, those who do appeal and who have special circumstances, involve complex counseling and analysis.

Professional Judgment is the key to the successful implementation of national programs on a local level. It makes the federal financial aid programs effective in supporting higher education for the nation's youth.

Major National Issues in Financial Aid

The most pressing issue in student aid in the 1990s is insufficient grant funding and increased student debt. There has been a dramatic increase in student debt over the past 5 or 6 years and the impact on our society and individual Americans has not been assessed.

The need analysis process which determines the expected family contribution is being intensely debated. The federal government determines the methodology to calculate family contributions for federal, most state and most public school aid. A group of aid administrators believe the federal system does not sufficiently determine a family's ability to contribute to the student's cost of education and wish to change the need analysis methodology to include such items as the equity in the family's primary residence. Other fundamental changes are being sought by these aid administrators.

The conflict over the Federal Stafford Loan program is a debate over who should provide the capital for loans and who should run the loan programs, private lending institutions with secondary market companies such as Sallie Mae or, the federal government with government contractors. The Federal Family Education Loan (FFEL) is the bank program for Stafford Loans and the William D. Ford Federal Direct Loan (direct loans) is the federal government's program. Many proposals have been made to eliminate one or the other of these programs or to limit these programs to a specific percentage of the nation's loan volume.

Reauthorization of the federal student aid Higher Education Act is beginning. This process will bring all aspects of the federal student aid programs into debate and review. The interested parties such as the lending institutions, secondary markets and guarantee agencies as well as the supporters of the direct loan program will be advocating for their position.

Processing delays of the 1996-97 award year have caused a great deal of concern at the campus level. Financial aid application processing by the federal contractor is significantly behind last year. Awards have been delayed at many colleges. Students and parents do not know the level of support they can count on when attending school this fall.

Conclusion

Thank you for the opportunity to introduce you to the world of student financial aid. Though financial aid is complex and various aspects are the subject of intense debates, you may be confident that millions of students in this country are benefiting from the student aid programs. Most of these students are completing their degree objectives, finding employment and repaying their student loans. They have become productive citizens of this country and their success is often due to the opportunity provided to them through student financial aid.

List of Attachments

I have provided a set of attachments for your review and information. The attachments are:

1. A SFSU Financial Aid information brochure.
2. The federal government publication, The Student Aid Guide.
3. A Free Application for Federal Student Aid with SFSU "wrap around."
4. A SFSU 1996-97 Offer Letter Guide.
5. A SFSU 1996-97 Financial Aid Offer.
6. A William D. Ford Federal Direct Student Loan Program loan packet.
7. A SFSU Financial Aid Account Statement and Check.

Chairman MCKEON. Thank you very much.

Ms. Woolsey.

Ms. WOOLSEY. Well, thank you, Mr. Chairman.

I'm sorry I wasn't here to give my opening statement, but I want to tell you that I think this has been one of the most interesting hearings I've attended as a Member of the House of Representatives.

I have so many questions that I'm going to probably just talk instead of ask questions. But, I would like to make a suggestion. Each one of the gentlemen and Ms. Schenet should be a panel of their own. I mean, each time they talked I learned that I knew very little, and there was more for us to get into on every one of these issues and these questions.

So, I ask you to work with me and the next Congress, as we go along, and before we do our reauthorization, let's get below the surface and bring in panels of people on each one of these questions, because you've been excellent and it's been very wonderful.

Mr. Rutter, two of my children graduated from San Francisco State.

Mr. RUTTER. Wonderful.

Ms. WOOLSEY. They have a different last name than I do, so you wouldn't know them, but you also wouldn't know them because they were fortunate enough not to need a grant or a student loan. But I really do believe if they were in school now and its just been six years since the last one graduated, they probably would, and that's how things have changed that quickly.

Mr. RUTTER. They have.

Ms. WOOLSEY. I consider my own education to be one of my most important assets. A lot of you know this, but I'm going to say it again. Twenty eight years ago I was a divorced working mother and I had three small children. They were one, three and five years old. We were without child support, and even though I was working I was on aid for dependent children, so that I could make up the difference in the child care and the health care and the food that they needed.

But, I always knew that I would be able to get off of welfare because I had good work experience, my children and I were healthy, and I was assertive. You know that. But, most importantly, I had an education. My experience with the welfare system serves as my foundation, actually, for my commitment to higher education.

I see education as the key to many, many of the problems we face in this Nation, because with a good education more families will be able to leave welfare, leave welfare for good. And, for heaven's sake, we'd prevent families from going on welfare in the first place.

With an education beyond high school, more American workers will be prepared for high-tech, high-skilled, high-wage jobs of the future. Higher education means jobs that pay a liveable wage, and that means safer, saner communities.

The problem is that higher education is becoming less and less available, as we've heard today, to average Americans. I don't know how many of you have seen this week's Newsweek magazine, or if you've read the series on the costs of education? Mr. Chairman, I'd like to ask unanimous consent to allow this article to be included in the record for today. On the cover it reads, "$1,000 a Week, the Scary Costs of College." Well, who is going to be able to afford that?

The articles inside describe students and their families who are afraid they won't be able to afford to pay for higher education, so they are not even making the effort to prepare themselves to go forward. Or, there are families like one mentioned in this article, which is counting on winning the lottery before their daughter begins college. Well, we all know that's not going to work, that's ridiculous.

So, Mr. Chairman, I look forward to working with you. I look forward to hearing each one of these panel members and witnesses over and over again in the next year before we reauthorize the Higher Education Act. I think we should start right now planning for what we are going to be doing next year, and to make sure that we can have education available for every American.

I have a little bit of time left, so I'm going to ask you, if you would, what would be your advice to families who want their children to go to children, what's the most important thing for them to be doing?

Mr. RUTTER. Don't give up hope.

Ms. WOOLSEY. Don't give up hope.

Doctor Nettles?

Mr. NETTLES. Plan early, don't be wavered from your direction. That is, even if you think it's too costly, that it probably is a worthwhile investment. The payoffs at the end are great, so I would be encouraging.

Ms. WOOLSEY. Ms. Schenet?

Ms. SCHENET. Well, I think my testimony illustrates that there are a variety of choices, and that people have to look at the choices that are available to them and make a decision about the kind of enrollment that they think is appropriate.

Ms. WOOLSEY. Mr. Childers?

Mr. CHILDERS. Academically prepare, take the high level high school courses that will prepare you for a successful high school graduation and enable you to succeed in college. Financing is important, but unless you are focused on that and want to prepare yourself, you are not going to have the greatest chances of succeeding. So, I'd say preparation academically as well as financially is vital.

Ms. WOOLSEY. Good, thank you.

Mr. Secretary?

Mr. LONGANECKER. I'd almost say all of the above. What I'd say is, plan early if you don't plan late, because, you know, the best time to plant a tree is 30 years ago, the second best is now. I think people shouldn't give up, they should plan. I mean, if families have a child today they ought to be trying to save for that child's education. If they didn't do that, and their child is going to college next year, then there is a way to do it, it's not going to be as easy, but it's going to be possible with struggle, and it's certainly worth the investment.

There is no investment that will make—there is no way to get returns on an investment like you will get on investing in education.

Ms. WOOLSEY. Thank you all.

Thank you again, Mr. Chairman.

Chairman MCKEON. Thank you.

Mr. Green?

Mr. GREEN. Thank you, Mr. Chairman.

I don't have any questions, just some comments.

Mr. Childers, not only is our subcommittee interested, but our full committee might also be interested in the numbers you stated in your testimony, and the average SAT score based on the higher level for math. With all the concern we've seen for the last, well, last 20 years, on quality of education and the success of it, we could spend a lot of time talking about what the States are doing, whether it be Goals 2000 or other things.

But, I know that's not the purpose of the hearing, Mr. Chairman. I'm glad you called the hearing because it shows that loans are increasing and grants are either staying constant or decreasing. With the increasing costs of education, the Congress should consider increasing Federal grants which are now a small part of the financial aid package. Mr. Rutter points to this in his testimony.

This Congress we've seen our Majority target student loans in their attempt to balance the budget, even though these costs would have little impact. In the next Congress, we need to consider that grants continue to decrease and the cost of education continues to increase, and the only option available to students are loans.

We've heard this many times, that if we don't make college both affordable and available, then 10 years from now we are going to regret it. This should be an investment issue. The best investment is in your additional education or your children's additional education. I hope that Members will take this from the hearing today, Mr. Chairman.

I just appreciate the chance to be here today.

Chairman MCKEON. Thank you.

This is just the first of many of these hearings. I hope Ms. Woolsey didn't scare you thinking we would ask you to come back many times.

Ms. WOOLSEY. Why not, they are great.

Chairman MCKEON. They are, but I know what it's like flying across the country, and I know you do have a lot of other things. But, we will have other people that will be addressing the same or similar subjects as we focus in on this.

I have a couple of questions. You mentioned in packaging loans there was no mention, or at least I didn't pick it up, of the parent loans. Is this growing?

Mr. RUTTER. The PLUS loan volume is definitely growing nationally, though, in the public institutions it has not really grown too much yet, because our other funds, we package enough of our other funds to meet the need.

But, in the higher-cost institutions, the PLUS volume is growing tremendously. It's in part because of the change of the regulations, and in part because the cost of education has now tripped up all the other programs and what's left is the PLUS volume.

But, it's a very good program, too. It's essential to the package.

Chairman MCKEON. Do you find that the students, when they get up to their maximum, then go to the parents and work out a deal with them, the loan is made to the parents, but many times they are planning the students to repay the loan?

Mr. RUTTER. Yes.

Chairman MCKEON. You said that work study you think is the best of these programs. I would really tend to agree with you on that. I think where people work for what they get, there's more appreciation and they are just happier or realize more what they are getting.

Plus, I think the other side, like you say, they are getting work habits, work experience, along with it. So maybe that's an area that we should really look at to see if in areas where we can plus up, that would, I know, fit my philosophy better than just give away programs.

You said you've had four audits in the last 15 months?

Mr. RUTTER. Yes.

Chairman MCKEON. Is that typical?

Mr. RUTTER. I'd say it's about double typical, but it's painful. We came out of them all well. It's important.

Chairman MCKEON. I'm just wondering if that's really necessary.

Mr. RUTTER. They were not all Federal-based audits, important to point out, because the Federal Government really audits us once a year, that is the standard. And, I believe it is necessary, and though it's not that I enjoy them, but I think it's important to keep track of this money. There's tremendous amounts of money going on.

Chairman MCKEON. I'm a firm believer in keeping track of money, I'm just wondering if sometimes you spend more to keep track of it than what the benefit you are getting out of it. Audits can be very expensive, and if you have four in a 15-month period you are using up a lot of people that could be helping generate student help, rather than just doing something you've already done.

Do you feel, and I'd like all of you to kind of address this, I know I've heard of studies that say that all of the student loans, and the grants, may be one of the things—or may be one of the biggest things in driving the cost of education, do you have any comments on that?

Mr. CHILDERS. Mr. Chairman, I addressed that, not in my oral testimony, but in my written testimony, and on Figure 7, and I would say the history of the last 15 years really doesn't show that conclusion.

At the time of the highest growth of prices in the 1980s and early 1990s, the proportion of Federal student aid as a part of that was declining, so they were not in parallel, they were not in a direct relationship. As a matter of fact, it was an inverse relationship. So, I do not think you can conclude that student aid is driving or allowing institutions to increase their tuition.

Chairman MCKEON. Any other comments? Doctor?

Mr. NETTLES. I think that's a very good question to always ask, but I think it's also important to note that there are other factors that contribute to why institutions raise their costs. Part of it has to do with the cost of products and services that they purchase, and also their interest in maintaining or increasing the level of quality in the education that they provide.

I happen to be in an institution, University of Michigan, that is considered to be a high-cost institution.

Chairman MCKEON. What are your rates?

Mr. NETTLES. Well, we're probably the highest cost public institution in the country, in terms of tuition.

Chairman MCKEON. What is the tuition?

Mr. NETTLES. I think it's probably—I better ask, it's about $12,000 in State, and our out of State is probably——

Chairman MCKEON. That's your annual tuition?

Mr. NETTLES. Yes.

Chairman MCKEON. Excluding——

Mr. NETTLES. I'm not prepared to tell you the exact numbers, but when we look at and compare ourselves with other institutions across the country, we are among the highest cost public, and we also charge in State students pretty high expenses, relatively speaking, as well.

But, we also think that we try to offer a high-quality product. It's never thought of in terms of how much aid students can bring toward the tuition that's offered.

Mr. LONGANECKER. Mr. Chairman, if I might contribute on this. I know the Secretary is very concerned about whether there is a price effect to our changes in student aid. When we increase, when we ask for an increase in student aid, we, like you, are hoping that

that's going to reduce the net price to the student, rather than to assisting the institution. And yet, trying to balance that with recognizing that the principal—I mean, this is a Federal concern and a Federal interest and priority, but it's not, in some respects, a Federal responsibility, the pricing of higher education, that's sort of up to the States and the institutions.

And so, we'll be working with you over the next year to try to fashion policy that tries to make sure we aren't contributing to the escalation of costs, but is respectful of the appropriate Federal role, reflecting all the time that when we put in a precious dollar in this environment we want it to go for the purposes for which it was intended.

Chairman MCKEON. Yes.

Mr. RUTTER. If I could make two points on this, Mr. Chairman. We do offer new services on the campuses that were not really there before, and I'm pointing out, specifically, health services. Many of us offer very comprehensive health services to our students.

Chairman MCKEON. Included in the tuition?

Mr. RUTTER. For no additional cost.

And also, safety concerns. Some years ago, having a full-fledged police force on campus was not necessary.

Chairman MCKEON. Then we are not really comparing apples to apples.

Mr. RUTTER. Exactly.

Chairman MCKEON. If you took the same services that you delivered five years ago, 10 years ago, compared to what you are charging now, and looked at inflation rates, I think that's an important thing that we'll have to look at, too.

Mr. RUTTER. The third service is in computers, because we are trying to move into the 1990s, and we're developing computer labs and computer access in the dormitories and computer access everywhere. So, that's a very expensive endeavor that is also part of what we are talking about.

My other point is that, the public schools, though they've had increases in percentages of cost, the actual dollar amount of the costs are not that high, and I believe Ms. Schenet said 75 percent of the students attend either community college or public schools, four-year schools?

Ms. SCHENET. Yes.

Mr. RUTTER. The 75 percent of our students are attending institutions where there may have been a significant increase in cost, in terms of fees, but we are at $2,000 a year.

Chairman MCKEON. Those were some interesting figures, because I think a lot of times, you know, you get the perception that all schools now are getting up to $30,000, $40,000 a year, and I guess that really isn't the case. We'll have to look over those figures.

But, there's a wide range then of discrepancy when you go to $2,000, then what is Stanford now, just down the street?

Mr. RUTTER. Stanford is about, for just their fees alone, I believe they are getting close to $20,000.

Mr. CHILDERS. Mr. Chairman, I think I had that in one of my charts, showing that only 3 percent of the institutions of higher education are at a level of tuition and fees of over $20,000 a year, whereas, the average four-year public is only $2,800 a year. So, there is just a wide range, and I think that all has to be taken into account when you look at the cost situation.

Chairman MCKEON. I'm glad to see that, because, like I say, the perception has been that everything is just skyrocketing.

Yes, Doctor Nettles.

Mr. NETTLES. Mr. Chairman, I just consulted an expert, Catherine Millet, who is actually a doctoral student at the University of Michigan, and she told me that her out-of-State fees are $18,000 a year.

Chairman MCKEON. How much?

Mr. NETTLES. For tuition and fees, and this is for graduates.

Chairman MCKEON. Are how much?

Mr. NETTLES. Eighteen thousand dollars a year, just tuition and fees.

Chairman MCKEON. One year?

Mr. NETTLES. One year.

Chairman MCKEON. That's for out of State. And, what, you were saying the in-State was $12,000?

Mr. NETTLES. It's probably something like that, and this will also vary by major field. So, for some students at the University of Michigan there are different charges, depending upon actual cost.

Chairman MCKEON. So, if you are out of State, check your home State first.

You also, Mr. Rutter, indicated that the age is going up, I think that you said that you are getting more mature students, I guess would be the way to say it.

I spoke at the commencement Saturday of a proprietary college with 740 graduates. I shook hands with just about all of them, I think, and they were all older, some of them were older than I am. I don't think there were any that were in their 20s. I would estimate that every one was over 30. These were mostly in nursing or in business, business administration, and included some Master's degrees, and it was very interesting to me.

This particular school, you have to have a job to go there, and then you go to school at night, and their default rate is 4 percent on their loans because of, you know, they are very interested in education by that age. Nobody is, you know, mom and dad aren't forcing them to go to school.

I really enjoy this committee. I like the title of it, Postsecondary Education, Training and Lifelong Learning. I didn't graduate until 1985, you know, it took me 30 years, but I think that given our environment with changing occupations, changing world, I think people are going to have to continue their education throughout their lifetime, and I think that's good, if we could encourage people to do that.

You talked about computers, and when I visit elementary schools, high schools, they almost all have computers now, so I imagine most of the kids by the time they get to college now, they are getting pretty literate on computers, it's just, I guess, what you are doing is taking them from this level to this level.

Mr. RUTTER. They're ahead of us.

Chairman McKEON. Yes. But, how do we work together, now this is a little bit out of your field, but I'll use your expertise while you are here, to get people to pull together at the elementary and secondary levels, so that when they get to the postsecondary level they are able to read, write, know math and, you know, come in at a higher level so you can move them up rather than have to do so much remedial work? Mr. Secretary?

Mr. LONGANECKER. Well, you gave me too much of an in-road there. I mean, we would logically say that what you try to do is, you try to think about having high standards for all students, and encourage local school districts to basically strive to high standards for all students, and that the Federal activity could help to complement that, however that might work.

An excellent model is the Equity 2000 program that The College Board has promoted, because what they are doing there is, they are taking—they know how important fundamentals in math are to fundamentals in other forms of academic preparation and involvement, and through that program they've made a big difference.

But, we, I think, would encourage, basically, the Federal Government in its modest role in elementary and secondary to encourage local school districts to really strive to high levels and not just to high levels for the best of the students, but for all students.

Mr. NETTLES. Mr. Chairman, I'd like to add, and I agree with David very much and whatever John Childers says about academic preparation, but there's another element, and that is social and personal responsibility, because when it comes to default rates we often speak of institutions being in default, when, in fact, institutions have somewhat limited responsibility, or limited actual influence upon encouraging students to default.

Chairman McKEON. The institution doesn't default on the individual's loan.

Mr. NETTLES. Exactly, and I think that may be something you'd want to think about, making a distinction between—among prior reauthorization Acts and future ones, in that regard, because in many, I don't know of very many institutions that are—in fact, I don't know any that are encouraging students not to pay back their loans.

Chairman McKEON. Well, there have been some in the past that have—I don't think they've done that, but they have, through lack of doing what they indicated they were going to do when they signed up the student, have not helped the student to get the education. We all know where that's been.

You had a comment?

Mr. CHILDERS. I was going to say, Mr. Chairman, that it's increasingly evident that you have to, colleges, and secondary schools, and middle schools, have to work more closely together.

We are finding that we are really having increasingly to work with the middle school level, because you really need to prepare the students better at the middle school level, so that they are able to take algebra and geometry at the high school level, also financial aid counseling and a stimulation, an encouragement and knowledge about it's possible to go to college really needs to start at the middle school level. It's almost too late in some ways at the high school level to get some of these things started.

I think more and more institutions of higher education are working with their local schools as well, to try and get this message across, but I think that collaboration and cooperation has to continue, even more in the future.

Chairman MCKEON. I keep hoping that there's just some simple, easy answer to this, and it seems to me it all comes back to the teacher in the classroom. You know, if you get a good teacher at kindergarten, or you get a good teacher in the first grade, now I'm assuming that you've got good parents that got them to kindergarten, because, you know, a lot of that basic personality and everything is set before they ever get to school.

But, when I was on the school board, I served nine years on a high school board, and one of the things that we did is, once a month at one of our school board meetings we would go around and visit different schools for our meetings, and we would ask for one portion of the meeting what's good in education this month. And, I remember one time we were in this setting, and the French teacher came in and he was dressed like a Catholic cardinal from France. He was a French teacher, and he gave us a geography lesson in French. I speak a little Spanish, I don't speak any French, but I could see—I mean, that's how he started out, and you could just see what impact that teacher could have on his students.

There was another teacher that taught a lesson on positive attitude, motivation, and he gave an example, I still remember, he stuck a straw through a potato. I could just see kids, and he taught five sections of that, he was also the baseball coach, five sections of, you know, positive attitude and getting a good image of yourself and being productive in life, five sections were full. They tried to do that in other schools in the district, and all because of that one teacher. It wasn't something that he could just get another person signed up and teach that course, because it had to come from him. So, it really comes down to individual people that are interested in helping other individuals, and we can spread that.

It seems like we spend so much time talking about the negative, what's bad, rather than what's good, and then building on that. I hope that this will be the start of a series of, as I said, hearings where we can look into the costs of higher education and what we can do to help at the Federal level, but I appreciate you all being here today.

With that, we will adjourn this hearing. Thank you very much.

[Whereupon, at 3:07 p.m., the subcommittee was adjourned.]

[Additional material submitted for the record follows.]

FREDERICK D. PATTERSON RESEARCH INSTITUTE

THE INSTITUTE OF RESEARCH ON AFRICAN AMERICANS AND EDUCATION

MICHAEL T. NETTLES
Executive Director

WILLIAM H. GRAY, III
President
The College Fund/UNCF

May 8, 1996

The Honorable Bud McKeon
Chairman, Subcommittee on Postsecondary Education,
Training and Lifetime Learning
230 Ford House Office Building
U.S. House of Representatives
Washington, DC 20515

Dear Mr. Chairman,

Thank you for inviting me to testify at the April 23 hearing, "Who Plays, Who Pays, Who Goes."

During the question and answer period, I was asked about the tuition costs at the University of Michigan. At that time I did not have the proper numbers available. The following chart lists the tuition amounts broken down by class level and residency. I would appreciate this information being added, at the appropriate place, to the hearing record.

Tuition & Fees at the University of Michigan, 1995-96

Resident		Non-Resident	
Fresh/Soph	$5,546	Fresh/Soph	$17,070
Jr/Senior	$6,138	Jr/Senior	$18,272
Graduate	$9,054	Graduate	$18,214

Again, thank you for the opportunity to appear before your Subcommittee. Please do not hesitate to contact me if I can be of further assistance to you and the committee.

Sincerely,

Michael T. Nettles

Michael Nettles
Executive Director, Frederick D. Patterson Research Institute and
Professor at University of Michigan School of Education

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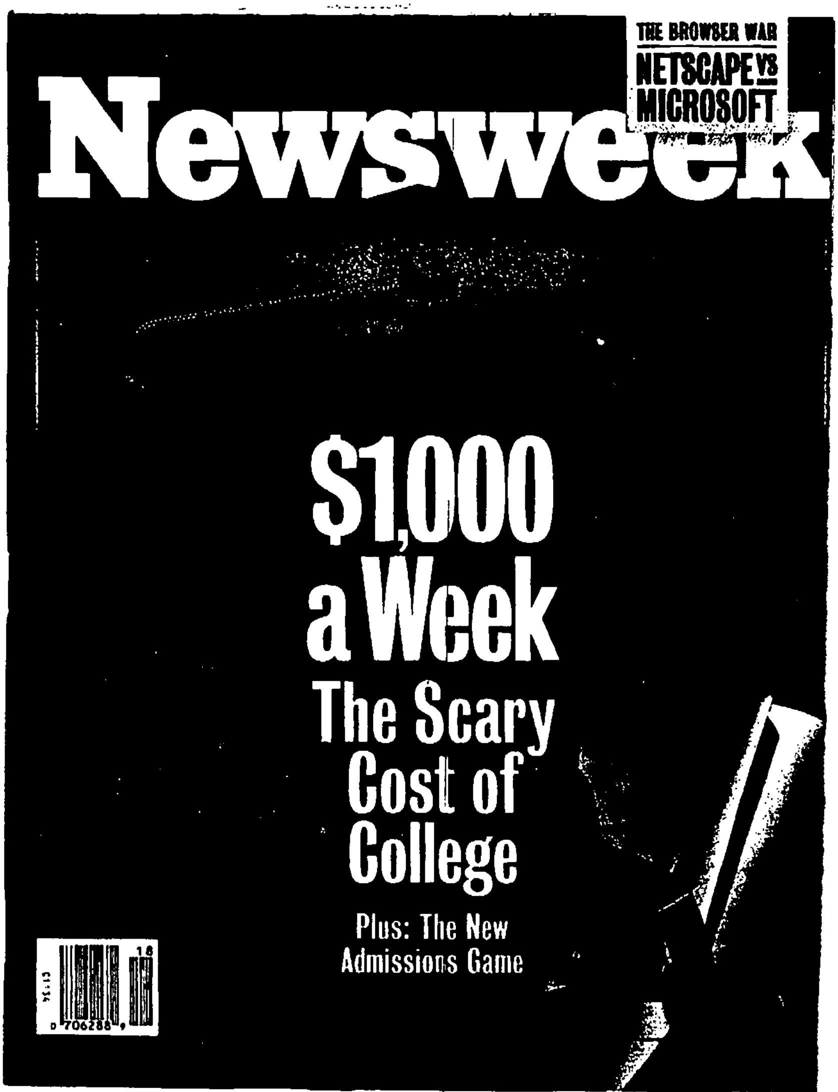
THE BROWSER WAR
NETSCAPE VS MICROSOFT
Newsweek
$1,000 a Week
The Scary Cost of College
Plus: The New Admissions Game

SOCIETY

Elite colleges carry a $1,000-a-week price tag. Parents are bargaining over fees in the new academic souk, as an epic sticker shock shakes the foundations of higher education. By Tom Morganthau and Seema Nayyar

Those Scary College Costs

THE BRENNAN FAMILY

Cape Vincent, N.Y.

Income: $100,000

With daughter Lisa already in college, Don and Elisabeth are scrimping to send Sarah (front) to Ohio Wesleyan next fall. Cost: $27,[illegible]. Michael, a high-school freshman, is next; so are loans and a second mortgage.

THESE ARE THE TIMES THAT try the souls of high-school seniors all over America—the moment, after months of anxious waiting, when you find out if you Got In. The mail carrier comes and leaves the envelopes, some fat and others thin: a fat one means you made it, a thin one means you didn't. In late March, Eli Strick, a senior at Nottingham High School in Syracuse, N.Y., got a welcome batch of fat envelopes from schools like Brandeis and The American University. On April 5, Eli chose Brandeis, partly because of its academic program and partly because it's close to college-crazy Boston. "The atmosphere in our house has become a lot more relaxed," says his mother. "After four years of hard work and months of pressure and anxiety, there's a tremendous sense of relief. Eli is lightening up."

Congratulations, Eli, and may your college experience be Extreme. But for those who pay the bills, like Lisa and Peter Strick, the anxiety is only beginning. Peter Strick is a neurophysiologist, and his wife is a freelance writer; their combined income is just over $100,000 a year. Next year the Stricks will shoulder the load of putting two kids through college at the same time: Benjamin, their older son, is finishing his sophomore year at Bates College in Lewiston, Maine. Tuition, room and board at Bates cost $27,415 a year; the tab at Brandeis is $28,827. Since neither Ben nor Eli gets any kind of financial aid, the Stricks are paying full price—$56,242 a year—to send their sons to school. "I don't want to come off as poor-mouthing or whining," Lisa says. "But these next two years will be killers for us."

Divide the annual cost of a school like Brandeis by the number of weeks (28) in the college year, and you get $1,000 a week—which is more than the weekly income of about 70 percent of the nation's households. It is also, of course, a price paid by only a relative handful of affluent families whose children attend prestige schools—the Ivies and 30 or 40 big-name institutions like MIT, Stanford and Duke. The *average* cost of a year at a private college or university is significantly less ($17,631) and the average cost of attending a public four-year college or university is lower still: $6,823. Still, prices are rising in every sector of the $200 billion-a-

PHOTOS BY SYLVIA PLACHY

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year industry that is higher education in America. Despite a gradual slowing since 1990, the total cost of attending private colleges and universities has grown 95 percent, more than twice the rate of inflation, since 1984. Total costs for attending public institutions have gone up by 82 percent. These trends raise serious questions about the affordability of higher education now and in the future. And while a college degree has probably never been more necessary for the young, it has never seemed more burdensome to the American middle class.

MICHAEL WILSON

Akron, Ohio.

Family Income: $20,000

Wilson (left) turned down a full scholarship at Michigan to attend Dartmouth, and he's one of five kids in the family. Loans, grants—and Michael's three jobs—pay Dartmouth's $29,515 bill, with a little help from family yard sales.

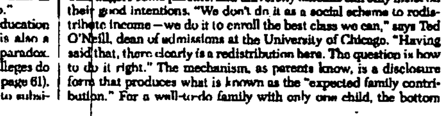
The result is an epic case of sticker shock that is shaking the foundations of higher education (page 59). Consumer resistance is being felt by virtually every college and university in the country. Price-cutting is rampant, at least among smaller and less prestigious private schools, while the cumulative total of tuition loans—$100 billion since 1990—is soaring. College presidents are uneasily aware that the golden age of burgeoning budgets and mushrooming institutional growth is over, possibly forever. Employers, governing boards and budget-conscious state legislators are asking tough questions about productivity and faculty workload, while parents and students, to judge by the explosive rise in applications to elite universities, have never been more obsessed by the market value of a blue-chip college degree. To its critics, American higher education has never seemed more bloated and out of control—and to some, at least, it is a system that is losing sight of both its educational mission and its historically lofty ideals.

THE VIEW FROM WITHIN THE ACADEMY IS less alarmist. Higher ed in the United States is an enormously powerful institution that is arguably the best in the world—a diverse array of 2,200 four-year colleges and universities that now enrolls 8.8 million students, including 5.2 million full-time undergraduates. It is a prolific producer of new knowledge, a source of expert counsel to government and business, and the primary trainer of the nation's professional, managerial and technical elites. Its perennial problem, to those who know it best, is keeping these divergent goals in balance—to ensure that the educational needs of the young are met even as teaching techniques (and the very definition of what it means to be "educated") change. This is no easy task, and it is vastly complicated by continuing conflict over affirmative action, social and ethnic diversity on campus and "politically correct" curriculums. Still, as Stanford president Gerhard Casper says, "the quality of teaching at American colleges and universities is incredibly high—higher than in most other countries [and] higher than it was 30 years ago."

But pity the poor consumer. For most families, higher education will be the most expensive service they'll ever buy. It is also a marketplace full of snares and illusions. Consider this paradox. High as they are, the tuition and fees listed by most elite colleges do not cover the full cost of educating undergraduates (chart, page 61). Nevertheless, most schools use tuition-and-fee revenues to subsidize less affluent students: at Harvard, for example, about 70 percent of the undergraduate student body receive some form of financial aid. That means colleges and universities that maintain "need blind" admissions policies are quietly playing Robin Hood. This angers some parents, and university officials can only insist on their good intentions. "We don't do it as a social scheme to redistribute income—we do it to enroll the best class we can," says Ted O'Neill, dean of admissions at the University of Chicago. "Having said that, there clearly is a redistribution here. The question is how to do it right." The mechanism, as parents know, is a disclosure form that produces what is known as the "expected family contribution." For a well-to-do family with only one child, the bottom

Comparison Shopping

The total cost of going to college—tuition, fees, room and board—has nearly doubled in the past 10 years. This is more than twice the rate of inflation, but still behind the runaway increase in national health-care expenses.



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More Money, Less School

Despite tuition increases, actual days spent in school have gone down. Colleges offer 23 percent fewer days in class than in 1914, for 1,110 percent more money.

	DAYS CLASSES WERE IN SESSION	AVG. ANNUAL TUITION (INFLATION-ADJUSTED)
1914-15	203	$1,320
1939-40	196	$3,207
1964-65	191	$5,415
1993-94	157	$15,978

SOURCE: NATIONAL ASSOCIATION OF SCHOLARS, PRINCETON, N.J.

line will probably be the same as the listed tuition. But for less affluent families, and families with more than one college-bound child, the price break can be substantial.

The real-world effects are getting stranger as tuition costs go up. In New York, for example, the median family income of students in the state university (SUNY) system is rising—which suggests that affluent New Yorkers have caught on to the fact that their children get a whopping subsidy from the taxpayers if they attend one of the SUNY's excellent schools. Rising competition for enrollment among small private colleges, meanwhile, has led to widespread discounting from the listed price. Consider Lawrence University, a well-regarded private institution in Appleton, Wis. Tuition, room and board at Lawrence run about $22,000 a year, but the school offers a bewildering array of individually tailored financial-aid packages. The result, according to a computer analysis performed at NEWSWEEK's request, is that the 1,227 undergraduates now enrolled at Lawrence are paying 755 different prices to attend.

SOME ECONOMISTS COMPARE THESE PRICING POLICIES to airline fares—the plane is full, but virtually no one paid the same ticket price. Another metaphor is the "gas-war mentality." That means consumers, increasingly aware that different colleges offer different levels of financial aid, are aggressively shopping for bigger discounts. According to Barry McCarty, the financial-aid director at Lafayette College in Easton, Pa., some parents try to pit one college against another to get a better deal. "I've had people say to me, 'I'm just not going to pay the tuition bill,' and that's regardless of how much money they make," McCarty says. "They'll shake you down—that's now the modus operandi. The fact is, they are going to maximize the deal."

The further truth is that "financial aid" increasingly means loans, not scholarships or grants. The shift from grants to loans is nationwide, and it has been going on for at least a decade; it has the support of Congress, the Clinton administration and many in higher education. The good news is that total student aid is rising as college costs go up. But more than half the $47 billion in financial aid that was available to parents and students in 1994-95, according to the College Board, came in the form of federally underwritten college loans. So while it is true, as many college officials maintain, that the vast majority of applicants can find the money to go to college, it is also true many students will leave college burdened with at least some debt.

Borrowing in moderation can be a smart way to stretch out the cost of a college education, but smart borrowing demands knowledge and and a bit of common sense (Jane Bryant Quinn's column, page 67). In 1992 Congress revised the federal tuition-loan program to allow borrowing without regard to family income. The predictable result is an explosion of debt – $24 billion during 1994 alone. Critics warn that the debt load will rise even more in the next decade, and some experts wonder whether students and their families fully understand the financial risks. Terry Hartle, vice president of the American Council on Education, says he is "convinced that a lot of students do not have a real good sense of what they're getting into" when they borrow. Hartle says he found that students who sought financial counseling frequently failed to understand basic realities, such as the fact that they were paying interest and were required to keep up with monthly payments after graduation. He also says the most commonly asked question from parents was "How can I make my child responsible for this loan?" Donald Stewart, president of the College Board, argued last fall that college is still "very affordable" for the average family, assuming a willingness to borrow. But, Stewart added, "as a nation, we should look hard at the growing imbalance between grants and loans and ask ourselves how much we can reasonably expect students to borrow. A college education should help people create a better future, not a deeply mortgaged future."

To many parents, the best measure of the value of a college education is what a particular school's diploma is worth when the graduate applies for a job—credentialism. That is why the Ivies and other big-name universities are enjoying a tremendous surge in applications. "If you're a young person or a parent, you want to go after the best insurance policy you can get," says former Harvard president Derek Bok. "The result is, we're seeing an increase in the number of applications and the quality of students. If we're seeing more interest in credentialing, it's because [students and parents] feel they need more of an edge in a world they can't feel complacent about."

THE GARDNER FAMILY

Medford, Mass.

Income: $60,000

Richard Gardner, a Cambridge cop, and his wife, Sue, vowed to send their son to Harvard; they did, for $107,000. They borrowed nearly all, repaying by refinancing two properties. Daughter Shannon? The lottery, says Dad.

DOES CREDENTIALISM PAY OFF? IS AN IVY LEAGUE degree worth $1,000 a week? The evidence, it seems, is mixed. A study by three economists at the University of Pennsylvania (an Ivy League school) compared the lifetime earnings of women who attended elite schools with those who didn't. "This study convinces me it's worth it," says one of the authors, Mark Rosenzweig. But caveat emptor: the conclusions were based on a sample of identical twins that included exactly 156 people, a very small database. Other recent studies suggest that attending a top-quality private college has only a marginal effect on future earnings—about $4,500 a year, according to one analysis. At that rate, it will take about 20 years for the average graduate of a blue-chip institution to earn back the extra tuition his parents paid. "If your object is to maximize income, you could send your child to the local state university and have him or her major in business and they'd do as well as at a private university," says Estelle James, an economist at the World Bank. "Going to a prestigious institution doesn't assure you of a high income."

No Ivy League parent will believe that, of course. Why should they? Economists ignore the intangible benefits of an elite education—the world-class scholars, the bright and serious kids, the cultural tradition of the inquiring mind. And these studies share a common flaw of the dismal science, which is their reliance on the *average* earnings of an *average* graduate. There are no "average" students at Harvard or Smith or Stanford or Duke—for at $1,000 a week, how could there be?

With PAT WINGERT *in Washington,* JOHN MCCORMICK *in Chicago and* MARC LEVINSON, NINA A. BIDDLE *and* SUSAN MILLER *in New York*

SOCIETY

Playing the New Admissions Game

Colleges accept more kids early, leaving fewer spaces for everyone else

In the world of college admissions, this is the year the game changed. By Christmas, some of the nation's most selective schools—Harvard, Princeton, MIT—had already sent out enough acceptance letters to fill roughly half of next fall's freshman class. "We admitted a much higher number early than we had ever admitted before," says Marlyn McGrath Lewis, director of admissions at Harvard and Radcliffe, "so we had fewer places [in April]."

Record numbers of students applied early this year, desperate to beat the odds and get into an elite school. And next year, the pressures will only grow. Savvy students are already adjusting to what they see as a trend. At the Kaplan Educational Centers (owned by NEWSWEEK's parent company, The Washington Post Company), the number of sophomores signing up for an SAT preparation course jumped 50 percent in 1995 over 1994. "For guidance counselors next year, it will be hard to persuade parents and students that there's any other way to go except [applying] early," says Jane Reynolds, dean of admission at Amherst. "That can create a kind of chaos." One concern: "It's still the unusually mature 17-year-old who is ready to make an early-decision commitment in October," says Nancy Meislahn, Cornell's undergraduate-admissions director.

Only 15 percent of all schools offer the early-admissions option, but virtually all of the most selective schools do. Some, such as Harvard and Brown, offer "early action"—students are accepted in December but can wait until May 1 to respond. This year Yale and Princeton changed their early-action programs to early-decision, which requires an ironclad commitment from students that if admitted they will come. Stanford had no early program in the past, but this year offered a binding early-admission plan. "We found that we were losing exceptional students to institutions that had early programs," says James Montoya, dean of undergraduate admissions at Stanford. Others see a more cynical reason. "More places in a freshman class that are slated away early with good kids ... allows colleges to project very nice figures to the world in how selective they've become," says Carl Bewig, director of college counseling at Andover in Massachusetts. Also at play here is a school's "yield"—the number of students admitted who actually enroll. By accepting kids early—most of whom are guaranteed to attend—an admissions office guarantees a healthy yield.

The long-term implications of this trend may be troublesome. Early-admissions applicants tend to need less financial aid. "Some would argue that the early programs are for the wealthy. For kids who really need to compare and weigh, for whom affordability is as important as admissibility in the process, the early programs are not an alternative," says Bewig at Andover. Will that mean schools can then save their spring slots for the needy (another reason for affluent students not to wait)? Or will they be tempted to bulk up early with the privileged? ■

For Better Odds, Try Churchill Downs

Most colleges still admit more than half the students who apply. But at the nation's most selective schools, admission is getting more difficult. Applications are up, and so are early admissions. A sample of this year's results:

	Tuition, room, board, fees	Applications received	Projected class size	Early acceptances sent out	Percentage of class accepted early	Acceptances sent out in April	Wait list
Amherst College	$27,818	4,681	423	184	36.4%	732	703
Brown University	28,818	15,009	1,390	635*	45.7	2,206	600–700
Calif. Institute of Technology	23,478	1,993	215	85	39.5	483	100
Columbia University	28,775	10,250	955	299	31.3	1,846	500
Cornell University†	27,848	21,004	3,000	788	26.3	6,066	1,500
Duke University	27,799	13,567	1,615	510	31.6	3,468	n/a
Harvard University	25,596	18,190	1,615	978*	60.6	1,007	n/a
Johns Hopkins University	28,440	8,503	915	297	33.4	3,120	n/a
Mass. Institute of Technology	28,350	8,023	1,080	512*	47.4	1,352	400–500
Northwestern University	24,149	15,625	1,850	334	18.1	5,196	300
Princeton University	28,825	14,868	1,130	556	49.2	1,124	n/a
Rice University	19,200	7,000	675	120	17.8	1,409	n/a
Smith College	27,458	3,131	625	146	23.4	1,455	440
Stanford University	27,827	16,630	1,600	568	35.5	2,590	n/a
Swarthmore College	28,250	4,008	365	110	30.1	1,096	200–250
University of Chicago	28,338	6,464	950	225*	23.7	2,438	688
University of Pennsylvania	28,690	15,858	2,330	746	31.7	3,979	400
Wellesley College	26,970	3,810	575	80	13.9	1,825	350
Williams College	28,060	5,061	530	193	36.4	1,036	400–500
Yale University	28,580	12,952	1,338	415	31.1	1,957	500

*Nonbinding early acceptance. †Cornell has three private and four state-supported colleges. The tuition and fees figure is for private colleges; the admissions figures lump them together. Research by Dina Kamuth—Newsweek

How did such smart people run up such huge deficits? It took arrogance, ambition and a faith that the money would flow forever. Now colleges are struggling to right themselves. By LynNell Hancock and John McCormick

What to Chop?

BUILDING 20 SPROUTED OVERNIGHT as a temporary lab for radar experiments during World War II. Today this 200,000-square-foot weed with asbestos siding stands as a symbol of a different battle, Massachusetts Institute of Technology's fiscal quandary. MIT administrators have been meaning to raze the legendary relic for half a century. But there were always other things to do, such as building a new biology lab next door. And there were always a few quirky projects that could be shunted off to a building with holes in the walls and exposed wiring. Now, it will cost MIT \$2.2 million to knock down Building 20, and roughly \$23 million to relocate its tenants. Erecting a new building in its place would cost an estimated \$65 million. MIT officials say they don't have the cash.

This is humbling for MIT. Institutionally, it's the high-tech university that could. Perfect artificial intelligence? Yes. Plot the future of multimedia? Of course. Mind a budget? Apparently not. The university is now running a \$0.2 million deficit. Jacking up tuition and room and board to nearly \$28,000 a head hasn't helped dent the debt. Now MIT is planning something that would have been unimaginable just a few years ago: it has announced a corporate-style downsizing. It hopes that 1,400 employees, including nearly 300 tenured professors, will take a buyout by the end of this month.

MIT is not alone. The University of Chicago, renowned for its unmatched eight Nobel Prizes in economics, is digging out from four years of multimillion-dollar deficits. Yale has shed one department and 80 arts and sciences teachers so far—and weathered another strike by support staff—in its effort to shrink an \$8 million gap. In the last three years, Stanford's academic departments were told to absorb one third of the school's \$15 million budget cuts.

The situation is even more dire for the public colleges. The University of Virginia's 15 campuses eliminated 49 degree programs and hundreds of professors after the state cut millions from their budgets. The City University of New York recently declared an official financial emergency for the second time in two years. Today, only about 20 percent of the country's colleges and universities are healthy financially. An additional 60 percent are struggling to adjust. "The rest are still open," says David Breneman, Virginia's dean of education. "But what they offer has been chipped away."

How did such smart folks get themselves into such a jam? It took arrogance, ambition and a blind faith that the money spigot would never be tightened. Weaned on a rich diet of public adoration and

ARNOLD WEBER

Northwestern University

Chancellor

During his tenure as president, economist Weber put the university's finances solidly in the black. He stuck to a budget, cut academic programs and didn't foolishly accept "gifts that eat."

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an apparently endless supply of customers, American higher education has mushroomed from a $7 billion to a $200 billion industry since the late 1950s. Generous government subsidies fed the rising tide. Colleges never stopped hiring big-name professors, adding graduate departments, expanding administrations (up more than 20 percent in 10 years)—forgotting some basic functions of arithmetic. "There was no need for subtraction or division," says John DiBiaggio, president of Tufts University. "We didn't worry about being efficient, as the consumer was eager to buy."

By the '80s, the end of opulence was in sight, but not the end of spending. Federal and state governments began curtailing their lavish grants and aid—from an annual 15 percent increase in the early '70s, to a modest 4 percent in the '90s. Meanwhile, college costs were skyrocketing.

This was also the era when world-class universities made world-class mistakes. For example, so much maintenance was deferred that the price tag of neglect today is estimated at $60 billion. Yale, alone, calculates it has $1 billion worth of overdue repairs. Too many schools, says Northwestern's chancellor Arnold Weber, accepted too many "gifts that eat." A new $40 million lab will cost three times that in maintenance over its lifetime, and not many wealthy alums will endow a janitorial service. At the same time, universities began paying their faculties better. The era of shabby gentility ended as the average annual pay of a full professor rose to $65,000, while top stars were pulling down seven digits. Salaries soared even as the workload dropped. According to the conservative National Association of Scholars, the school year was reduced by 18 percent between 1964 and 1993. Full-time faculty at major universities once taught 12 to 15 hours a week. Now more than one third teach less than six. Faculty costs were stoked even higher by furious bidding wars for star professors. To land a big name on campus, deans offered lavish deals that included virtually no undergraduate classroom time. At Harvard, these sweetheart deals are so sensitive a topic that Jeremy Knowles, dean of arts and sciences, told alumni last week that he refuses to do it.

SERIOUS EFFORTS AT COST-CUTTING BEGAN IN ABOUT 1990. Harvard has cut about $43 million in operating expenses since then; Stanford has sliced $54 million. The problem is that universities—and particularly their faculties—have long prided themselves on not thinking like IBM. "We are conservators of culture and developers of innovation," says president Judith Rodin, who is leading a "restructuring" project at the University of Pennsylvania. "Now we also need to take a page from business in order to survive."

That's easier professed than done. Colleges are a bit like a company in which management has ceded to the union much of the control over work rules and even basic goals. Presidents and deans are obliged by academic tradition to consult faculty on cost-cutting moves. The faculty, naturally enough, forges elaborate alliances to guard its turf. It instinctively mistrusts bean counters. Presidents, most of them academics themselves, seldom have the stomach or skills for a slash-and-burn assault on overspending. Instead of getting stock options, says Northwestern's Weber, presidents "just want to be loved."

No one has managed the budget battle better than Weber. During his 10-year tenure as president, he put Northwestern's shaky finances solidly in the black—he's an economist—and kept tuition increases below average. He killed programs in geography, nursing and evolutionary biology after deciding they could never be first-rate. As he narrowed the school's focus, its academic reputation improved. Applications surged, and faculty salaries rose to ninth highest in the nation.

But attacking costs can be a bloody affair. The bulk of campus expense is labor—as much as 75 percent at some schools. To reduce costs, some schools first look to their bloated administrations. They're hard to miss: since 1980 the University of Pennsylvania has added 29 more students and about 1,800 administrators, researchers and other nonteaching staff. New York's University of Rochester anticipates $6 million in annual administrative cuts over the next five years. This isn't all featherbedding: students now demand more counseling—career and psychological—and other support services than did previous generations.

NOT ALL THE CUTS CAN COME OUT OF ADMINISTRATION. The next target is the faculty. In practice, a two-tier system has developed: senior faculty, protected by tenure, and junior faculty, who often live as academic gypsies. When the '90s crunch arrived, colleges protected research and Ph.D. programs, which are dear to professors' hearts and also attract grant money. Instead they took aim at undergraduate programs. Class sections were canceled, courses killed. Most of Virginia's public universities eliminated from four to 20 credit hours from graduation requirements. Over all, says Robert Zemsky, a higher-education expert at the University of Pennsylvania, "students ended up paying more for less."

Meanwhile, the tenure system protected the senior faculty. Created as a guarantor of academic freedom, the tenure system has become a weapon of economic privilege. According to Milton Greenberg, a former provost at American University in Washington, D.C., the senior faculty can be safely described as "a self-protected elite." Tenure, in effect, guarantees professors lifetime employment no matter how poorly their courses are attended or how dramatically the college's academic emphasis may shift.

When a top college grants tenure, it is committing as much as $4 million in lifetime pay. Boston University chancellor John Silber counts most of BU's teachers 55 and older as an annual $8 million burden. Silber (who himself earns more than $500,000 a year) says he can no longer afford to offer fat early-retirement packages to "those who run out of gas." The tenure bind is made worse by the

Who Really Pays for College?

What colleges charge doesn't cover their expenses, even for students paying full price. Here's how one public and one private school cover the real costs, on average, for the 60 percent of their undergrads who receive aid:

The two universities	University of Illinois	University of Chicago
Total enrollment	35,000	11,825
Undergraduate enrollment	[illegible]	3,450
Undergraduate student-to-faculty ratio	18 to 1	6 to 1
Cost to educate, house and feed one student		
Full tuition, room, board, fees	$8,694	$25,830
Total cost to university	15,024	27,335
Actual costs of educating undergrad	9,330	20,485
Actual costs of room, board, fees	[illegible]	6,900
Who pays the way for students on aid		
State appropriations	$6,255	$0
University general funds	96	1,505
University scholarships	788	10,960
Government and private scholarships	[illegible]	1,820
Student loans	3,633	2,600
Student earnings	414	1,745
Parents' contribution	1,060	5,705
Average family income	$40,000	$48,000

FIGURES DO NOT INCLUDE BOOKS, TRANSPORTATION AND PERSONAL EXPENSES.
SOURCES: UNIVERSITIES OF ILLINOIS AND CHICAGO

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federal law banning mandatory retirement ages. As a result, Silber says, the aging faculty must be compensated "into oblivion."

More and more colleges are finding detours around tenure. About 38 percent of the nation's instructors are now part-timers, a category of nontenured itinerants. Webster University in Missouri offers professors a popular alternative. A surprising 80 percent have turned down tenure in favor of something called "faculty development leave," in which they submit to elaborate performance reviews in exchange for more frequent sabbaticals. "Professors remain current in the classroom as a result," says Webster vice president Neil George. "We have no deadwood."

IN CASES OF "FINANCIAL EXIGENCY," EVEN TENURE can be abrogated. Two years ago Saint Bonaventure University in New York felt desperate enough to take this course. The school's freshman enrollment was at an all-time low. Its $18 million endowment was two thirds gone. The bank was poised to pull its line of credit. When Robert Wickenheiser took over as president in 1994 he worked around the clock to save the 138-year-old Franciscan school. "There was waste everywhere," says Wickenheiser, including 43 faculty members (out of 160) who were expendable. "We had 12 theology professors and only eight students." Some took early retirement; the remaining 22, 18 of them tenured, were fired. The budget was balanced for the first time in eight years. "Tenure was meant to reward the best," he says. "And it shouldn't be for life."

It's almost as tough to raise revenue as it is to slash costs. Tuition revenue covers only one fifth of the budget at public colleges and two fifths at private ones. And what colleges charge with one hand, they give away with the other. Today, about 55 percent of a private college's typical tuition hike slides back out the door as financial aid, according to a recent study by Goucher College vice president Lucie Lapovsky. Public colleges may have to follow suit, raising both tuition and aid. Prices already are climbing, a trend University of Illinois chancellor Michael Aiken calls the privatization of the publics. "Some parents feel guilty about how little they pay for a university this good," Aiken says. "The question is, should they pay more?"

Too much generosity with scholarships can lead to serious financial trouble. Selective colleges can afford to spend top dollar to shop for the students they want. But the lesser-known schools run the risk of discounting themselves into a crisis. Facing a $12 million deficit and plummeting enrollment, New Jersey's Upsala College panicked when applications bottomed out. Officials began giving away huge aid packages to lure students, among other frantic moves, forcing the century-old liberal-arts college to eventually close for good. Virginia's Breneman says any parent can use aid figures to calculate a school's desperation: divide the total aid an institution gives by the total tuition it would be collecting *if every student paid full fare*. Most colleges strive to spend 20 percent of that number on aid, but some are fast approaching 40 percent. At the nonselective schools, says Breneman, that's a warning sign.

Besides cutting costs and raising fees, some schools are using the financial crisis to invent better ways of accomplishing old tasks. At Rensselaer Polytechnic Institute in Troy, N.Y., officials looked hard at their freshman introductory courses in calculus, physics and biology—and found them huge, boring and expensive. "Attendance was poor, and attention was poorer," says Jack Wilson, RPI's dean of undergraduate education. Courses were taught in three disconnected parts: a canned lecture delivered to 500, small group discussions led by graduate students and lab work. That system has since been scrapped in favor of small, high-tech labs. Now 62 calculus students take their seats on gray swivel chairs in front of multimedia computers. Instead of spending hours scribbling examples on the board, Prof. Joe Ecker discusses curve sketching. On their computers, students plug in functions and change parameters. Ecker and two assistants weave around the conference tables answering questions. A course that once took more than five hours and 40 graduate students can now be taught in four hours using only a

JACK WILSON

Rensselaer Polytechnic

Dean, undergraduate

Wilson's college decided to cut costs and improve teaching by changing the way large introductory science and math courses are taught. Now students learn in small, high-tech labs where they interface with computers—and profs.

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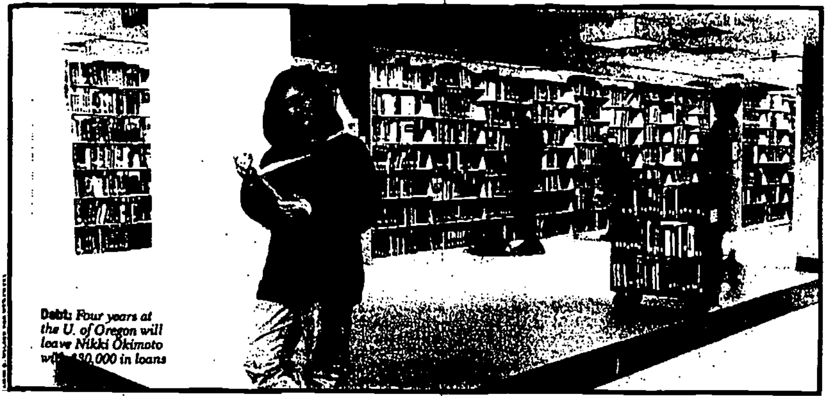

Debt: *Four years at the U. of Oregon will leave Nikki Okimoto with $30,000 in loans*

dozen TAs - saving $50,000 per course.

The most creative ideas are coming not from huge research institutions but from money-pressed liberal-arts colleges. Five independent schools in Boston joined forces last month to become a consortium known as the Colleges of the Fenway. Together, the small schools will offer students 1,700 courses and almost 500 full-time faculty, at no extra cost. In exchange, the schools hope to save on overhead and facilities: Wheelock College won't have to build a swimming pool, Simmons won't have to start its own theater. Computers bring other economies. Central Michigan University keeps costs down for its 16,000 students by enrolling 10,000 more in courses taught throughout North America by Internet, interactive television and videotape. Says spokeswoman Rae Goldsmith: "We have alumni who've never seen our campus."

But the biggest challenges remain. Once financial leaks are plugged, computer lines installed and costs contained, what then? "Do we just survive," asks David Porter, president of Skidmore College in New York. "Or can we thrive?" Can the nation's system of higher education—by all accounts, a beacon to the rest of the world—become more cost effective and also better? Are waste and sloth inevitable byproducts of building great institutions? Can we face the realities of tighter fiscal times, and still fulfill our civilizing mission? Big questions. The answers should be a real education.

With CLAUDIA KALB *in Cambridge,* PATRICIA KING *in San Francisco,* PAT WINGERT *in Washington, D.C., and* YAHLIN CHANG *in New York*

It's not impossible to pay for a costly college if you (or your child) can handle debt. But don't risk your retirement fund. By Jane Bryant Quinn

Save First, Then Borrow

A FUNNY THING HAPPENED AS college tuitions spiraled into the stratosphere. Instead of trading down to less costly schools, middle-class families traded *up*. "Watch what we do, not what we say," a Nixon aide once famously explained. Parents say they can't afford it, then pack off their kids to colleges of high repute despite the elevated price.

As exhibit A, I give you freshmen from families earning $30,000 to $100,000. They're attending private colleges and universities in slightly higher proportions than they did 15 years ago, according to economists Morton Schapiro of the University of Southern California and Michael McPherson of Williams College. Those at public institutions are increasingly choosing four-year schools over two-year colleges.

Wealthy kids are trading up, too. Those with good grades are clustering, first, in famous universities: Stanford, Duke, the Ivies and the "public Ivies," such as the Universities of Michigan (Ann Arbor) and Virginia (Charlottesville). And second, in first-rank private colleges, leaving second-tier schools behind. "It's the Mercedes syndrome," Schapiro says. The most competitive kids want degrees from big-name schools with graduates all over the world.

Rich kids, of course, can pay full freight. Here's how the middle classes struggle to give their children the very best:

■ *Federally insured student loans.* The

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government saves its grants for the poor. If you're middle class, federal aid means student loans. Freshmen can borrow up to $2,625, and larger amounts in later years. If you're financially "needy," Uncle Sam pays the interest while you're in school. Otherwise, you pay—although nothing's due until your studies are behind you. Current variable interest rate: 8.25 percent (that's the cap; the rate can't go higher, by law).

What makes you "needy"? You qualify if the cost of your college comes to more than you and your family are expected to pay. Your "expected contribution" derives from a federal formula that considers such things as income, assets, age, family size and each earner's need for a retirement fund (chart). The gap between the expected contribution and the school's total cost may be filled—or partly filled—with loans, college grants and a college job.

Since 1992, the formula for federal aid has excluded home equity. So middle-class kids look poorer on paper than they really are. This typically gets them more aid at public institutions but not at private ones. The private colleges usually count part or all of your home equity when awarding their own scholarship funds.

■ *Federally insured Parent Loans to Undergraduate Students (PLUS).* Since 1992, creditworthy parents have been able to borrow up to the college's full cost, minus other aid received. You pay a variable interest rate, currently 8.98 percent (capped at 9 percent). To qualify for the maximum loan, pay off your consumer debts, says Joan Eddy, a vice provost at Northeastern University in Boston. You want to show the cleanest possible credit report.

■ *College grants.* Colleges offer tuition discounts, especially to students they particularly want. So apply to several competitive schools. Your favorite school may hike your grant if it sees that you've had a better offer from someone else.

Even rich kids get grants if they're brainy enough to raise the college's academic reputation. More than 1,300 schools give scholarships based solely on merit without regard to financial need, says student-aid expert Joseph Re. On average, Schapiro says, a second-rank college can lure a student away from a more prestigious school by offering $10,000 a year.

But if you apply for early admission, you may be less likely to get aid. Some schools target their money on bright students who play hard to get.

College Planning 101

Here's how much to invest each month, if you're starting from scratch and want enough to pay for the average school in full.

	Monthly investment needed	
YEARS BEFORE COLLEGE STARTS	PUBLIC COLLEGE*	PRIVATE COLLEGE*
5	$766	$1,589
7	553	1,186
9	484	907
11	358	748
13	304	696
15	268	553
17	234	489

*FOUR-YEAR AVERAGE COST IN 1996-97: $[illegible] AT PUBLIC, $[illegible] AT PRIVATE. ASSUMES COLLEGE COSTS RISE AT [illegible] ANNUALLY, WITH INVESTMENTS EARNING [illegible]. SOURCE: T. ROWE PRICE ASSOCIATES

■ *Personal investments.* Smart parents buy stock-owning mutual funds when their children are young. You can afford the risk as long as your need for that money is four years away. Since World War II, every bear market has snapped back by then.

When your child reaches 14, however, you're entering the danger zone. Stocks could drop and fail to recover in time. So take the freshman-year money out of stocks and put it somewhere safe, like a bank CD, a state prepaid tuition plan or Series EE Savings Bonds. When the child is 15, take out the sophomore-year money, and so on. If you earn a middle income or less, and buy EE bonds in your name, you'll owe little or no tax on the interest earned when you cash in the bonds for college tuition.

As for how much to save, don't be scared off by the table on this page. That's the average amount required, but you can start smaller and raise your savings as your salary goes up. For exactly what percentage of salary to save, get T. Rowe Price's free College Planning Kit (800-638-5660).

Don't buy a life-insurance policy solely to save for college. The cost of insurance reduces the sum that you can accumulate.

■ *Saving strategically.* Middle-income parents might qualify for more student aid if they save in their own names rather than give their child the money. The aid formula taps 35 percent of the child's assets every year, but less than 5.6 percent of the parents' assets, Re says, depending on your age and income. If you don't expect much aid, however, switching savings to a child's name will reduce your income taxes.

■ *The granny bank.* A grandparent's savings aren't counted as part of your family's assets, so they don't diminish your child's eligibility for student aid. Every year, a grandparent can pay part or all of the child's tuition directly to the school—and give the child $10,000—all gift-tax-free.

■ *Choosing between college and retirement.* If you can't save for both, make retirement your priority. You can borrow for college (or your kids can), but no one borrows his way through old age. Home-equity loans (with tax-deductible interest) and PLUS loans often cost the least.

■ *Graduate school!* How much aid grad students get depends on what they study. Law and medical students usually pay their own way. Advanced science degrees are heavily funded by grants and research assistantships, often awarded on merit, not financial need. In the arts and social sciences, you may find teaching posts.

And what of the poor? Their grants and loans have not kept up with college costs and their parents can't pick up the slack. Since 1980, they've been the only group to have traded down educationally, Schapiro says. Fewer of the poor now attend private colleges; more enter two-year community courses. Community colleges are fine institutions, but four-year schools lead to better jobs. The gap between rich and poor starts here.

Reporter: TEMMA EHRENFELD

How Much Do Parents Pay?

Find the figure close to your 1995 income on the left, then read over to the column that best represents your assets. The dollar figure there tells you what's expected, in the 1996-97 college year, from a typical parent, 45, with two kids, one in college. Older parents would be expected to pay less.

		FAMILY ASSETS*		
1995 INCOME		$25,000	$50,000	$100,000
$20,000	One-earner couple	$0	$44	$1,564
	Dual-earner couple	0	0	792
	Single parent	0	419	1,789
$40,000	One-earner couple	2,937	3,313	5,421
	Dual-earner couple	2,264	2,608	4,407
	Single parent	3,014	3,851	6,193
$60,000	One-earner couple	8,306	8,912	11,782
	Dual-earner couple	7,081	7,690	10,610
	Single parent	7,782	9,088	11,858
$80,000	One-earner couple	13,826	14,484	17,254
	Dual-earner couple	12,608	13,212	16,088
	Single parent	13,274	14,560	17,880
$100,000	One-earner couple	19,796	20,407	23,237
	Dual-earner couple	18,576	19,165	22,006
	Single parent	19,163	20,449	23,969

*EXCLUDING HOME EQUITY AND RETIREMENT PLANS, NOT COUNTED FOR FEDERAL AID OR BY MOST STATE COLLEGES. HOME EQUITY MAY BE COUNTED BY PRIVATE COLLEGES; SOME ALSO COUNT RETIREMENT PLANS. CALCULATIONS ASSUME THE STANDARD TAX DEDUCTION. SOURCE: THE COLLEGE SCHOLARSHIP SERVICE

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