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ABSTRACT

These hearings were concerned with the authorization of the Higher Education Act 1998 amendments. The hearing focused on affordability of postsecondary education, simplifying the student financial aid system, and academic quality for students. The document reports testimony of representatives of professional associations and Pennsylvania postsecondary institutions. Some of the views expressed included: the need to simplify the application process and eligibility for Title IV student financial aid programs; the need to continue equal access to Title IV funds for private career schools; the Pell Grant Program as the primary source of financial assistance for community college students; the confusion and wasted time caused by frequent regulatory changes and excessive communications to colleges by the Department of Education; the desirability of reviewing the current needs analysis system to determine whether all relevant data are being used to calculate the expected family contribution; campus-based aid programs (College Work-Study, Perkins Loans, and Student Educational Opportunity Grants) that are crucial for students who wish to attend independent colleges; and the various performance outcome measures that should be used in addition to loan default rates to ensure the educational quality and accountability of colleges. (SW)

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# HEARING ON H.R. 6, THE HIGHER EDUCATION AMENDMENTS OF 1998

ED 415 762

## HEARING BEFORE THE COMMITTEE ON EDUCATION AND THE WORKFORCE HOUSE OF REPRESENTATIVES ONE HUNDRED FIFTH CONGRESS FIRST SESSION

HEARING HELD IN YORK, PA, JANUARY 28, 1997

### Serial No. 105-2

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## HEARING ON H.R. 6, THE HIGHER EDUCATION AMENDMENTS OF 1998

TUESDAY, JANUARY 28, 1997

U.S. HOUSE OF REPRESENTATIVES,  
COMMITTEE ON EDUCATION AND  
THE WORKFORCE,  
York, PA.

The committee met, pursuant to notice, at 9:40 a.m., Student Community Center Building, Penn State University, York Campus, 1031 Edgecomb Avenue, York, Pennsylvania, Hon. William F. Goodling, Chairman, presiding.

Members present: Representatives Goodling, Petri, Greenwood, Peterson, and Fattah.

Staff present: Sally Stroup, Professional Staff Member; Mary Ann Fitzgerald, Legislative Assistant; and Marshall Grigsby, Senior Legislative Associate for Education, Minority Staff.

Chairman GOODLING. We are going to start, even though a couple of our Members are not here as yet. I do not like to get behind, and I am afraid we will if we do not get started. Because we have two panels, and that will take some time. I heard that there was an accident on the Schuylkill Expressway. Maybe my other two Members probably were coming in that direction.

I want to welcome our guests today. And I especially want to thank Dr. Gogniat, from Penn State, for hosting the field hearing.

This is our first in a series of hearings on the authorization of the Higher Education Act. Members of the Committee on Education and the Workforce will be conducting hearings throughout the country—in fact, there will be two going on in California this week—in the next several months to collect information about what works and what does not work for institutions, students, and families. And I am particularly pleased that we could begin the process here in the 19th Congressional District.

And I want to thank my colleagues for coming to York for this hearing. Let me take a moment to introduce them. Tom Petri, from the 6th District in Wisconsin, with whom I have had the pleasure of serving in the House since 1979. Tom is my vice chairman on the Education and the Workforce Committee. He said that he had a cheese hat, but he decided not to wear it, or cheese head, I guess. Not a hat, but cheese head. He decided not to wear it.

The three other Members are all familiar faces to many of you, since all three are former members of both the Pennsylvania House and the Senate. Jim Greenwood is serving his third term in the House representing Pennsylvania's 8th District. And we hope that Jim will be here shortly.

(1)

We have Congressman Fattah, who is serving his second term representing Pennsylvania's 2nd District. And John Peterson is a new Member on the Education and the Workforce Committee, representing Pennsylvania's 5th District.

The Higher Education Act is one of the most important pieces of legislation that we will review this year. In 1997 alone, the combination of Federal loans and grant aid programs provided under the Act will exceed \$35 billion. Almost 50 percent of all students pursuing a postsecondary education will receive some of this \$35 billion in Federal aid.

And as we begin our intensive review of the Higher Education Act and Federal student aid policy, we will look for ways to assist all Americans in their pursuit of an affordable high quality postsecondary education.

Three compelling principles will guide us as we go through this process. One, making postsecondary education affordable. Secondly, simplifying the student aid system. And third, stressing academic quality for students.

If we can keep these three principles in mind in every decision we make, I believe that the end result will be a new and improved Higher Education Act establishing quality Federal student aid policy for the years ahead.

I am looking forward to your testimony. We have quite a distinguished group, who I know will share with us ideas, concerns, and insights into higher education policy that we should consider as the authorization process continues throughout the year.

I would say to my colleagues that I am very proud of my postsecondary institutions in my district. And one across the river also, to bring the community college in, since I do not have one on my side of the river. I had to go on Mr. Gekas' side in order to do that.

So I would first recognize Mr. Petri for any opening remarks that he might have.

Mr. PETRI. I am real happy to have an opportunity to again attend a hearing in the 19th District of Pennsylvania. The last time was the last authorization of the Higher Education Act. I think that it was at Gettysburg College.

Chairman GOODLING. Yes, it may have been Gettysburg. We also did one up at Dickinson, I remember.

Mr. PETRI. Yes, Dickinson. I think that it was at Dickinson, in the administration building, I think, downstairs.

But in any event, although Mr. Goodling has led us and the Nation in the area of Federal relations with the education community for many, many years, and while we have done an awful lot there, there are an awful lot of challenges still before us.

So I look forward very much to having the opportunity to participate in these hearings and those to follow as we do the best job that we can as a committee and as the Congress to improve on what we already have, and provide opportunities for young people to receive education, and strengthen our country and society.

Thank you very much, Bill, for letting me be here.

Chairman GOODLING. Thank you.

Mr. Peterson, your first chance to speak as a new Member of the committee. He will be sitting way down at the end when he is down there. So you better speak up today, because sometimes we

do not get the whole way down to the end when it comes to questions and answers.

Mr. PETERSON. Well, I will not take advantage of it by giving you a long speech. But I just want to say to Congressman Goodling and Congressman Petri that it is a delight to be a part of this committee. It is a delight to be a new Member of Congress.

Those of you who know me from the district which I served for 12 years in northern Pennsylvania, continuing higher education and access to it has been one of my number one issues as a Pennsylvania legislator. And it will be one of my number one issues, and that is the reason that I chose to serve on this committee. Because I believe that rural America's future depends on having access and affordability to continuing in higher education. And it is our time.

In areas of this country that are struggling, you will find they have a lack of access to continuing in the high tech information age that we are in today. I think that you could put a map out there where there is not access, and you are going to see economic decline. And where you see economic growth, you are going to see that they have adequate access to the kind of education that is needed to run today's companies.

So we are delighted to be a part of it, and delighted to be here today at our first hearing as a congressman.

Chairman GOODLING. Our first panel, I will introduce at this time. I would say that we have made it pretty clear to condense what you have to say. And as I told a couple of them, of course, the trick is when you have not gotten everything said that you wanted to say, and we ask you a question, then you just say whatever it is that you wanted to say in response to that question. And you will get the rest of your testimony in until we bang the gavel and say hey, let us stick to the topic.

Dr. Donald Gogniat is the Campus Executive Director of Pennsylvania State University, York Campus. Mr. Loren Kroh is president of Bradley Academy for the Visual Arts. Dr. Mary Fifield is president of Harrisburg Area Community College. And she told me that next week she will be the president of a community college in Boston. I asked her if the job was open, and she said it is.

Ms. FIFIELD. May I add that it would be an honor to have you in it. Let's finish the conversation.

Chairman GOODLING. I would have to go home and work on my resume.

And Ms. Deborah Dunn is executive vice president of Yorktowne Business Institute. It is her birthday. We will not sing happy birthday to her today, but we wish her many more.

Mr. George Walter, president of Pennsylvania Association of Student Financial Aid Administrators and director of Financial Assistance, Villanova University.

So we are happy to have all of you. And we will start with you, Doctor, with your testimony.

**STATEMENT OF DONALD GOGNIAT, EXECUTIVE DIRECTOR,  
PENNSYLVANIA STATE UNIVERSITY, YORK CAMPUS, YORK,  
PENNSYLVANIA**

Mr. Gogniat. I would like to first welcome you to Penn State University, Congressman Peterson and Congressman Petri. It is nice having you here.

Congressman Goodling, it is nice having you home. You have been on this campus so many times, and have done so many fine things for our students. It is a pleasure to have you here.

Welcome, Congressman Goodling. I am pleased to have this opportunity to share Penn State University's observations and recommendations on the Higher Education Act with you and Members of your committee.

Penn State recognizes that the bipartisan support for education funding achieved at the close of the 104th Congress represents a strong statement by the Congress of its commitment to invest in education.

We also acknowledge that the need for budget neutrality makes the challenge to enhance student aid funding levels all the more complex.

During the 1995-1996 academic year at Penn State, close to 50,000 students of the more than 70,000 enrolled received financial assistance through Federal, State, and institutional or private sources.

Close to 75 percent of these student aid recipients, approximately 137,000 students, benefited from funds available through Title IV. We support on behalf of our students and their families, the continuation and strengthening of this Federal student aid programs.

Penn State believes that the best Federal policy for student aid funding will be achieved if the focus of this reauthorization is centered on students, access, equality of educational opportunity, and on efficiency and simplicity in the delivery of student aid programs.

Nearly 40 percent of the Federal student aid recipients at Penn State receive Pell Grants. The average award was \$1,517 in 1996-1996. Over 19,000 recipients came from household incomes below the national medium income.

Approximately 34,000 students received Part B Federal student loans from the Federal Family Education Loan Program. The \$157 million represents 78 percent of the total of all Federal student aid funding for our students. Federal grants, however, comprise only 17 percent.

This extreme imbalance between grant and loan assistance has forced Penn State students to graduate with ever-growing loan debt responsibilities.

In 1994 and 1995, the average undergraduate loan debt at graduation was \$13,500. A year later, the average was \$15,000. That is an 11 percent increase while the increase in tuition rate for the same period was 4.5 percent. We recognize the dilemma.

While State appropriation support faces severe constraint, the Federal student aid appropriation is limited by balance budget pressure, and institutions face external mandates such as ADA. The best interest of students for access and opportunity will, we believe, come from correcting the imbalance between funding of the Federal grant programs and Federal loan programs.



One of the more complex areas of Title IV occurs in the application process and eligibility determination sections. There is a growing need for simplicity.

Our office of student aid has devised a program that enables a family to obtain an early estimate of their student aid eligibility. The form used asks the family six critical questions. Our early use of this system shows that these six data elements correlate closely to the expected contribution that we get when the family completes the Federal forms requiring over one hundred questions.

Let me now say a word about graduate education. In 1960, about 7 percent of the U.S. population aged 25 or over had undergraduate degrees. Today, 22 percent of this age group hold baccalaureate degrees, and nearly 8 percent have graduate degrees.

For 1996-1997, Penn State has 10,311 graduate students, 14.2 percent of our total enrollment. Graduate fellowships support 274 students, 183 of which are federally funded. Over 3,035 graduate students are supported through assistantships. Graduate education is now a requirement for many jobs in which an undergraduate degree used to suffice.

Additionally, Penn State's 44 Patricia Roberts Harris fellows since 1979 and 21 GAANN fellows since 1994 have greatly assisted minorities and women to pursue graduate degrees in fields where they have been under represented.

For over 25 years, Penn State has been a proud sponsor of the TRIO programs. The success of these programs in helping young people and adults enroll in postsecondary programs and in retaining and graduating students from college is clearly evident by the following data. Seventy five percent of Talent Search seniors, 95 percent of Upper Bound seniors, and 100 percent of Upward Bound math and science seniors enroll in postsecondary education institutions.

Even more impressive is the fact that our TRIO programs are enrolling students in colleges from school districts that have substantially lower postsecondary enrollment rates than the national average.

We have nine recommendations that are found in our written testimony on page three, but the most important is that the funding mechanism for TRIO programs should not be altered.

We are also witnessing huge achievements in enrolling low income, first generation college students into graduate school and doctoral programs through the Ronald McNair Post-Baccalaureate Achievement Program.

Since 1992, 52 percent of all McNair graduates have enrolled in graduate school, and 8 percent have enrolled in doctoral programs. Nationally, only about 25 percent of all college graduates enroll in graduate school, and less than 2 percent of low income college students enroll in graduate school.

Finally, adding to the University's outstanding efforts to promote equal access and college opportunities to those who are less fortunate than the majority of U.S. citizens, Penn State has started the College Assistance Migrant Program, to enroll and serve freshmen from migrant families.

We can only serve 35 to 50 students per year. Our program is the only one in the Eastern United States potentially available to

over 3,000 migrant high school graduates each year. The project is highly successful, in that 96 percent of the 1995-1996 CAMP freshmen class returned this fall.

Please use this written testimony as a guide for specifics which time would not allow us to cover here.

I want to thank you for this opportunity, Mr. Chairman. And I also want to thank you for this great pleasure to have this legislative process represented by yourselves here at Penn State/York. We thank the honorable congressmen for this important opportunity.

[The prepared statement of Mr. Gogniat follows:]

PENNSTATE



**The Pennsylvania State University  
Verbal Testimony**

**The Higher Education Act:  
Reauthorization by the 105th Congress  
Public Hearing Committee on Education and the Workforce**

*January 28, 1997*

*Hosted by: Penn State York Campus, York, Pennsylvania  
Presented by: Donald A. Gogniat, Campus Executive Office, Penn State York Campus  
on behalf of The Pennsylvania State University*

Welcome Chairman Goodling. I am pleased to have this opportunity to share Penn State University's observations and recommendations on The Higher Education Act with you and members of your committee, Congressman Greenwood, Congressman Fattah, and Congressman Peterson.

Penn State recognizes that the bipartisan support for education funding achieved at the close of the 104th Congress represents a strong statement by the Congress of its commitment to invest in education. We also acknowledge that the need for budget neutrality makes the challenge to enhance student aid funding levels all the more challenging.

During the 1995-96 academic year at Penn State, close to 50,000 students of the more than 70,000 enrolled received financial assistance through federal,

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state, institutional or private sources. Close to 75% of these student aid recipients (approximately 37,000 students) benefited from funds available through Title IV. We support, on behalf of our students and their families, the continuation and strengthening of the federal student aid programs.

Penn State believes that the best Federal Policy for student aid funding will be achieved if the focus of this Reauthorization is centered on students, access, equality of educational opportunity, and on efficiency and simplicity in the delivery of student aid programs.

Nearly 40% of federal student aid recipients at Penn State receive Pell Grants. The average award was \$1,517 in 1995/96. Over 19,000 recipients come from household incomes below the national median income.

Approximately 34,000 students receive Part B federal student loans from the Federal Family Education Loan Program. The \$157 Million represents 78% of the total of all federal student aid funding for our students. Federal grants, however, comprise only 17%. This extreme imbalance between grant and loan assistance has forced Penn State students to graduate with ever growing loan debt responsibilities. In 1994-95, the average undergraduate loan debt at graduation was \$13,500. A year later, the average was \$15,000. That's an 11%

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increase while the increase in tuition rate for the same period was 4.5%. We recognize the dilemma. While state appropriation support faces severe constraint, the federal student aid appropriation is limited by balance budget pressure, and institutions face external mandates such as ADA. The best interest of students for access and opportunity will, we believe come from correcting the imbalance between funding of the federal grant programs and federal loan programs.

One of the more complex areas of Title IV occurs in the application process and eligibility determination sections. There is a growing need for simplicity.

Our Office of Student Aid has devised a program that enables a family to obtain an early estimate of their student aid eligibility. The form used asks the family six critical questions. Our early use of this system shows that these six data elements correlate closely to the expected contribution we get when the family completes the federal forms requiring over 100 questions.

Let me now say a word about Graduate Education. In 1960, about 7 percent of the U.S. population aged 25 and over had undergraduate degrees.

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Today, 22 percent of this age group hold baccalaureate degrees -- and nearly 8 percent have graduate degrees. For 1996/97 Penn State has 10,311 graduate students, 14.2% of our total enrollment. Graduate fellowships support 274 students, 183 of which are federally funded. Over 3,035 graduate students are supported through assistantships. Graduate education is now a requirement for many jobs in which an undergraduate degree used to suffice.

Additionally, Penn State's forty-four **Patricia Roberts Harris** fellows since 1979 and the 21 **GAANN** fellows since 1994 have greatly assisted minorities and women to pursue graduate degrees in fields where they have been under-represented.

For over 25 years, Penn State has been a proud sponsor of the **TRIO** programs. The success of these programs, in helping young people and adults enroll in post-secondary programs and in retaining and graduating students from college, is clearly evident by the following data: 75% of Talent Search seniors, 95% of Upward Bound seniors, and 100% of Upward Bound Math and Science seniors enroll in postsecondary institutions.

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Even more impressive is the fact that our TRIO programs are enrolling students in colleges from school districts that have substantially lower postsecondary enrollment rates than the national average.

We have nine recommendations that are found in our written testimony on Page 3, but the most important is that the funding mechanism for TRIO Programs should **NOT** be altered.

We are also witnessing huge achievements in enrolling low-income, first-generation college students into graduate school and doctoral programs through the **Ronald McNair Post-Baccalaureate Achievement Program**. Since 1992, 52 percent of all McNair graduates have enrolled in graduate school, and 8 percent have enrolled in doctoral programs. Nationally, only about 25 percent of all college graduates enroll in graduate school and less than 2 percent of low-income college students enroll in graduate school.

Finally, adding to the University's outstanding efforts to promote equal access and college opportunities to those who are less fortunate than the majority of U.S. citizens, Penn State started the **College Assistance Migrant Program** to enroll and serve freshmen from migrant families. We can only serve 35-50 students per year. Our program is the only one in the eastern United States

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potentially available for over 3,000 migrant high school graduates each year.

The project is **highly** successful: 96 percent of the 1995-96 CAMP freshman class returned this fall.

Please use the written testimony as a guide for specifics which could not be covered here.

Thank you Mr. Chairman for this opportunity.

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## INTRODUCTION:

Penn State University ranks among America's ten largest universities in enrollment. In Fall 1996, it had 76,600 full and part-time students. Of that total, 39,571 or 52 percent, are enrolled at the University Park Campus in State College, Pennsylvania. Penn State Harrisburg enrolled 3,510 upper-division students, Penn State Behrend in Erie 3,208, and The Milton S. Hershey Medical Center 576. The remaining students (almost 30,000) were distributed among the seventeen Commonwealth Campuses, the Great Valley Graduate Center and Penn College of Technology.

Penn State recognizes that its academic reputation is dependent both on scholarly accomplishments of its faculty and the quality of instruction. Testaments to the quality of instruction are as diverse as the curricular offerings. For example, *U.S. News & World Report* (1995) ranked the undergraduate programs in The Smeal College of Business Administration eighth in quality among the nation's public business schools. A National Research Council survey (1995) rated the graduate program in geography the best in the nation, while another *U.S. News* survey (1995) placed the graduate program in industrial engineering fourth-best nationally. The caliber of undergraduate instruction also is reflected in the fact that more high school seniors (46,746 in 1994-95) send their SAT scores to Penn State than to any other university. Overall, *U.S. News* (September 25, 1995) ranked Penn State the eighth most efficient university in America, based on academic quality and per student spending compared with peer institutions.

Penn State is concerned about access. Penn State is a state-related, not state-owned university and the Commonwealth of Pennsylvania only provides 17 percent of the University's operating budget. In fact, Pennsylvania ranks 46th in the nation in support for public higher education. As a result, Penn State students face one of the highest tuition rates of any public university in the nation. Tuition for 1996/97 (two semesters) at University Park is \$5,434 for Pennsylvania residents. This is still a great value for the quality of education students receive, but the question of access becomes a major issue as the financial pressure on families mount. That is why the Title IV and other Higher Education Act programs are so vital to our citizens and to our nation's universities.

## TITLE IV: STUDENT ASSISTANCE

During the 1995-96 academic year at Penn State, close to 50,000 students received financial assistance through federal, state, institutional or private sources of student aid. Close to 75% of these student aid recipients (approximately 37,000 students) benefited from funds available through the Federal Title IV student assistance programs. Indeed, the federal student aid programs represent the cornerstone of Penn State's student aid program. Through these programs, the University seeks to assist the many deserving students and their families to find the means to afford the outstanding benefits of a Penn State education. With approximately 65% of all the student aid funding provided through the Title IV programs, we support, in behalf of our students and their families, the continuation and strengthening of the federal student aid programs. Penn State recognizes that the bipartisan support for education funding achieved at the close of the 104th Congress represents a strong statement by the Congress of its commitment to invest in education. We hope that this same commitment will prevail during this Reauthorization of the Higher Education Act. We also acknowledge that the need for budget neutrality makes the challenge to enhance student aid funding levels all the more challenging.

Penn State maintains that the best Federal Policy for student aid funding will be achieved if the focus of this Reauthorization is centered on students, access, equality of educational

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opportunity, and on efficiency and simplicity in the delivery of student aid programs. To that end, we offer comments on several sections of the Higher Education Act.

The Federal Pell Grant Program (Title IV Student Assistance Part A Subpart 1):

The Pell Grant Program has greatly increased access to college for low and some moderate income students in its near 25 year history. Nearly 40% of federal student aid recipients at Penn State received Pell Grants during 1995-96. The average award was \$1,517. Over 19,000 aid recipients at Penn State come from household incomes below the national median income. The value of Pell Grants has not kept pace with even moderate annual increases in tuition at most postsecondary institutions. The average Pell Grant at Penn State covered 29% of tuition in 1995-96; this is down from 54% of tuition in 1988-89 and 40% in 1992-93. In the last reauthorization, the maximum Pell Grant was authorized at levels of \$3,700 in 1993-94 increasing to \$4,500 for academic year 1997-98. However, appropriations for Pell Grants continue to limit the maximum Pell Grant such that the current maximum in 1996-97 is \$2,470 - well below the authorized maximum. If this important program is to remain vital to ensuring access to those students from household incomes least able to afford a college education, increased funding levels must be addressed.

*Recommendation:* Penn State strongly recommends that this reauthorization address the funding level in the Pell Grant Program.

TRIO Programs (Chapter 1):

For over 25 years, Penn State has been a proud sponsor of the TRIO programs, beginning with its Upward Bound Program and later in recent years adding Upward Bound Math and Science, Educational Opportunity Centers, Talent Search, Ronald E. McNair Post-Baccalaureate Achievement Program and Student Support Services. The success of these programs, in helping young people and adults enroll in postsecondary programs and in retaining and graduating students from college, is clearly evident by the following data:

Compared to 62% of U.S. high school seniors who enroll in postsecondary institutions:

75% of Penn State Talent Search seniors enroll in postsecondary institutions (1 year experience);

95% of Penn State Upward Bound seniors enroll in postsecondary institutions (9 years experience); and

100% of Penn State Upward Bound Math and Science seniors enroll in postsecondary institutions (2 years experience).

Even more impressive is the fact that Penn State TRIO programs are enrolling students in colleges from school districts which have substantially lower postsecondary enrollment rates than the national average. For example, in the Talent Search school districts, 49 percent of graduating seniors enroll in postsecondary institutions, as compared to 75 percent of Talent Search seniors; 40 percent of graduating seniors from Upward Bound school districts enroll in postsecondary institutions, as compared to 95 percent of Upward Bound seniors, and 58 percent of graduating seniors from Upward Bound Math and Science school districts enroll in postsecondary institutions, as compared to 100 percent of Upward Bound Math and Science seniors.

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*Recommendation 1:* The funding mechanism for TRIO Programs should not be altered.

*Recommendation 2:* That the minimum grant levels included in Sec. 402(b) (30) of the law should be adjusted for inflation.

*Recommendation 3:* The funding priority given to TRIO projects with prior experience should not be changed.

*Recommendation 4:* Institutions and agencies should continue to be able to submit more than one application if the applications describe services to different populations or campuses.

*Recommendation 5:* Language in the coordination section should be amended to read: "The Secretary shall permit a Director of a program assisted under this chapter to also administer one or more additional programs for disadvantaged students operated by the sponsoring entity regardless of the funding source of such programs.

*Recommendation 6:* The authorizing language should be amended to read, "For the purpose of making grants and contracts under this chapter, there are authorized to be appropriated \$850,000,000 for fiscal year 1998 and such sums as may be necessary for each of the four succeeding fiscal years."

*Recommendation 7: Talent Search:* The legislative purpose statement should read as follows: The Secretary shall carry out a program to be known as Talent Search which shall be designed: (1) to motivate and prepare eligible youth for success in postsecondary education and (2) to publicize the availability of student financial assistance available to persons who pursue a program of postsecondary education." The permissible services section should be amended by adding (10) re-entry assistance to high school and postsecondary dropouts; and renumbering to correct (10) as (11).

*Recommendation 8: Talent Search:* A new paragraph should be added as follows: (4) Per Client Cost - In any year in which the appropriations authorized under this chapter exceed the prior year appropriations as adjusted for inflation, the Secretary should use 20% of the amount appropriated above the current services level to bring the per client cost to a minimum level of \$650.

*Recommendation 9: Upward Bound:* That Sec. 402C(h) be amended by adding a new number (10) "work-study positions where youth participating in the project are exposed to careers requiring a postsecondary degree" and that paragraph (10) be renumbered (11). Further, that paragraph (c) be amended to read "MAXIMUM STIPENDS -- Youth participating in a project proposed to be carried out under any application may be paid stipends not in excess of \$60 per month during June, July, and August, except that youth participating in a work-study position under paragraph (b)(10) may be stipends of \$800 per month during June, July, and August. Youths participating in a project proposed to be carried out under any application may be paid stipends not in excess of \$40 per month during the remaining period of the year."

Penn State is also having a tremendous success with assisting low-income adults enroll in postsecondary programs. Annually, our **Educational Opportunity Centers (EOC)** provide information on financial and academic assistance to over 50,000 low-income adults; assist over

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2,000 EOC clients in identifying careers, and applying for financial aid; and enroll 1,000 students into postsecondary programs.

*Recommendation 1:* A new paragraph should be added as follows: (4) Per Client Cost -- In any year in which the appropriations authorized under this chapter exceed the prior year appropriations as adjusted for inflation, the Secretary should use 20% of the amount appropriated above the current services level to bring the per client cost to a minimum level of \$300.

When low-income, first-generation college students enroll at Penn State and are admitted into the **Student Support Services (SSS)** program, they are provided counseling, tutoring, Supplemental Instruction, academic advising and other academic support services to help them graduate. Currently, we serve 203 SSS students, and the program has a retention rate of 81 percent. This retention rate is astounding, considering the fact that only 8 percent of low-income students have a chance of graduating from college, compared to 80 percent of students in the top quartile of family income.

*Recommendation 1:* That assurance 402D(c)(6) be dropped.

We are also witnessing huge achievements in enrolling low-income, first-generation college students into graduate school and doctoral programs through the **Ronald E. McNair Post-Baccalaureate Achievement Program**. Since 1992, 52 percent of the 29 McNair graduates have enrolled in graduate school, and 8 percent have enrolled in doctoral programs. Nationally, only about 25 percent of all college graduates enroll in graduate school and less than 2 percent of low-income college students enroll in graduate school.

*Recommendation 1:* Extend eligibility to students in the summer preceding graduate study by adding in Sec. 402E(c)(3) "an assurance that participants be enrolled in a degree program or accepted for a graduate program at . . ."

*Recommendation 2:* That Sec. 402E(c) be amended to read "MAXIMUM STIPENDS -- Students participating in research under a post-baccalaureate achievement project may receive an award that -- (1) shall include a stipend not to exceed \$4,000 per annum; and"

Finally, adding to the University's outstanding efforts to promote equal access and college opportunities to those who are less fortunate than the majority of U.S. citizens, in 1993 Penn State, in collaboration with the federal government, started a **College Assistance Migrant Program (CAMP)** to enroll and serve freshmen from migrant families. Penn State's CAMP project, which can only serve 35-50 students per year, is the only one in the eastern United States potentially available for over 3,000 migrant high school graduates annually. The project is highly successful: 96 percent of the 1995-96 CAMP freshman class returned this fall.

*Recommendation 1:* Grants should be increased substantially to permit institutions to serve students through the program for two years instead of one year as currently authorized.

In conclusion, the federal TRIO programs and the CAMP project are working remarkably well in Penn State's target high schools, in our counties and community agencies, and in our college-based programs. With federal assistance we can enroll many low-income high school students into postsecondary programs at higher rates than the national and state averages; we can help thousands of low-income adults—who are unemployed or underemployed—identify a career and enroll in college; we can graduate low-income, first-generation college students at the same

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graduation rate as high-income college students; and we can enroll low-income college graduates into graduate school and doctoral programs at rates considerably higher than their upper income counterparts. \*See Appendix 1.

Robert Byrd Honors Scholarship Program Statistics (Subgroup 6):

<u>Year</u>	<u># of Students</u>	<u>Total Awards</u>
1994/95	80	\$117,000
1995/96	143	\$208,500
1995/97	202	\$220,882*

\*Scholarship amount changed from \$1,500 per student to \$1,121 per student

Federal Family Education Loan Program (FFEL) (Title IV Student Assistance Part B):

At Penn State, approximately 34,000 students receive Part B federal student loans totaling \$157.3 Million in 1995-96. This represents 78% of the total of all federal student aid funding for our students. Federal grants, however, comprise only 17% of total federal student aid funding for our students. This extreme imbalance between grant and loan assistance has forced Penn State students to graduate with ever growing loan debt responsibilities. In 1994-95, the average undergraduate loan debt for students graduating that year was \$13,500. A year later, in 1995-96, the average debt at graduation was \$15,000. That is an 11% increase while the increase in tuition rate for the same period was 4.5%. We recognize the dilemma. While state appropriation support faces severe constraint, the federal student aid appropriation is limited by balanced budget pressure and institutions face external mandates such as ADA, the reflex valve is to raise tuition which then limits access. Even though our students could benefit from an increase to the annual loan borrowing limits, we do not advocate this as good public policy. Additional student need for assistance, if met by increasing the student borrowing limits, could likely relieve the pressure on this Congress to fully fund the federal grant programs. The best interest of students for access and opportunity will come from correcting the imbalance between funding in the federal grant programs and the federal loan programs.

Origination fees, when first assessed, were said to be a temporary measure. Student loans should not be categorized in many of the same ways as consumer loans or credit card borrowing linked to purchases of goods and services. Home mortgages abound today with origination fees which are lower than those set for student loans. Put funds back into the pockets of students at the point when they most need the funding. Interest rates should not be tied to market rates and should be stabilized at the lowest possible rates. Variations in the interest rates and loan fees charged by various lenders adds confusion and complexity to the programs. Students and parents call us confused about how to decide on which loan is better than another. These calls add burden to the administration of the loan programs by student aid offices across the country. When students and families are confused about program options, they often become frustrated and distrustful of the very programs designed to assist them.

Penn State supports a level playing field between the FFEL program and the Federal Direct Student Loan Program (FDSL). As schools choose the program most appropriate for serving their students, students should not be disadvantaged by one over the other based upon the program selected by their institution. The streamlined features in the FDSL program could be permitted in the FFEL program as well. Lenders and guaranty agencies should be given the opportunity to employ a more streamlined delivery of student loans setting up processes which support the needs of varying institution which they serve. As the single largest student aid program administered by

Penn State's Office of Student Aid, regulatory relief in the administration of the FFEL program is critical to containing the cost to administer the program, in particular at large institutions. Partnerships between large institutions and large Guaranty Agencies could be more easily established with the result of greater efficiency and better service to students as the outcome. Legislation imposed on lenders and guaranty agencies which inhibit accomplishing such partnerships need to be removed or made more flexible. Such reduction in complexity and inefficiencies in the current system would translate into reduced regulatory and administrative burden for all parties. In addition, a level playing field between the two programs would provide students at any institution with improved provisions for loan repayment such as income contingent repayments. The best features in each of the two programs should be combined to achieve reduced complexity in the student loan programs.

*Recommendation:* We recommend that strong consideration be given to the elimination of the origination fee in the subsidized student loan program.

Need Analysis: ( Title IV Student Assistance Programs, Part F):

One of the more complex areas of the Title IV Student Assistance provisions occurs in the application process and eligibility determination sections. There is a growing need for simplicity. The lengthy and complex Free Application for Federal Student Aid (FAFSA) serves as a barrier to many students and families who simply cannot deal with the form. This problem has been repeatedly documented. The requirements in the federal need analysis methodology appear to create the need for extensive collection of data on the FAFSA. The design of the form and the complexity of definitions and instructions that families are asked to use, have not engendered confidence in the student aid system and indeed have become a barrier to access. The requirement of income tax information for the calendar year immediately preceding the student's year of enrollment, does not support a logical timetable whereby students who seek college admissions during the fall and early spring preceding the start of college, are not able to receive timely results from their applications for aid and the subsequent determination of student aid eligibility from the colleges they are considering. Students who complete the form early in January, in the hopes of receiving an early reply about student aid, complete the FAFSA using estimated income information which projects income which parents may use later to complete the tax return by April 15. Filing estimated income tax information requires that schools later verify the information provided months earlier. Families are then required to submit copies of their tax forms to the student aid office upon request. Student aid offices are then required to retain the tax forms and to submit corrections to student applications when the estimated data does not correspond with the final data.

Several ways have been proposed to improve this cumbersome and paper-driven process. One is to change the federal methodology to allow the use of data from the tax year preceding the year in which a student enters the senior year in high school. Families will then be using completed tax return information to complete the FAFSA. Families who experience dramatic changes in income between the two years preceding the college year, may appeal for reconsideration based on the more current tax year. Dramatic shifts in income from one year to the next is not a frequent occurrence across the population of families who complete the FAFSA each year. Using this earlier year as the income base, enables the student aid office to provide a final determination of eligibility for student aid simultaneous with the student receiving their notice of admissions. This makes sense to the family and allows for a greater period of preparation and planning for the payment of the first year of college enrollment. This also enables students and parents to make a better decision among colleges they are considering. A provision which would facilitate the Secretary of Education obtaining direct data matches with the IRS database, would

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enable the verification of income information provided by all applicants for federal student aid and thus increasing the integrity of the data used to determine student eligibility.

The Office of Student Aid at Penn State has devised a program (in place for the third year now) which enables a family to obtain an early estimate of their student aid eligibility, as students and families consider the offer of admissions at Penn State. Students can access this early aid estimate system by keying information into the office's voice response system or by submitting the early aid application to the office. Families like this very much. The form used asks the family six of the critical questions used in the federal methodology. The data for these six questions are then put through the federal methodology using reasonable assumptions, where needed, to impute the other data required in the methodology. In the limited use of this system for entering freshmen who chose to access this service, the outcomes of the Expected Family Contribution using these six data elements, correlates quite closely to the expected contribution we get when the family completes the FAFSA requiring over 100 questions on that form. The Penn State Office of Student Aid is in the process of comparing the outcome of use of six data elements to run the federal need analysis methodology against the outcome of the need determination using the more complete data elements - this time using over 50,000 FAFSA filers in our database. Should this analysis, across a much broader population of applicants, yield outcomes which we documented earlier for a more limited population, we believe that a case can be made for a federal student aid application which could be greatly reduced in size and complexity and thus processed at a much lower cost than with the current form. We encourage the congress to pay close attention to this alternative in the student aid delivery system. The result of this approach to eligibility determination for Title IV student assistance would be more student friendly and would lend itself more readily to the use of technology to apply for student aid. Combined with direct database matches with the IRS and other federal systems which capture family income information, the system clearly becomes easier to use, more streamlined in nature, uses minimal or no paper, and increase the accuracy of the income information used to distribute federal student aid funding to needy students. Attached is a copy of the early estimate application used at Penn State, a simple one page form which students and families consider very reasonable to complete and which we believe, will not result in significant shifts in the distribution of student aid dollars across the full population of students served by the student aid programs. See Appendix 2.

*Recommendation:* We recommends that the application and delivery system look more closely at reducing the number of data elements required by the federal methodology.

Penn State fully supports that the designation of its Federal Work Study allocation be utilized in part to support eligible students placed in community service jobs. For institutions located in non-urban settings, we recommend that greater flexibility be allowed in defining public/community service jobs. For example, Penn State students could be placed in positions on campus which include providing support services to students with disabilities, or positions which support our learning resource centers providing tutoring for other students who may need special assistance in their programs of study to reinforce learning of course content. Initiatives such as work study students providing tutoring in the grade schools as described in the recent "America Reads" program should continue to be supported as one objective in the use of Federal Work Study Funding. The need for special and separate regulations governing the use of community service jobs within the work study program should be kept to an absolute minimum so as not to add burden to the administration of these programs on our campuses.

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## TITLE VI: INTERNATIONAL EDUCATION

Penn State University International Council's key strategic goals for international education programs are:

- To provide international experiences for undergraduate, graduate, and professional students
- To increase the international activities for faculty and professionals
- To internationalize the curriculum
- To recognize and reward international activities of faculty in promotion and tenure evaluations and decisions at each level of review.
- To create a rich and stimulating climate for international students, faculty, scholars, and staff.

Faculty and Staff Grants within the Colleges:

- Nutrabusiness Development in Kenya (USAID - \$500,000) - College of Agricultural Sciences
- Penna. - Korea Clean Water Initiative (Department of Commerce - 101,239) - Engineering
- Family Welfare and Children's Schooling in Mexico, Chile, and Peru (Ford Foundation - \$337,000/Spencer Foundation \$269,000) - Education
- The Global Water Cycle: Extension Across the Earth Sciences (NASA - 3,430,000) - Earth and Mineral Sciences
- Dementia in Swedish Twins (MacArthur Foundation and U. of California - \$160,000) - Health and Human Development

Fulbright Scholarship Grants:

The 42 Fulbright fellowships for undergraduates and the 40 faculty Fulbright Scholars has made a major impact on our International program initiatives from 1993 through 1996. The financial benefits to our students have been over \$1 Million. Currently our one Fulbright-Hays award of \$41,110 is complimented by \$606,000 in foundation funding to support Family Welfare and Children's schooling in Mexico, Chile and Peru, as outlined above.

International Student Enrollment by location, 1996/97:

Altoona	6
Allentown	1
Bethend	7
Berks	2
Beaver	1
Delaware	1
DuBois	1
Harrisburg	24
Hazleton	1
Hershey	30
Monroeville Center	80 **
McKeesport	12
Ogontz	6
University Park	2,365 (93%)
Worthington/Scranton	1
Total	2,538



**Visiting International Fulbright Students at Penn State:**

One student from each of the following countries: Austria, Chile, Ecuador, Japan, Finland, Iceland, Kenya, Korea, Morocco, Netherlands, Peru, Romania, Sri Lanka, St. Lucia, Syria and Uruguay; 2 students from Chile; and 6 students from Mexico for a total of 24 students.

**Select examples of Internationalized Curriculum at Penn State:**

- 16 Multidisciplinary majors/minors
- 9 International Business majors including required 15 credits study abroad
- 18 100-level general education courses in the History Department of the College of the Liberal Arts with 25% or more international content

**TITLE IX: GRADUATE PROGRAMS**

In 1960, about 7 percent of the U.S. population aged 25 and over had undergraduate degrees. Today, 22 percent of this age group hold baccalaureate degrees -- and nearly 8 percent have graduate degrees. For the 1996/97 Penn State has 10,311 graduate students which represent 14.2% of our total enrollment. Graduate fellowships support 274 students, 183 of which are federally funded. Over 3,035 graduate students are supported through assistantships. Graduate education is now a requirement for many jobs in which an undergraduate degree used to suffice. Recruiting the best graduate students to Penn State is a highly competitive process. Prospective graduate students consider the credentials of departments and individual faculty members, and we are very competitive in this regard. Another primary criterion, of course, is cost and the availability of financial assistance. See Appendix 3

Penn State has participated in the **Patricia Roberts Harris** program since 1979. The program was designed to assist minorities and women pursue graduate degrees in fields where they have been underrepresented. Since its inception, Penn State has had forty four Harris fellows and has received approximately \$1.6M in funding. Of the forty four fellows, thirty five have graduated with advanced degrees and four students are still enrolled. The placement record of the graduates is equally impressive with many of the graduates going into academia or business and industry. Penn State has employed two of its fellows, Dr. Cathy Lyons (Grad. School) and Evelyn Ellis (Arts and Arch.).

When funded at a reasonable level, the Harris program served as a model for institutions nationally regarding recruitment, retention, and graduation of underrepresented students.

The following is a list of employment of Harris graduates:

Department Head, Howard University  
Economist, World Bank, Washington, DC  
Director, Agric. Experiment Station, Federal City College, Washington, DC  
Dean of Agriculture, Alcorn State University  
Department Chairman, Alabama A & M University  
Department Chairman, Prairie View A & M University  
Asst. Professor of Poultry Husbandry, University of Missouri  
Associate Professor Soil Chemistry, Alabama A & M University  
Geochemist, U.S. Salinity Lab., Riverside, California

Extension Agent, Delaware State College  
 Auditor, Gulf Oil Company  
 Teacher, Phillips Academy  
 Instructor, Oakwood College, Huntsville, Alabama  
 Faculty, Boston University  
 Ass. Professor, Indiana University, Indianapolis, Indiana  
 Faculty, Virginia Commonwealth Univ.  
 Area Extension Specialist, Dauphin Co., PA  
 Ass. to the Controller, Western Electric Co., New York, NY  
 Geophysicist, Mobil Exploration & Production Services  
 Teacher, York City School District  
 Geologist, Exxon Corporation  
 Asst. Prof., Francis Marion College  
 Mining Engineer, Shell Oil Company  
 Agricultural Economist, U.S. Department Agriculture  
 Recreational Therapist, Philadelphia Psychiatric Center  
 Teacher, Physical Ed., Puerto Rico  
 Recreational Therapist, Hospital, Washington, DC  
 Management Trainee, Bell Telephone Co.  
 Mineral Economist, Exxon Corporation  
 Research Technologist, American Cyanamid Company  
 Marketing Analyst, Honeywell  
 Financial Analyst, Mellon  
 Marketing Research, Gillette  
 Instructor and Administrator, Penn State University  
 Faculty, African University  
 Agricultural Economist, U.S. Department of Agriculture  
 Marketing Rep., IBM Corporation  
 New York Law School  
 Armstrong Corporation  
 Director of the Center for Minority Affairs  
 Assistant Dean, College of Business Morgan State University  
 Marketing Analyst

*Recommendation:* Support the restoration of the Patricia Roberts Harris Program with priority given to McNair graduates.

There has been only one Javits fellow at Penn State University. The grant was for \$30,000 over the period 1986-89.

Since the Program's inception in 1994, twenty-one students have accepted **GAANN Fellowships**. Of these, 9 were women. All of the students have been integrated into MS/PhD programs in environmental-related programs and continue successful progress towards their degrees. The pool of applicants included individuals already having sought admission to graduate environmentally-related programs in the College of Engineering as well as specific individuals known to faculty participating in the program. A screening and selection committee formed from the faculty in the participating departments reviewed the applications and made recommendations for award based on academic qualifications. The outcome of the current GAANN project, is based on the timely completion of degrees and high-quality academic accomplishments including publication of papers based on the Fellows' research projects. At this time, we consider our

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GAANN project to be highly successful with all positions being filled by qualified and enthusiastic individuals.

**GAANN STATISTICS:**

Program Inception:	1994	
Term of Fellowship:	3 years	
Appointed Fellows:	21 (9 women)	
Department Appointments:	Agricultural & Biological Engineering . . . (1)	
	Chemical Engineering . . . . . (5)	
	Civil & Environmental Engineering . . . (7)	
	Industrial Engineering . . . . . (3)	
	Mechanical Engineering . . . . . (3)	
	Nuclear Engineering . . . . . (2)	
Funding:	Stipend . . . . . DoEd	
	Tuition . . . . . DoEd & PSU	
	Professional Development . . . . . DoEd	
	Fees . . . . . PSU	
	Research Expenses . . . . . PSU	
Fellow requirements:	Supervised Teaching Experience	
	Professional Society Membership	
	Annual Publication or Presentation During 2 Research Years	
	Annual Conference Attendance	
	Mentor's Annual Progress Report	
	Monthly "Brown Bag" Seminar Series Attendance	
	Enrollment in Engineering 588	
Funding received:	1994 . . . . .	\$331,002
	1995 . . . . .	\$453,967
	1996 . . . . .	\$434,576

**SUMMARY:**

This written testimony is submitted to supplement our oral presentation today, January 28, 1997.

We have organized this testimony to complement the titles and specific chapters of the Higher Education Act. The specific statements are our preliminary sets of observations and data that we feel demonstrate the quality and level of investment this act has given our land grant mission of access and opportunity to the citizens of the Commonwealth of Pennsylvania. The attainment of personal education opportunities does ultimately benefit the economic vitality of our Commonwealth and the nation.

We are eager to be a resource to the committee's deliberation on the Act's reauthorization.

Contact: *Helen E. Cuffrey, Director of Commonwealth Relations  
 Office of Governmental Affairs  
 117 Old Main Building  
 University Park, PA 16802  
 (814) 865-5431 - email: hec3@psu.edu*

**Undergraduate Education  
Academic Assistance Program  
Federally Funded Projects**

Program	Purpose	Total Grant	# Students	Student Race	Student Sex	Start Date
CAMP	To provide equitable access to dependents of migrant and seasonal agricultural workers to participate in higher education through a one-year orientation program.	\$1,266,455	37 Annually	Af. Amer. = 5% Asian Amer. = 15% Hisp. = 75% Cauc. = 5%	M = 60%/21 F = 40%/14	7/1/93
Federal						
Upward Bound	To generate in program participants the skills and motivation necessary to persist in completing a program of secondary education and complete a program of postsecondary education that leads to a career in the field of math, science or engineering.	\$947,208	50 Annually	Am. Ind. = 2% Asian Amer. = 6% Af. Amer. = 35% Hisp. = 3% Cauc. = 54%	M = 38%/19 F = 62%/31	10/1/96
TRIO						
McNair	Prepare undergraduates who are either low-income and first-generation college students or those in groups underrepresented in graduate education for doctoral study.	\$695,100	30 Annually	Af. Amer. = 50% Hisp. = 18% Asian Amer. = 5% Cauc. = 23% Other = 5%	M = 45%/10 F = 41%/83	
TRIO						
SSS	To increase college retention and graduation rates for first generation, low-income students and students with learning or physical disabilities. To foster an institutional climate supportive of the success of SSS eligible students at University Park.	\$704,246 LP	200 Annually	Am. Ind./Alaskan Native = 2.5%	M = 59%/120 F = 41%/83	August, 1993
TRIO		\$680,000 McKeasport				

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Undergraduate Education  
Academic Assistance Program  
Federally Funded Projects

Program	Purpose	Total Grant	# Students	Student Race	Student Sex	Start Date
Talent Search	To provide eligible middle and high school students and returning adult with information about financial and academic assistance available to help them enroll in postsecondary education.	\$1,144,746	843-1,100 Annually	Am. Ind./Alaskan Native = 1% Asian Amer. = .5% Af. Amer. = 46% Hisp. = 5% Cauc. = 52%		August, 1991
TRIO		4 years				
Upward Bound	To generate the skills and motivation necessary to complete a program of secondary education and to enter and succeed in a program of postsecondary education.	\$1,437,436	120 Annually	Af. Amer. = 7% Asian Amer. = 1% Hisp. = 1% Cauc. = 92%	M = 34%/40 F = 66%/80	1-Jun-97
TRIO		4 years				
EOC	To help adults age 19 or older begin or continue a program of postsecondary education.	\$1,089,560	2563 Annually	Am. Ind. = .51% Af. Amer. = 34.61% Hisp. = .82% Cauc. = 63.63% Asian Amer. = .23%	M = 28.48%/ 730 F = 71.52%/ 1833	
TRIO		4 years				

PENN STATE ESTIMATING YOUR STUDENT AID PACKAGE



Congratulations on receiving your offer of admission to Penn State. The Office of Student Aid is able to provide you with an early estimate of your student aid eligibility for 1997-98. We hope this service will be helpful in accepting your offer to Penn State. This service is confidential.

Please take a moment and try this service. It's free and easy to use. It is also very accurate, considering the small number of questions requiring your response. Follow these simple steps:

- Step 1: Complete the information in the boxes below.
- Step 2: Call the Early Aid Estimate Program at 813-363-9918 beginning October 24, 1996. Please use a touch-tone telephone. If you do not have access to a touch-tone telephone, information on the reverse side will instruct you further.
- Step 3: When prompted, enter your answers to the 6 items below using the touch-tone keypad on your telephone. After entering the last item (#6) you may hang up and the results will be faxed or mailed to you (your choice) within 12 hours.

Student's Name: \_\_\_\_\_

You will be asked to enter the student's social security number first. Record it here:    -   -

Student Status: Check if the answer is YES. leave BLANK if the answer is NO (these questions are about the student).	Are you born before January 1, 1974? <input type="checkbox"/> yes <input type="checkbox"/> no	Are you an orphan or ward of the court? <input type="checkbox"/> yes <input type="checkbox"/> no
Are you a Veteran of the U.S. Armed Forces? <input type="checkbox"/> yes <input type="checkbox"/> no	Are you married? <input type="checkbox"/> yes <input type="checkbox"/> no	Do you have legal dependents (children)? <input type="checkbox"/> yes <input type="checkbox"/> no
1 If all boxes above are BLANK, you are a DEPENDENT student and both the parent and student questions that follow must be answered. If you checked ANY of the boxes above, you are INDEPENDENT and should complete the student answers only. Enter your response: 1 for DEPENDENT or 2 for INDEPENDENT: <input type="text"/>		
If you are DEPENDENT, enter 1 if your parents are married. Enter 2 if your parent is separated, divorced, widowed or single. If you are INDEPENDENT, enter 1 when prompted if you are married (include spouse if married). Enter 2 if you are separated, divorced, widowed or single. Enter your response: 1 for married or 2 for separated, divorced, widowed or single: <input type="text"/>		
2 Enter your estimated 1996 Taxable Income and Benefits Information below: Provide all forms of taxable income that will be included on your 1996 tax return. Include income from work, interest and dividend income, unemployment compensation, etc.		
PARENT		STUDENT
<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>	00
3 Enter your estimated 1996 Non-Taxable Income and Benefits Information below: Provide all forms of non-taxable income including social security, AFDC, ADC, child support received for all children, payments to tax deferred pension and savings plans, welfare benefits, etc.		
PARENT		STUDENT
<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>	00
4 Enter an estimate of your total Net Assets. Include cash, savings, checking, real estate and investments, business value after debt. DO NOT INCLUDE home value as an asset.		
PARENT		STUDENT
<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>	
5 <input type="checkbox"/> Number of family members (including the student) in your household in 1997-98.		
6 <input type="checkbox"/> Number of college students in your household in 1997-98.		

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The responses you provided for the six items, together with information on your Penn State Admission Application, allows us to determine a preliminary estimate of your eligibility for student aid at Penn State. When you receive the Early Aid Estimate Letter, the following preliminary information will be provided to assist in your planning:

- An estimate of Direct Charges for tuition, fees, room, board, and a book allowance (these are estimated costs and subject to increase by the Penn State Board of Trustees)
- An estimate of the categories of aid you may be eligible to receive: Scholarships, Grants, Loans, and Work-Study.

When you receive the Early Aid Estimate Letter there are several important considerations for you to remember as you review the results:

- This Early Aid Estimate process does not constitute a formal application for student aid at Penn State. This estimate provides a general and preliminary determination of your eligibility; it does not result in an official award notification from Penn State.
- To apply for student aid at Penn State for the 1997-98 academic year, you must complete the FREE APPLICATION FOR FEDERAL STUDENT AID (FAFSA). That application will require much more detailed information than the six responses used for this preliminary estimate; although this estimate is very accurate, there are many more questions on the FAFSA to assess your ability to contribute.
- In December, the Penn State Office of Student Aid will mail you a brochure entitled HOW TO APPLY FOR STUDENT AID. This brochure will assist you with the formal student aid application process and the completion of the FAFSA. The FAFSA can be completed on or after January 1, 1997, but we recommend not later than February 15 for maximum consideration.
- After you complete the formal application process for student aid, you will receive notification of your final eligibility. Those results may differ from the Early Aid Estimate results if the information provided on the FAFSA differs substantially from what you submitted for this Early Aid Estimate. In addition, the more detailed information on the FAFSA could alter the estimates provided at this time.
- New for 1997-98, Penn State is offering a scholarship search service on the Internet. This service is free of charge to prospective and continuing students. It can be accessed from Penn State's Home Page (URL: <http://www.psu.edu>) by clicking on the *fastWEB Scholarship Search Button* found in the *Student Services Section* of our home page.
- For most students, the Early Aid Estimate should be a reasonable estimate for planning purposes. (Our estimate is a close projection and when tested, proved to be very reliable and accurate).

If you do not have access to a touch-tone telephone, we can still assist you. Just contact our office at the address or phone number below and ask for assistance in acquiring an Early Aid Estimate. You will be connected with a Student Aid Advisor who will assist you.

We hope this Early Aid Estimate will begin to answer questions about financing your Penn State education. We welcome you to Penn State and hope to be of further assistance to you in the future.

Penn State  
Office of Student Aid  
314 Shields Building  
University Park, PA 16802-1220  
(814) 865-6301

This publication is available in alternative media on request.

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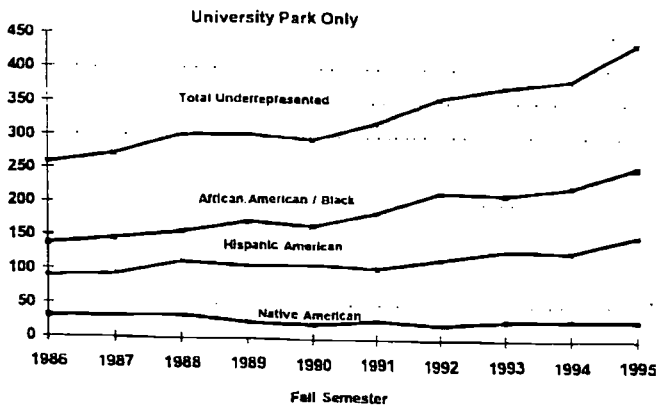
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## GRADUATE EDUCATION AT THE PENNSYLVANIA STATE UNIVERSITY

### Update Report: Profile of Underrepresented Minority Graduate Students

Graduate Council Meeting

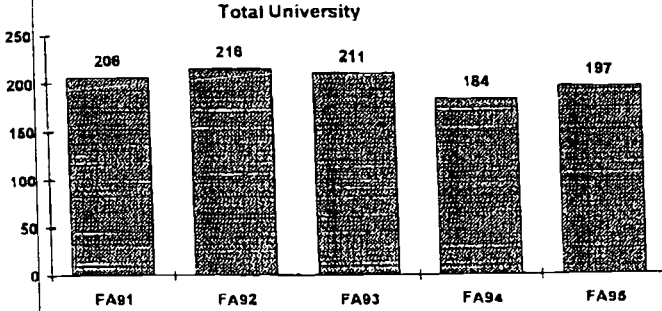
#### ETHNIC MINORITY Graduate Enrollment



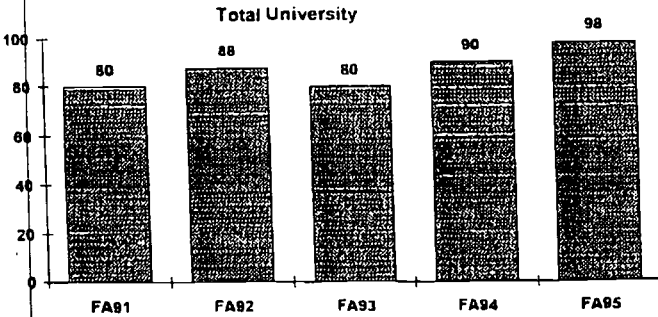
Page 1



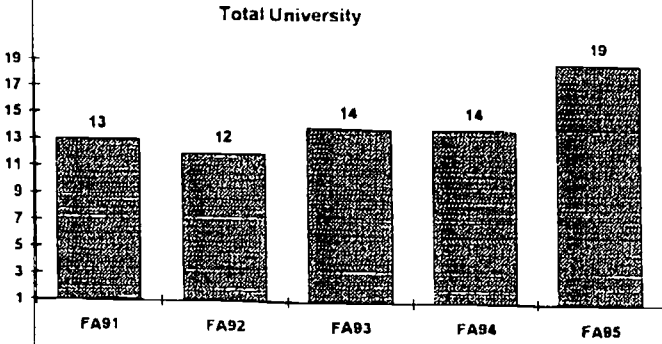
**UNDERREPRESENTED ETHNIC MINORITY  
GRADUATE ENROLLEES WITH BACHELOR'S  
DEGREES FROM FOUR YEAR  
PENNSYLVANIA INSTITUTIONS**



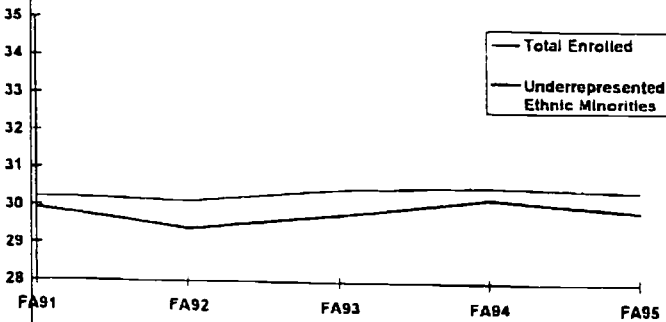
**UNDERREPRESENTED ETHNIC MINORITY  
GRADUATE ENROLLEES WITH BACHELOR'S  
DEGREES FROM HISTORICALLY BLACK  
COLLEGES AND UNIVERSITIES**



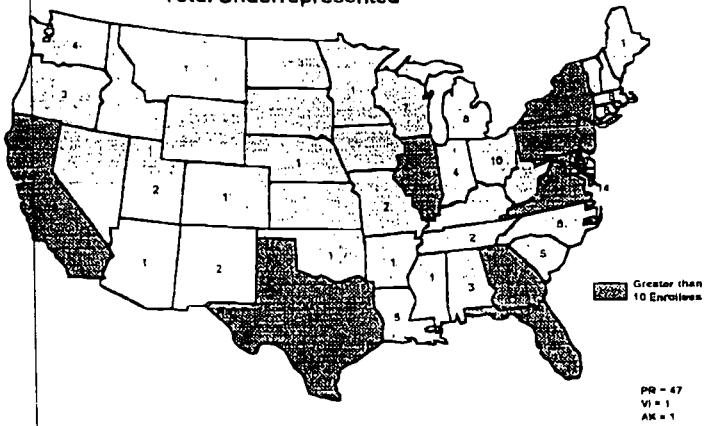
**UNDERREPRESENTED ETHNIC MINORITY  
GRADUATE ENROLLEES WITH BACHELOR'S  
DEGREES FROM BIG 10 UNIVERSITIES**



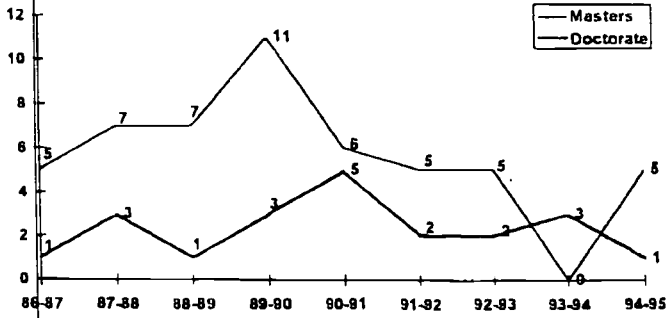
**MEAN AGE OF GRADUATE STUDENTS  
ENROLLED AT UNIVERSITY PARK**  
Total Enrolled vs. Underrepresented Ethnic Minorities



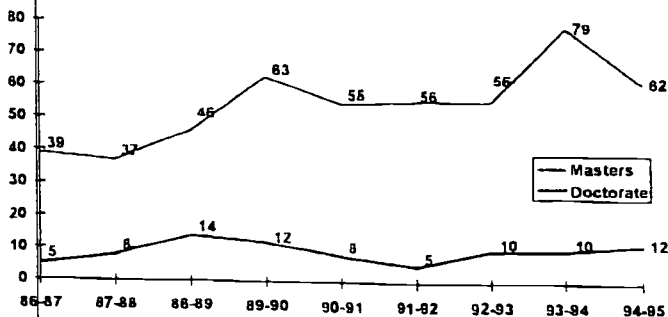
**GRADUATE STUDENT ENROLLMENT BY STATE - FA95**  
**Total Underrepresented**



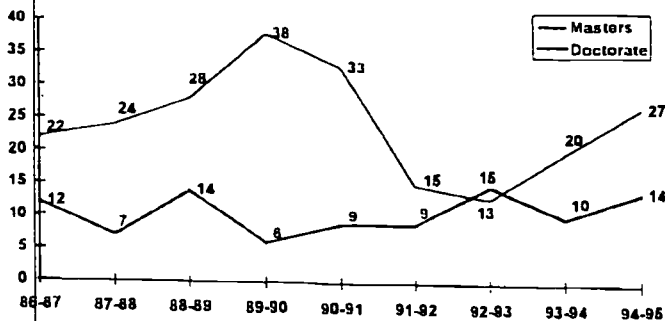
**GRADUATE DEGREES CONFERRED**  
**Total University - Native American**



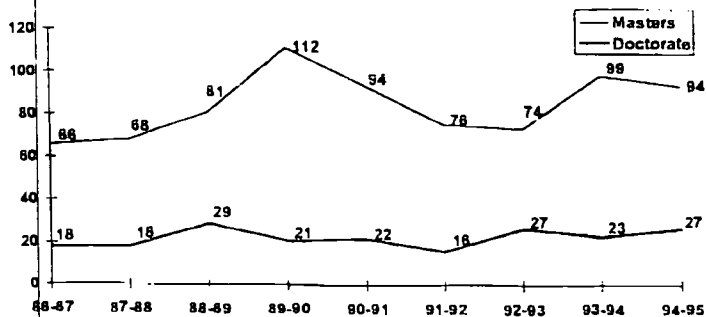
**GRADUATE DEGREES CONFERRED**  
Total University - African American / Black



**GRADUATE DEGREES CONFERRED**  
Total University - Hispanic American



### GRADUATE DEGREES CONFERRED Total University - Total Underrepresented



### GRADUATE ENROLLMENTS BY DEGREE TYPE

#### Total University

Doctorate  
34%  
(N=3593)



Non-Degree  
21%  
(N=2265)

Masters  
45%  
(N=4872)

#### Total Underrepresented

Doctorate  
39%  
(N=199)



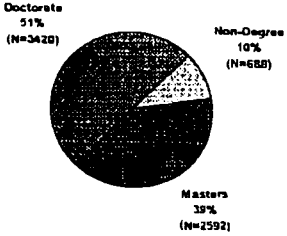
Non-Degree  
12%  
(N=63)

Masters  
49%  
(N=249)

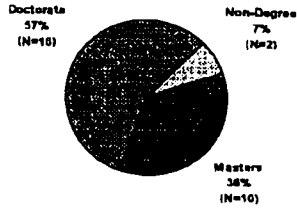
Average of Fall Semesters  
1991- 1993

GRADUATE ENROLLMENTS BY DEGREE TYPE

University Park



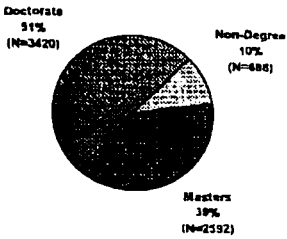
Native American



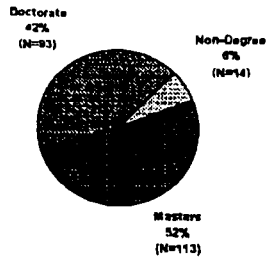
Average of Fall Semesters  
1991 - 1995

GRADUATE ENROLLMENTS BY DEGREE TYPE

University Park



Afric. Am. / Black



Average of Fall Semesters  
1991 - 1995

**GRADUATE ENROLLMENTS BY DEGREE TYPE**

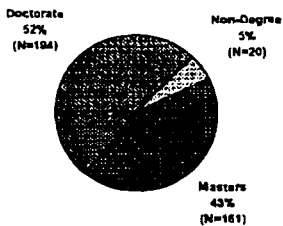
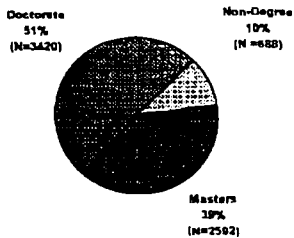
**University Park**

□  
 (■)

**GRADUATE ENROLLMENTS BY DEGREE TYPE**

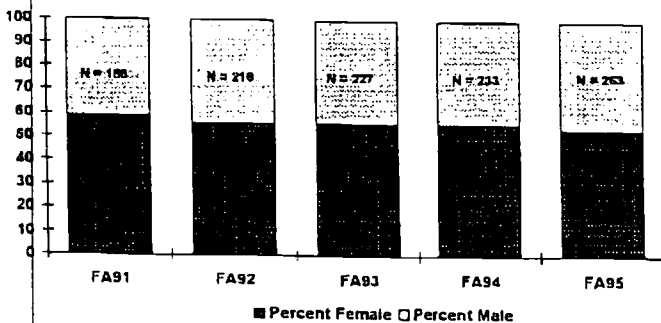
**University Park**

**Total Underrepresented**

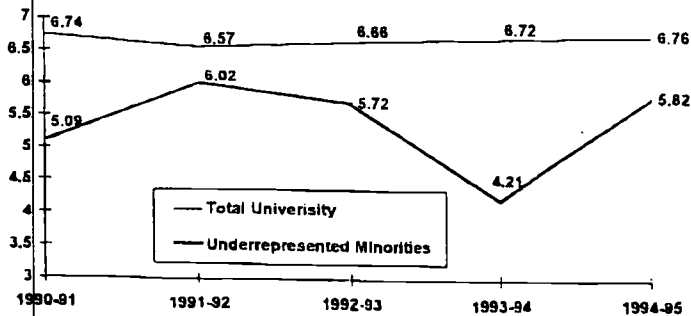


Average of Fall Semesters  
 1991 - 1995

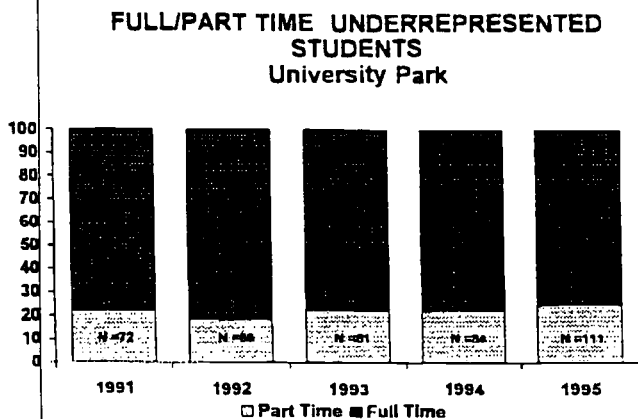
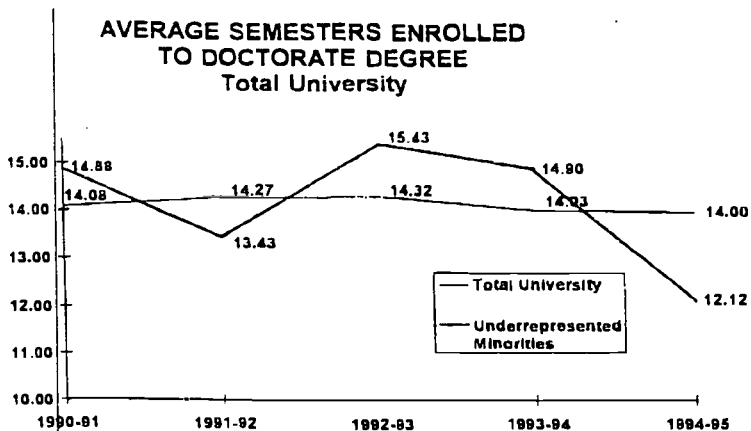
**GRADUATE ENROLLMENTS BY GENDER**  
**Total University -**  
**Total Underrepresented Ethnic Minorities**

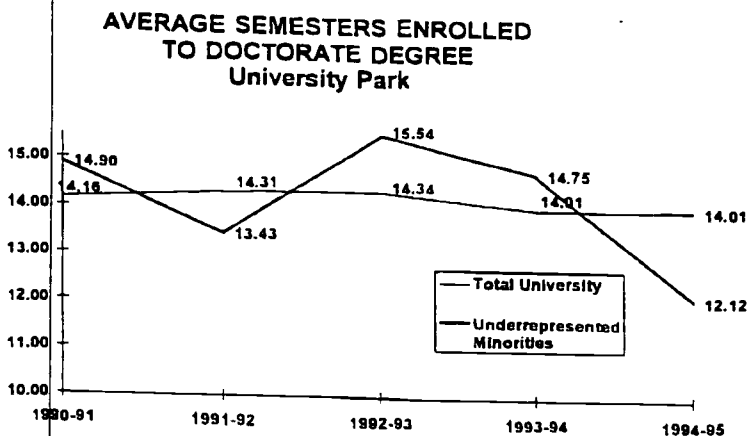
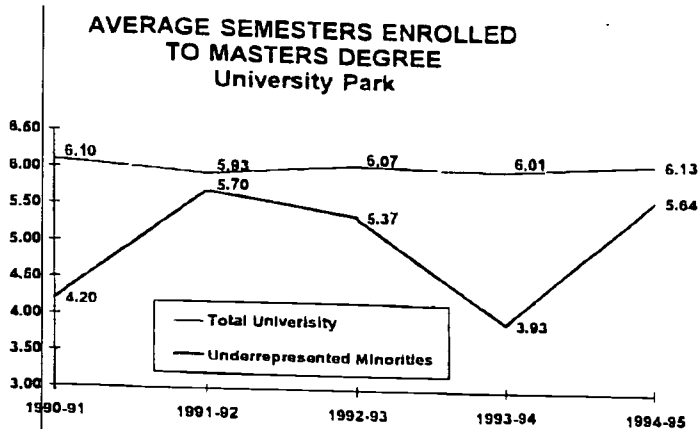


**AVERAGE SEMESTERS ENROLLED TO MASTERS DEGREE**  
**Total University**









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Chairman GOODLING. Thank you.  
Mr. Kroh.

**STATEMENT OF LOREN KROH, PRESIDENT, BRADLEY  
ACADEMY FOR THE VISUAL ARTS, YORK, PENNSYLVANIA**

Mr. KROH. Good morning, and welcome to York.

I am here today representing the 270 or so students enrolled at Bradley Academy for the Visual Arts here in York, which is a private career school offering four specialized associate degree programs and one diploma program.

Typically, we place 90 percent of our graduates, and 60 percent of our students complete. Our most recent cohort default rate was 5.7 percent.

We are a regional school drawing from five States. The parents of two-thirds of our students have had no education beyond high school. So typically, these are first generation postsecondary students.

It is impossible to tell their story in five minutes. But I do thank you for the opportunity to appear before the committee today, and to share what Congressman Goodling has had an opportunity to observe firsthand as he has visited our schools. He has truly been a champion of the 75 percent of the students that do not go on to four year colleges.

As this committee begins to craft the legislation that will define the future of higher education, it is imperative that equal access to Title IV funds continue for private career schools.

Postsecondary student success is directly linked to the kind of education that the student receives and the environment in which it is received. The student's right to choose the type of institution that they want to attend must be maintained as a way of ensuring successful student outcome.

My written testimony includes examples of students who are refugees from the traditional sector as well as non-traditional students who have overcome great adversity to succeed.

And I think that these examples serve to underscore the need to assure each individual student's opportunity to select the accredited postsecondary education that is most appropriate for them.

Although somewhat cumbersome, the current accreditation system does provide fiscal safeguards and quality control measures to protect the Federal Government's interest. However, there is a serious need to simplify the compliance process, and to clearly define the respective roles within the oversight triad.

The burden of compliance imposed by accrediting agencies and the departments of education is both onerous and expensive. Again, written testimony provides examples of this. But please be aware that over 20 percent of our administrative staff time is spent on compliance issues. This is expensive, and that expense flows straight through to the student in the form of higher tuition rates.

Other regulations like financial stability ratios will if implemented materially change the way we do business, and adversely affect projects intended to improve the quality of education offered to our students.

The current "quality standards," as defined by the U.S. Department of Education, are unevenly administered based on business

structure and type of accreditation. Congress should mandate the Department to set uniform quality standards that accurately reflect your intent, and ensure that these standards are in force uniformly. All sectors have a common interest. They should be held accountable to a common standard.

A mantra used in labor relations is probably appropriate for this, DITO, DITA, do it to one, do it to all.

Also any suggestion of segregating higher education based on occupational versus academic outcomes must be avoided. In reality, most bachelor degrees and all professional degrees are occupational. I consider myself to be a career school graduate, having earned an MBA from the University of Chicago.

In a perfect world, higher education would be seamless, allowing students to move within sectors without losing credit for the work that they have done at other accredited institutions. Certainly, parents and students view postsecondary education as occupational. And this frequently leads to unrealistic expectation.

When Congressman Goodling was a superintendent of a local school district, not everyone felt that they had to go to college to get a good job. Those days are gone.

Recently, a local superintendent reported that area businesses are pleading with him to send the best and brightest to fill the vacant positions being created by retirements of people on the shop floors.

But instead today, the students buoyed by available aid are going to college to enter engineering programs, which annually produce 50 percent more graduates than there are available entry level positions.

Today's version of the American dream assumes the need for a four year degree. Students enter higher education with lofty expectations for a bright future. Unfortunately, many times, they lack the information they need to make an intelligent consumer decision.

They set unrealistic goals, and do not even know it. Consumers have a right to basic information about the product they are considering. Far too many students are leaving higher education with big debts, inadequate skills, and a bleak future.

As the largest consumer of higher education services, the Federal Government constantly perpetuates the consumer's higher expectations. At a time when educational costs are rapidly escalating and money is tighter, Congress has a legitimate right to expect a reasonable return on its \$35 billion investment in education.

You get what you reward. Congress must decide what it expects for its investment, and establish an appropriate reward system. This system has to be simple, easily administered, and the standards must be applied equitably across all sectors of the higher education spectrum.

Schools will have to make difficult decisions about what is important to them if financial aid funds are tied to outcome. Program attrition is the logical outcome of a market driven outcome based financial aid system. However, this will free up resources to be redirected to meet market needs.

Higher education must be viewed as a business. Market forces must be allowed to guide the product and the services that we pro-

vide. We must have a strong orientation to the needs of our customers. And our customers are our students and the prospective employers.

When I entered the private career sector nearly 20 years ago, I struggled with the notion that the schools were being driven by market forces. However, I quickly realized that this was in the student's best interest. Curriculums based on real world applications, and taught by people who have been there working in the field. And there is accountability.

My written testimony includes an example of how this process works, and provides a high return on investment for both the student and for the taxpayer.

In conclusion, reauthorization legislation must be crafted to one, allow students freedom to choose the school that meets their individual needs for higher education.

Secondly, it must simplify regulations that are applied equally, DITO, DITA.

And finally, it has to be clearly and succinctly establishing uniform expectations for a return on the Federal investment in education.

I thank you for the opportunity. It is impossible to do it all in five minutes, but we would welcome the opportunity to meet sometime in the future. Again, thank you, and welcome.

[The prepared statement of Mr. Kroh follows:]

My name is Loren Kroh, President of the Bradley Academy for the Visual Arts. I'm here today representing the 270± students presently enrolled at Bradley Academy, a private career school located in York PA that offers degree programs in Graphic Design, Interior Design, Fashion Marketing and Electronic Design. We also offer a one year diploma program in Electronic Prepress Technology. The school has been in operation since 1952.

We place 90% of our graduates within 90 days of graduation. 60% of starting students complete their education. Our default rate has ranged between 1.2% and 7.2%; the most recent cohort default rate was 5.7%.

Typically, 80% of our students are 21 years old or younger. 55% are females. We draw students from Pennsylvania, Maryland, West Virginia, Delaware and New Jersey. The families of over a third of the students live more than 50 miles away. Two-thirds of the students are first generation college graduates whose parents have not had any education above the high school level.

While it is impossible to tell their story in the 5 minutes allotted here today, I thank you on their behalf for the opportunity to speak to this committee, to share with others what Congressman Goodling has experienced as he has visited our schools, met with our students, graduates and employers. He has been a true champion of the 75% of the population who do not go on to a four-year college. By testifying today I hope to share some of the reasons he has placed such faith in the private career school sector.

I believe in the re-authorization process. During the last cycle, Bradley Academy and two other private career schools in York had the opportunity to host a visit with Tom Wolanin, Jo Marie St.Martin and other members of the House Education and Labor Committee staff. It was an opportunity for them to observe first hand the type of education received by our students. They met privately with some of those students and asked questions about the financial aid system as well as the training

they were receiving. In a small way, I believe those visits helped shape the legislation that ultimately was adopted by Congress. I believe they gained a greater appreciation for the role of private career school education that led to the continuation of equal access to Title IV programs for our students.

As this sub-committee begins to craft the legislation that will define the future of higher education it is imperative that equal access to Title IV funds continue and perhaps is expanded to include student and school eligibility for other Federal programs designed to assist postsecondary students.

Postsecondary student success is linked to the kind of education and training he/she receives and the environment in which it is received. The student's right to choose the type of institution they want to attend must be maintained as a way of ensuring a successful student outcome. Typically 10-20% of each entering class at Bradley Academy has attended, and in some cases, graduated from, a traditional college or university. For a variety of reasons they were not satisfied with their college experience. One of our recently enrolled non-traditional students (Cathy B) expressed her concern about higher education during the interview process. She had attended a state university and felt that she had been "set up to fail" and she wanted to make sure that situation would not be repeated. She has a lot of personal problems to resolve but in our small, nurturing environment she is finally enjoying success in the classroom. For the first time in her life she is coming to grips with issues that have kept her from succeeding in anything she tried.

Other students have completed the requirements for a Bachelor's degree but have been unable to get a satisfactory job. Brandon T earned a BA in Communications from a university in a neighboring state but couldn't get a job. He is in his last semester of our Electronic Design program and is already working in the rapidly evolving field of multimedia. Beth P combined her knowledge from her previous education with our Interior Design degree and started her own business.

There are many examples of single mothers struggling to take care of their families while getting the job skills they need. Michele H was a 33 year old mother of 2 when she earned her GED, and 36 when she entered our Interior Design program. Although her prior record gave no indication she would succeed, she was a model student who took advantage of every available opportunity — freelance assignments, internships, even doing a room at the local decorator show house. Using these contacts she was able to start her own business shortly after graduation and is now enjoying a quality of life she could only dream about before. Vicki Y is a similar case who had major medical problems while escaping an abusive relationship. She too earned her specialized associate degree and is working in a good paying job within her field. After suffering some health problems, Rita P lost her job and her husband left her. She completed our Fashion Marketing program and is now the head designer for a local sportswear manufacturer.

The list goes on and on, but I think these examples serve to underscore the need to assure each individual student's opportunity to select the accredited postsecondary education and training that is most appropriate for them.

Although somewhat cumbersome, the current system of accreditation does provide quality control measures for the schools they oversee through their standards of accreditation. However, there is a strong need for simplification and to clearly define the respective roles of the Federal, State, and Accreditation TRIAD in the oversight process.

The burden of compliance imposed by accrediting agencies and the Department of Education are both onerous and expensive. Annual reports required by the State Department of Education and our accrediting commission in addition to the IPEDS reports are similar but different. Each requires days of staff time to complete. Each year the requirements for financial reporting grow, incurring more expense that must be passed on to students. New regulations are routinely proposed, requiring



review and response. Some are implemented, then amended or withdrawn. 20% of our administrative staff's time is spent on compliance issues. This expense is passed on to students in the form of higher tuition rates.

Other regulations, like the financial stability ratios proposed by the Department in the Fall, 1996 and deferred for further comment, will, if implemented, materially change the way we do business. These ratios penalize proprietary schools that invest in new equipment or incur long term debt. Prior to the introduction of these ratios, Bradley Academy committed to a \$3.5 million construction program that includes a substantial commitment to capital equipment. This project represents a major improvement in the facility and capacity of the school yet may lead to negative repercussions regarding financial aid programs because of changing Federal rules. If the ratios had been released before we committed to the project, it is unlikely that we would have embarked on the expansion. There is a serious problem when regulations adversely effect projects that will improve the quality of education offered to our students.

Furthermore, the accreditation system includes unnecessary distinctions among educational sectors. I urge Congress to establish legislative and regulatory policies that eliminate the artificial and contrived distinction between regional and national accreditation. Congress should mandate the Department of Education to set uniform quality standards that accurately reflect Congressional intent and to utilize the resources and expertise of the recognized accrediting agencies to enforce these standards uniformly. I would suggest that a mantra used in labor relations is appropriate for our use: DITO, DIFA — do it to one, do it to all. We must rise above different sets of standards and expectations based on sector or business structure.

Also any suggestion of segregating higher education based on occupational versus "academic" outcomes must be avoided. In practice most bachelor degrees and all professional degrees are occupational. Certainly parents and students view postsecondary education as occupational. Dr. Kenneth Gray, as Associate Professor

at Penn State, states in his book *Other Ways to Win* that 85% of high school graduates say going to college is the way to get a better job. Today's version of the American dream assumes, a priori, the need for a four-year degree.

Unfortunately, the facts do not support this assumption. In today's labor market, above average wages are a result of having marketable occupational skills not just more education. In the labor market, education means little. Skills, however, pay off. The US Bureau of Labor Statistics reports that through the year 2005, 30% of all college graduates will not find college level employment. The largest and fastest growing occupations in the emerging technical workforce require two years or less of postsecondary education. According to Dr. Gray, "by the year 2000, high skill technicians with at least two years of postsecondary education will, on average, make more than all four-year college graduates except those in high level professional jobs like doctors and lawyers".

When Congressman Goodling was Superintendent of a local school district not everyone expected to go on to college to get a good job. Many realized that they could achieve economic security by working in the trades or by working up to a responsible position in the local manufacturing plant. Those days are gone. Recently, a local school Superintendent reported that area businesses are pleading for him to send them "the best and brightest" to replace the front line supervisors who are retiring from the workforce. Instead, today those students are going to college to enter engineering programs that annually produce 50% more graduates than there are job openings (94,611 graduates for 61,000 openings in engineering).

Many high school students and their parents have unrealistic expectations of the higher education system. The Federal government, as the largest consumer of higher education services through Title IV programs, tacitly supports those expectations. Each consumer, and each taxpayer, has the right to expect a reasonable return on their investment. Congress should carefully review what they get for the \$32-35 billion invested annually in Title IV.

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At a time when educational costs are rapidly escalating and money is getting tighter, Congress has a legitimate right to set priorities on its investment in education. You get what you reward. Congress must decide what it expects for its investment. What is a reasonable return on investment? What are acceptable outcomes? These standards must be simple and easy to administer. They must be applied equitably across the entire higher education spectrum. Tie financial aid dollars to performance. Establish standards for acceptable performance and let Title IV dollars flow through schools or programs that meet the standards.

Students enter higher education with legitimate expectations of a bright future. Unfortunately, many times they lack enough information to make good decisions. They lack knowledge of alternatives and reasonable outcomes. They are seeking unrealistic goals. Consumers have a right to know basic information like quality and quantity of the product they are considering.

Schools will have to make difficult decisions about what is important to them if financial aid funds are tied to outcomes. However, in a market driven system the school that continues to offer buggy whip repair and can't meet minimum performance standards shouldn't expect continued public support.

Two years ago my son entered a doctoral program in Art History. He thought he'd like to teach at the college level, or perhaps do museum work. He lasted one semester. When he learned that there were only 3 openings nationwide for graduates in his career path that year, he decided that the investment of time and money was too great for the probable reward — a low personal return on investment. His interest in the field remains, but he now views it as an avocation rather than a viable career path. He's lucky. He minimized his cost and moved on, but many of his classmates remain on that path to disappointment. Many of them are taking loans to pay for this training. I ask whether it is good stewardship of public funds to continue to provide loans to those with such a low prospect of

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success. Unfortunately, these circumstances are not unique. Far too many students are leaving higher education with big debts and inadequate skills.

Program attrition is the logical outcome of a market driven, outcome based financial aid system. However, this will free resources to be re-directed to market needs. Referring again to the oversupply of engineers, perhaps some engineering programs would be re-tooled to meet the marketplace's need for engineering technicians and/or front line supervisors.

Regardless of business organization — public or private, proprietary or non-profit— higher education must be viewed as a business. Market forces must be allowed to guide the product and services we provide. We must have a strong orientation to the needs of our customers — our students and their prospective employers.

This has been the standard modus operandi for private career schools. The market (employers) determines the need for graduates. Curricula are developed to match the competencies being sought. Instructors are practicing professionals who have worked in the field and understand its rapidly evolving expectations. The schools are sensitive to, and responsive to, the pressures from outside the classroom that students face. Work ethic and job search skills are part of the curricula.

Bradley Academy's Electronic Prepress Technology program is a good example of this process. The York County Office of Employment and Training, with the input of area employers, identified a need for properly trained prepress technicians. They approached us with a request to offer training in this area. After validating the need we created a curriculum, got the appropriate Department of Education approvals, and began offering the program within a few months. It is taught in the evening to a predominately non-traditional student base. Most of the students have jobs — many working 40 hours per week. Because of their schedules we have extended our normal hours of operation to provide access to school resources. The program has been well received by employers and attrition has been very low. The curriculum is

constructed to allow students to transfer into the Electronic Design degree program if they wish to continue their education, allowing for even more upward mobility. In a perfect world this process to expand skills would continue with access to a bachelor level program that builds on these skills. Unfortunately, in the fragmented world of higher education this has been particularly difficult because of barriers imposed by different accrediting standards and academic biases.

This example demonstrates how the system works. The return on investment is high for both the student and the taxpayer. A new taxpayer who is capable of repaying his/her loans has entered the workforce in a relatively short time. The graduate has the opportunity to increase their skills with further education, if desired. The public interest is safeguarded because each program is held accountable for its outcomes as each student can be held accountable for re-payment of his/her loans.

In conclusion, the re-authorization legislation must be crafted to:

- simplify regulations that are applied equally. DITTO DITA.
- clearly and succinctly establish uniform expectations for a return on the Federal investment in education.
- allow students freedom to choose the school (including private career schools) that meets their individual needs for higher education.

Thank you for the opportunity to offer this testimony. It is an honor to be able to provide input into the development of this important legislation. If I can be of further service or answer any questions, please don't hesitate to contact me.

**LOREN H KROH**  
York Pennsylvania

<b>Experience: Education and Training</b>	<u>Bradley Academy for the Visual Arts:</u> York PA	July 1986
	President/Director	present
	Chief Executive/Operating Officer of post-secondary degree granting career school. This school offers specialized associate degree programs in Graphic Design, Interior Design, Fashion Marketing, and Electronic Design (pending) as well as professional development/self improvement training to the business and consumer markets.	
	York County Chamber of Commerce Emerging Small Business of the Year for 1993/94.	
	<u>York Technical Institute:</u> York PA	July 1978
	Director	June 1986
	<u>Associations/Boards</u>	
	Volunteer	
	Leader for ACCSCT accreditation teams. Member Career College Association Governmental Relations committee. Serve/served on various advisory boards, including the York County School to Work Action Team, Private Industry Council (past chairman), Penn State Ben Franklin Satellite Center, First Capitol Compact.	
<b>Other Business Experience</b>	<u>Academy ArtWorks</u>	February 1989
	Chairman	present
	Start-up company established in response to publishing industry's need for computer generated graphics	
	York Graphic Services	1977-78
	Sheridan Press	1975-77
	Dudley & Ernest	1972-75
	Johns Hopkins Hospital	1970-72
<b>Community Involvement</b>	Serve/served on various community boards, including York County Chamber of Commerce, Advertising Club of Central PA, Children's Home of York, Strand-Capitol Performing Arts Center, St. John's Episcopal Church, Community Progress Council. Served as elected member of York City Council.	
<b>Education</b>	University of Chicago	Master of Business Administration
	Bucknell University	Bachelor of Arts (Economics)

**Federal funds received by  
Bradley Academy for the Visual Arts**

Award Year	95/96	94/95	93/94
Stafford (subsidized)	\$542,890	\$576,059	\$425,419
Stafford (unsubsidized)	200,821	106,936	
PLUS	25,550	118,566	132,409
Pell	142,717	97,465	91,216
FSEOG	19,667	16,850	21,267
FWS	3,600	1,268	2,774

Chairman GOODLING. Dr. Fifield.

**STATEMENT OF MARY FIFIELD, PRESIDENT, HARRISBURG AREA COMMUNITY COLLEGE, HARRISBURG, PENNSYLVANIA**

Ms. FIFIELD. Thank you.

I am very pleased to be here this morning to speak on behalf of the Harrisburg Area Community College, as well as the other community colleges in Pennsylvania.

Community colleges are vital to a prosperous economy, not just in Pennsylvania, but nationwide. They do in fact support the fundamental principles that form the underpinnings of the Higher Education Act, making postsecondary education affordable, providing high quality education, and providing access to higher education.

The community college mission is multi-faceted. We help students transfer to four year universities and colleges. We provide education for immediate employment and entry into the work force. We prepare under-prepared students to go to college, those who otherwise would not have that opportunity.

We form partnerships with business and the community to train the work force, and to provide life-long learning opportunities.

Who are the students that take advantage of community college education? Well, of the nearly 2.3 million first time freshmen last year, approximately 50 percent attended a community college. Nearly 40 percent of all of the Nation's college students are enrolled in community colleges.

The average age of a community college student is 29. Women make up almost 60 percent of enrollment in community colleges. And 47 percent of all people of color in college attend community colleges. And more than half of higher education students with disabilities attend public community colleges. Finally, community colleges confer more than 400,000 degrees each year.

My remarks today focus on four provisions in the Higher Education Act to ensure that everyone can have access to higher education, and have the financial resources to take advantage of educational opportunities.

Those four issues are the Pell Grant Program, developmental education and English as a second language curricula, Ability to Benefit provisions, and Title III.

The Pell Grant is the primary source of financial assistance for community college students. And, in fact, almost 30 percent of Pell Grants are awarded to community college students. Still many of our country's lowest income but educationally deserving students cannot afford an education or borrow at levels that they cannot pay back.

Please let me take this opportunity to applaud your committee and Congress for continuing to support the Pell Grant program. And let me at the same time urge you to maintain these awards, so that people can continue to have access to educational opportunity and break the cycle of poverty.

Developmental courses and English as a second language. We are seeing in this country growing numbers of individuals for whom English is not the first language. And many of our commu-



nity colleges are called upon to provide training in English as a second language.

In addition to that, we have many returning adults who have been out of the classroom. They come back to us for job training skills, or to pursue a college degree.

Our developmental courses give students the backgrounds that they need to be successful, to attain their economic goals, to enter the work force, and to strengthen our economy.

Any attempt to restrict Pell Grant eligibility for students in developmental courses must be rejected. The current limitation on remedial education also provides safeguards against any student receiving prolonged financial assistance.

**Ability to Benefit.** Under the Higher Education Act, we are recommending that current testing requirements for Ability to Benefit students, that is those students who are without a high school diploma or a GED, be eliminated if they are attending a public institution. Denying access to Ability to Benefit students undermines the community college mission.

Finally, Title III-A, strengthening an institution's program. It provides support for institutions with low income disadvantaged students. Appropriations are declining. Congress appropriated \$55 million in 1997. And granted, that is level funding with 1996. But that is still some \$30 million below past appropriations.

Our Nation's community colleges are uniquely American institutions. They are rooted on democratic principles of equality for all.

On behalf of the Harrisburg Area Community College and all community colleges, I urge that top priority be given to the four issues that I have raised here today. The Pell Grants, developmental education, and English as a second language training, Ability to Benefit provisions, and Title III strengthening the institutions' programming. So that everyone in our country who can benefit from higher education has the opportunity to do so.

Thank you for giving me this opportunity.

[The prepared statement of Ms. Fifield follows:]

**Testimony of Dr. Mary L. Fifield  
President, Harrisburg Area Community College  
Committee on Education and the Workforce  
January 28, 1997  
9:30 a.m., Penn State York Campus**

**Good Morning. I am Dr. Mary L. Fifield, President of Harrisburg Area Community College. I am pleased to be here today to speak on behalf of Harrisburg Area Community College, a regional institution serving more than 11,000 students at our locations in Harrisburg, Lebanon, Lancaster and Gettysburg. I am also pleased to speak on behalf of community colleges which are a uniquely American form of higher education. Community college have opened their doors to everyone who has the dream of pursuing higher education and, above all, community colleges have**

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placed a premium on teaching and learning.

By virtue of our mission, community colleges attract a greater diversity of students than any other sector of higher education in America. At community colleges, we train students for employment, we prepare students for transfer to four-year institutions, we help underprepared students make the transition to college courses, we work in partnership with the business community to train the workforce and we provide a host of non-credit courses which give citizens opportunities for lifelong learning.

Like its mission, the community college student is unique. To give you a quick snapshot of our average student, I will share with you some statistics that have been compiled by the American Association of Community Colleges:

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- of the nearly 2.3 million first-time freshmen last year, approximately 50 percent attended a community college
- Nearly 40% of all the nation's college students are enrolled in community colleges
- The average age of a community college student is 29
- Women make up 59 percent of the enrollment at community colleges
- 47 percent of all minorities in college attend community colleges and more than half of higher education students with disabilities attend public community colleges
- Community colleges confer more than 400,000 degrees each year

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- **Nearly 66 percent of community college students take classes on a part-time basis, and**
- **Approximately 58,000 international students attend community colleges nationwide.**

**HACC, like other community colleges, was founded to provide equal access to education for all citizens. We offer high quality, low cost educational opportunities to students who may never have seen themselves pursuing higher education. In fact, a large percentage of community college students are the first in their families to attend college.**

**My remarks today regarding several provisions in the Higher Education Act are shared with you in the hope that Congress will work to ensure that students across our country continue to have access to higher education and**

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**equally as important, will have the financial resources to take advantage of educational opportunities.**

**I will speak specifically to the Pell Grant Program, developmental and English-as-A-Second Language curricula, Ability to Benefit students, and Title III-A of the Higher Education Act.**

**The Pell Grant program is the primary source of financial assistance for community college students. In fiscal year 1994-95, 29.5 percent of all Pell Grant funds were awarded to almost 1.2 million community college students across the country. That same year, 35,101 Pennsylvania students were Pell Grant recipients. At HACC, 2,210 students received Pell Grants in 1995-96 and in Fall 1996, 1,749 students were able to pursue their education through this program. Even with this assistance, and despite the fact**

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**that HACC's tuition is the most affordable in the region, many of our lowest income students are still forced into unacceptable levels of borrowing to meet their cost of education.**

**I applaud your committee and Congress for continuing to support the Pell Grant Program and I urge you to maintain adequate levels of Pell Grant awards so that these students can continue to have access to educational opportunities that will enable them to break the cycle of poverty.**

**Remedial or developmental courses and English-as-a-Second Language programs also provide important access to thousands of community college students. Without the opportunity to take remedial or developmental classes, returning students and students who need more preparation**

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before taking college-level courses would find it much more difficult to continue their education. At HACC, we enrolled 3,283 students in our developmental or remedial classes in fiscal year 1995-96. Most of these students are returning adults who have been out of the classroom for a number of years and who come to us for additional job training skills or to pursue the college degree they never had an opportunity to earn.

Our developmental courses give students the background they need to be successful, to attain their academic goals, to enter the workforce and to strengthen our economy. Any attempt to restrict Pell Grant eligibility for students in developmental courses must be rejected. The current limitation on remedial education



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**provides adequate safeguards against any student receiving prolonged financial assistance.**

**Another critical component to our mission of providing equal opportunities to all students is our English-as-a-Second Language program which promotes academic success among students from diverse backgrounds.**

**As you consider the reauthorization of the Higher Education Act, I encourage you to sustain and strengthen support for both our developmental courses and English-as-a-Second Language programs.**

**Access to education and training for Ability-to-Benefit students is equally important. Under the Higher Education Act, we recommend that the current testing requirements for Ability-to-Benefit students – those students who lack a high school diploma or GED – be eliminated if the student is**

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**attending a public institution**

**such as a community college which can certify that the individual has the ability to benefit from postsecondary education and training. Denying access to Ability-to-Benefit students undermines the mission of community college and prohibits students from receiving the education and training that could make a critical difference in their lives.**

**A program of the Higher Education Act that has had a major impact on community colleges is Title III-A strengthening institutions program. This program supports institutions which enroll a large number of low income, disadvantaged students. With our open admission policy and a philosophy of equal access to higher education,**

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**community colleges are a major recipient of funds under Title III A. Yet, appropriations for Title III monies continue to decline. In fact, while Congress appropriated \$55 million for Title III-A aid in the 1997 fiscal year, and while it represents level funding with fiscal year 1996, this allocation is some \$30 million below past appropriations. This is a major concern to community colleges across the country which depend on this funding to offer the programs they need to continue to serve economically disadvantaged and minority students.**

**From the perspective of Harrisburg Area Community College and community colleges nationwide, we believe the federal government should give top priority to providing access to higher education to the neediest members of our society.**

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**As you consider the reauthorization of the Higher Education Act, proposal, I urge you, above all else, to emphasize the need to provide financial assistance to the most disadvantaged students. For these individuals, a grant can make the critical determination in their ability to attend college and to pursue their dreams of success.**

Chairman GOODLING. Ms. Dunn, the birthday girl.

**STATEMENT OF DEBORAH DUNN, EXECUTIVE VICE PRESIDENT, YORKTOWNE BUSINESS INSTITUTE, YORK, PENNSYLVANIA**

Ms. DUNN. Good morning.

As the executive director of Yorktowne Business Institute, I am here representing our 300 students. And as a Career College Association board member, I am representing the more than 1 million students that are attending career colleges and schools in this country.

Yorktowne Business Institute has a 20-year history in York, Pennsylvania. And we are proud to say that we hold a 3.2 percent curve or default rate. But more importantly and more proudly, we hold an 80 percent graduate rate and a 92 percent placement rate.

As I begin this morning, I would like to thank Chairman Goodling and his committee for the outstanding work that you have done on behalf of the students. During this next reauthorization, I think that we can all be confident that our higher education is in capable and caring hands.

I realize the importance of issues such as access to student aid, developing alternative measurements for review other than the cohort default rate, financial aid equality in all of higher education and more.

However, I want to spend my time discussing an issue that takes much of the school administrator's time away from our students, away from our curriculum development, away from our student services, and puts it in the hands of the regulators.

From January 1994 through August of 1996, just thirty-two short months, our schools have received the following financial aid information. There were 152 general "Dear Colleague" letters, 13 Pell Grant letters, 50 campus-based program letters, 42 GSL/FFEL program letters, eight SSIG letters, 47 direct lending letters, and 113 Federal Register publications.

All of these came to us from the Department of Education providing new information, changed information, proposed regulations, final regulations, interim final regulations, change to the regulations, updates and more.

It is a total of 386 communications or an average of 12 items per month that we must review and comprehend, or risk being cited in an audit.

It probably would have been pretty effective had I just wheeled everything in and dropped it right this morning. But I think that the panel can understand why regulatory reform is needed.

After doing this count, I can also begin to understand why I seem to be spending less time with students, less time reviewing curriculum, less time reviewing the latest updates in equipment, and less time at home.

During the last three authorizations, I was pretty confident after reading the law that I had a clear understanding of congressional intent. However, after 386 communications from the Department of Education that were intended to clarify your law via the regulation, I have little confidence that I understand the law anymore.

We are about to begin this process again, and we still do not have all of the clarifications from the previous reauthorization. I am not sure why the need exists to rewrite the law, but it does happen.

I trusted, and I think all of us do, our elected officials to create a law that works and does not intend to hurt students or schools. But in the last three years, that has become clouded.

There is something that I know for sure, as I sit in my office and read the communications from the Department of Education. I know that I will have to wonder how much time will it take away from our director of financial aid from students to deal with more paperwork. How much money will it take away from being able to buy additional equipment or updating the library. How much of my time will be taken away from curriculum updates, equipment review, and the general care and feeding of a school.

I am an educator. And trust me, I am not a CPA, and I am not an attorney, to try to get through the mounds of paperwork.

I would like to cite three brief examples that bring us to a fairly clear picture. Keep in mind with all examples that we do get a proposed notice of rule making. But the rules were in the making for two years. And our schools are permitted forty-five to sixty days to try to respond. And even with a large volume of response in a majority of cases, little or no change is found in the final rule.

Refund policy. It was defined in the law, and a regulation was written in order to clarify. Well, we thought that we understood the law. And when the regulation was written, we spoke to financial aid auditors, and we spoke to CPAs, and we spoke to each other, just to determine if any of us understood how to do the calculation, and we found out that we did not.

We held three workshops throughout the State of Pennsylvania, the Career College Association held a workshop, all trying to teach us how to actually do the calculation.

We returned to our schools still confused, but moving forward with a good faith effort to comply with the law. The Department of Education was taken to court several times over the refund regulations, and in several instances lost.

So new regulations were written again, and again we had to try determine which they were, and what we were following.

We even talked to our colleagues and friends, I did, in colleges and universities. With one university, I asked how they were calculating refund, and the response was what refund regulations. So when I explained the refund regulations and the importance of the last date of attendance, they had a pretty good solution. The last date of attendance was if they did not show up for the final. And I asked if that continued, if they were just there for two weeks after class, and the response was yes.

No, Mr. Goodling, this is not a school in your district.

And that certainly is an easy way to comply with the refund regulations, but not necessarily for the student. So we spent a great deal of time, money, and energy trying to understand the regulation.

Moving on to 85-15 regulations. And most people believe that we might simply want them renewed. The 85-15 is sector specific. It is for private career colleges and schools. When it went into effect,

the Department felt the need to redefine revenue, and ask for an attestation agreement.

Once again, we thought we understood the calculation, but we could not find a CPA that really understood the regulations. Once again, we held workshops throughout Pennsylvania. Once again, the Career College Association held a workshop.

Again, we spent time, money, and energy trying to understand this, and some schools had to spend as much as \$10,000 to get the attestation done. Imagine what that could purchase for a classroom or a library.

Now new regulations on 85-15, and an additional cost burden, because it now becomes full auditable instead of attestation.

My last example is the financial responsibility regulations that were almost published a few months ago. After a year of research, the department had hired a CPA firm to do the research. A notice of proposed rule making was sent outlining the new regulations.

These regulations on the surface sounded great. If your school is financially responsible and stable, you were going to get decreased oversight. What an exciting concept.

We went to our workshops again. When the CPAs worked with us, we found that our school, after a 20 year history of being considered financially stable and responsible, would be considered all of a sudden at risk, and bound by more oversight.

We just cannot figure out how that happened. So again, we were very, very confused, and even had to hold workshops this time to determine how to answer the rule making.

These are just three of the 386 communications sent by the Department, and only three of the 113 Federal Registers that we must read, understand, comply with, and explain to our students.

We do not intend to say that regulation is not needed. We believe that it is. However, over-regulation is beginning to run our schools. Ultimately, our students, who all of you worked so hard to see to are educated, will suffer.

Thank you for the time today.

[The prepared statement of Ms. Dunn follows:]

## DEBORAH A. DUNN

Good Morning. My name is Deborah Dunn and I am the Executive Director of Yorktowne Business Institute representing 300 students. We have a 20 year history in York, Pennsylvania and are proud to say hold a 3.2% cohort default rate and more importantly an 80% graduation rate and 92% placement rate

As I begin, I would like to thank Chairman Goodling for his outstanding work on behalf of students. During this next Reauthorization, we can be confident that our higher education is in capable, caring hands.

I realize the importance of issues such as access to student aid, developing alternative measurements for review other than cohort default, financial aid equality in all of higher education and more. However, I want to spend my time discussing an issue that takes much of a school administrator's time away from the students, away from curriculum, away from student services and puts it in the hands of regulators

From January 1994 through August 1996, just 32 short months, our schools have received the following financial aid information

152	General "Dear Colleague" letters
13	Pell Grant Program letters
50	Campus based Program letters
42	GSL/FFEL Program letters
8	SSIG letters
47	Direct Lending letters
113	Federal Register Publications

All of these from the Department of Education providing new information, changed information, proposed regulations, final regulations, interim final regulations, changes to the regulation, updates and more. It is a total of 386 communications or an average of 12 items per month to review and comprehend or risk being cited in an audit. It might have been more effective had I brought all of this paper and dropped it in front of the panel; however, I believe the panel can understand why Regulatory Relief and Fairness is needed.

After doing this count, I can now begin to understand why I seem to be spending less time with my students, less time reviewing curriculum, less time reviewing the latest updates in equipment and less time at home.

During the last reauthorization, I was confident after reading the law that I had a clear understanding of Congressional intent. However, after 386 communications from the Department of Education that were intended to clarify the law via regulation, I have little confidence that I understand the law anymore.

We are about to begin this process again and we still do not have all of the clarification from the previous reauthorization. I am not sure why the need exists to re-write the law via regulation but it happens. I trust my elected officials to create law that works and does not intend to hurt



students or schools, but in the last three years this has become clouded. As I sit in my office and read the communications from the Department of Education I know I will have several concerns: How much more time will it take my Director of Financial Aid away from students to deal with paperwork? How much money will it take away from new equipment or library updates? How much of my time will be taken away from curriculum updates, equipment review and the general care and feeding of a school? I am an educator, not a CPA, not an attorney and not a bureaucrat.

I will cite three brief examples. Keep in mind that with all examples a notice of proposed rulemaking was sent. After two years of rule-making, schools were only permitted 45 to 60 days to respond. Even with a large volume of responses in a majority of cases little or no change was found in the final rule.

#### Refund Policy

Refund policy was defined in law, however, regulation was written "in order to clarify." When we received the regulation the confusion began. We spoke with our financial aid auditors and they were still attempting to understand the regulation. We spoke with other schools who had the same confusion. The regulation actually appeared to hurt students and we thought there must be some mistake. In Pennsylvania we held three workshops with financial aid auditors present to assist our schools in learning how to do the new refund calculations. The Career College Association held workshops for the same reason. We returned to our schools still confused but moving forward in our good faith effort to comply with the law and regulation. The Department was taken to court over the refund regulations and in several instances lost. We then received clarifying language again and so on, and so on, and so on. After all of this time, many still wonder if they are doing the calculation correctly because many auditors still do not agree. And now, we are into the next reauthorization and the refund regulations may change yet again. We would, of course, support a change in the law that would create a truly equitable refund policy, but we do not need more changes by the Department of Education which add layers of complexity and unfairness. Refund regulations affect every aspect of higher education. I even spoke with universities and one did appear to have solved the confusion. When I asked how they were calculating the refunds their response was, "what refund regulations?" Once I explained the refund regulations and the need for determining the last day of attendance for calculation, they commented, "Our last day of attendance is when the student does not show up for the final exam." When asked if that was the policy if a student left after just two weeks of class, the response was "yes." That certainly would be an easy way to comply with refund regulations but not necessarily best for the student. So we spent a great deal of time, money and energy to understand something that we believed was clearly under control prior to new regulations.

#### 85-15

Moving on to the 85-15 regulations; while most might believe we want this simply removed, that is not for this discussion. 85-15 is sector specific which immediately breaks the concept of a level playing field for higher education. When 85-15 went into effect, the Department felt the need to re-define revenue and ask schools for an attestation from their accountant. Once again, we could not find accountants who understood the calculation methods, definition of revenue and many other areas. Accountants called the Department but received little to no help. So again, Pennsylvania held three workshops with CPAs to help schools determine what to do. The Career

College Association held workshops to do the same. Once again we have time, money and energy being spent that could otherwise be spent on more important educational matters. In some instances, schools had to spend as much as \$10,000.00 to have the attestation done. Imagine what that could purchase for a classroom or library. And now, new regulations which go into effect on July 1 have changed this again and added an additional cost burden of having the 85-15 calculation subject to full audit rather than attestation.

My last example is the financial responsibility regulations that were almost published a few months ago. After a year of research, the Department hired a CPA group for this research, and a notice of proposed rulemaking was sent outlining the new financial responsibility regulations. The intent of these regulations was to allow some schools to have decreased oversight based on financial responsibility and on the surface that sounded wonderful. As I stated earlier, Yorktowne Business Institute has been in business for 20 years with a 3.2% default rate and our financial responsibility and stability have never been an issue. With the proposed regulations, we would have been identified as financially "at risk" with the possibility of additional oversight at a significant cost to the school. How does that happen? In this instance, the notice of proposed rulemaking was so confusing, Pennsylvania once again held three workshops just to help our schools respond to the notice. And once again, we had CPA's present attempting to help and they were still confused.

These are just three of the 386 communications sent by the Department and only 3 of the 113 Federal Registers we must read, understand, comply with and explain to students. We do not intend to say regulation is not needed. However, over-regulation is beginning to run our schools and ultimately the students will suffer.

**CURRICULUM VITAE UPDATE****Deborah A. Dunn**

1400 Greenbriar Road

York, Pennsylvania 17404

717-767-2521

**Professional Background**

Current Yorktowne Business Institute, Executive Director

\*Responsible for entire school operation of 300 students and 30 staff and faculty.

**Presentations**

Pennsylvania School Counselors Association, Annual Convention

Featured speaker on Careers for the year 2000

Featured speaker on Time Management

Lancaster County Counselors Association, Quarterly Meeting

Featured speaker on Time Management

**Publications**

Dunn, Deborah "Creating an Effective High School Program." The Link. 1995

Dunn, Deborah "Creating an Effective Constituent Based Lobbying Program." Career  
Dumaresq, Richard Training Journal. 1995

**Professional Association Work (Volunteer)**

1993 - Present Career College Association, Board Member

**Community Organizational Activity (Volunteer)**

1996 Education Committee Member, York County Chamber of Commerce  
Government Committee Member, York County Chamber of Commerce

565 Traymore Avenue

Deborah A. Dunn  
King of Prussia, PA 19406

215-278-0608

### Professional Background

- Current**                   The Restaurant School, Director of Marketing, Admissions, Financial Aid, Career Development
- \*Handle all marketing and admissions for student recruitment
  - \*Oversee financial aid functions to assist students with payment options
  - \*Oversee career development functions to assist students with successful job placement upon graduation
- Achievements:
- \*Increased enrollment by 80% in a two year period
  - \*Expanded base of feasible financial aid options available to students
  - \*Expanded base of job opportunities for graduates with a verifiable placement rate of 95%
  - \*Computerized all departments to streamline productivity and cost efficiency
  - \*Effectively implemented an affordable housing program in West Philadelphia for out-of-town students
- Current**                   Dunn Educational Consulting
- This firm handles consulting for schools and associations on the subjects of:
- Recruitment, staff development, financial aid management, default management, organization management, accreditation assistance, placement management (Client list attached)
- 1989 - 1991**               RETS Education Center, Executive Director
- This position was a one year contract to revive this school/company from Chapter 11.
- \*Within three months the school was out of chapter 11.
  - \*With minimal budget, renovated building, began a new training program, increased enrollment, stabilized staff, accounts and financials
  - \*Resurrected the relationship with the School Board, the lease holders of the building
  - \*Negotiated all contracts with contractors, laborers, lease holders, vendors
  - \*Responsible for positive outcomes on a federal and state audit of financial aid and decreasing overall default rate
  - \*Effectively implemented a system of collecting receivables
  - \*In 1993, the school is operational with a continuously growing enrollment and program offering base

1986 - 1989

Pittsburgh Technical Institute, Corporate Director of Marketing

Responsible for all marketing and admissions activities for two campuses. Pittsburgh and Florida

## Achievements:

- \*Effectively increased enrollment by 75% while decreasing an overall budget of \$350,000 to \$200,000.
- \*Opened three branch recruitment offices in Philadelphia, Columbus, OH and Clearwater, FL
- \*Trained corporate level officers in marketing techniques as new programs were added
- \*Commanded a 85% show rate of students with a 85% graduation rate and a 100% placement rate
- \*Effectively implemented an affordable housing program for out-of-town students

1984 - 1986

School of Computer Technology, Job Search Coordinator

Responsible for training all students in self-directed job search techniques.

## Achievements:

- \*Implemented program from start to finish, training 500 students per year
- \*Job placement success rate of 95%
- \*Attained level of certified job search trainer through JIST Works, Inc. One of only seven in the country at the time
- \*Assisted admissions with recruitment through having the only certified job search training program in the state

1983 - 1984

Gateway Technical Institute, Director of Placement

Responsible for instructing students in job search techniques and contacting employers for job development

## Achievement:

- \*Created the position and developed all policies and procedures
- \*Achieved a job placement success rate of 90%
- \*Expanded job market to include entire state

1979 - 1983

Median School of Allied Health Careers, Director of Placement

Responsible for all phases of job placement and student externships.

## Achievements:

- \*Promoted from Assistant Director to Director in six months
- \*Maintained a consistent 98% placement rate
- \*Expanded base of possible externship sites for students
- \*Wrote a dental technology curriculum with assistance of advisory board
- \*Lead a task force to investigate student drop outs and increased our successful graduation rate by 20% to 80%

**Education**

1976      BA Point Park College, Pittsburgh, PA  
            Major: English/Secondary Education

**Presentations:****National Association of Trade and Technical Schools**

Featured speaker for the last 4 years on recruitment and marketing management  
 Featured speaker for the last 4 years on training Admissions staff  
 First woman to present on the subject of marketing

**Association of Independent Colleges and Schools**

Featured speaker for two years on the subject of job placement staff development

**Career College Association**

Featured speaker on the subject of recruitment and marketing  
 Featured speaker for the national leadership workshop

**Florida Association of Private Schools**

Featured speaker at their annual conference

**Maryland Association of Private Schools**

Featured speaker for two years at their annual conference

**Pennsylvania Association of School Counselors**

Speaker on the subject of self-esteem for high school students, time management and career options for the high school student

**American Association of School Counselors**

Speaker on the subject of self-esteem for high school students

**Ohio Association of Private School Administrators**

Featured speaker at their annual conference on the subject of job placement

**Publications**

- Dunn, Deborah. "Developing a Marketing Plan That Works." Career Training Journal. 1989
- Dunn, Deborah. "Increasing Enrollments in the 90's." Career Training Journal. 1991
- Dunn, Deborah; Collins, Chuck. "Giving Potential Students Every Opportunity." Career Training Journal. 1992
- Dunn, Deborah. Answering Problem Questions, Proof by Example, Getting Two Interviews A Day, A Job Search Video Trilogy." Workforce Communications. 1987.
- Dunn, Deborah. Telephone Technique, Basic Interview Style, Retaining Students, An Audio Trilogy." Career College Association. 1992
- Dunn, Deborah. "Evaluating Admissions Representatives," The Creative Service, 1995

**Professional Association Work: (Volunteer)**

1989 - Present Pennsylvania Association of Private School Administrators

President - represents over 300 private postsecondary career schools

Awarded: Outstanding State Association

Outstanding State Coalition

Outstanding Member State

**Special activities:**

\*Developed an affordable alternative to bonding for schools allowing schools to remain in operation.

\*Held the most profitable and widely attended state conference here in the Philadelphia area

\*Developed a project to allow schools to have an affordable retirement benefit to offer to their employees

\*Worked with four Philadelphia schools to assist with goal of becoming accrediting allowing more opportunities for students and a stronger financial base for the school

\*Coordinated an area tour of postsecondary career schools for the "Say Yes to Education" organization and their non-college bound youth

1989

National Association of Trade and Technical Schools

Member - Professional Development Committee

Committee responsible for developing all staff training workshops nationally for 1200 member schools

Team Leader - Accreditation Site Visits

1992

Career College Association

Chair - Skills 2000 Subcommittee

Committee responsible for planning national activities in 50 states to educate State and Federal legislators on the subject of career postsecondary education and educational options for non-college bound youth, re-training options for dislocated workers and underemployed

Member - State Association Steering Committee

Committee responsible for coordinating activities between national and state associations.

Current

Commonwealth of Pennsylvania, Department of Education

Team leader for Associate Degree Granting site visits

**Awards**

Outstanding Member in the country, 1993 (CCA)

Outstanding Skills 2000 Member in the country, 1992 (CCA)

Outstanding Key Member in the country, 1991 (NATTS)

Vocational Industrial Clubs of America Awards of Merit, 1988, 1989, 1990

Don Quijote for Outstanding Work, Delaware County Education Coalition, 1991

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## Community Organizational Activity (Volunteer)

- 1989 Delaware County Education Coalition, Co-founder  
Coalition responsible for working toward development of business/industry partnerships with private careers schools in Delaware Valley, enhancing postsecondary options for non-college bound youth, re-training opportunities for displaced workers, financing options for low income persons  
Special activities:  
\*Held career opportunity fair, without cost to the public, to provide information on education and financing options for residents of Philadelphia and Delaware County. Congressman Weldon was the honorary host.
- 1989 - Present Pennsylvania Skills 2000 Coalition, State Captain  
Coalition responsible for educating state and federal legislators on the subject of career postsecondary education and educational options for non-college bound youth, re-training options for dislocated workers and underemployed.  
Special activities:  
\*Held annual job fair for graduates of private career schools throughout Philadelphia with over 40 companies in attendance. Held with Congressman Blackwell has the honorary host.  
\*Planned regional voter registration days for students and general public in the Philadelphia area, to enhance awareness and responsibility  
\*Held several successful fund raising events for area legislators  
\*Worked with area banks when loan access was being denied to Philadelphia area schools. Currently working on alternatives to provide access for students and revenue to the banks.  
\*Personally met with 90% of our Members of Congress and both Senators
- 1993 Minority Coalition, Member  
Coalition responsible for educating the public and state and federal legislators on the needs of minority in higher education. Currently planning a lobbying day in Washington, DC  
\*Successfully planned their first educating day in Washington scheduling appointments with four Members of Congress and both Senators.
- 1993 Philadelphia-Delaware Valley Restaurant Association  
Member of Government Affairs Committee
- 1992 Helping Hands Event, Task Force Member  
Asked by Congressman Weldon's office to assist with holding an event especially designed for the unemployed, underemployed and low income recipients. Event explained job options, job openings, how to receive assistance with utility bills, mortgage payments and general life skills issues.

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WEST SEVENTH AVENUE  
 YORK, PENNSYLVANIA 17404  
 TELEPHONE 717/848-5000  
 FAX 717/848-4884

FEDERAL PELL GRANT AMOUNTS

1996-1997	To date:	\$132,703.
1995-96	Total:	\$186,335.
1994-95	Total:	\$181,957.

FEDERAL SBOG AUTHORIZATIONS

1996-97	To date:	\$15544.*
1995-96	Total:	\$ 7270.*
1994-95	Total:	\$ 8116.*

Requires 25% institutional match

FEDERAL SSIG AMOUNTS

1996-97	To date:	\$3578.
1995-96	Total:	\$3451.
1994-95	Total:	\$3062.

QUALITY EDUCATION — AFFORDABLE TUITION

Chairman GOODLING. Mr. Walter.

**STATEMENT OF GEORGE WALTER, PRESIDENT, PENNSYLVANIA ASSOCIATION OF STUDENT FINANCIAL AID ADMINISTRATORS AND DIRECTOR OF FINANCIAL ASSISTANCE, VILLANOVA UNIVERSITY, VILLANOVA, PENNSYLVANIA**

Mr. WALTER. Good morning, Mr. Chairman, and Members of the committee.

I am delighted to have this opportunity to offer testimony concerning reauthorization of the Higher Education Act. On behalf of the more than 550 members of the Pennsylvania Association of Student Financial Aid Administrators, commonly known as PASFA, let me begin by expressing our appreciation for your past and continued support of legislation which provides students with access to postsecondary education.

In July of 1996, the chair of the PASFA government relations committee began soliciting our membership for comments and recommendations regarding reauthorization of the Higher Education Act. This committee recently completed the first draft of a list of recommendations, which I have reviewed and will be presenting to our membership for approval. Once sanctioned, I will see that a copy of these recommendations is provided to your committee.

The current draft document focuses on five areas that are of major concern to our membership. These areas are delivery system modifications, regulatory relief, institutional choice between the William D. Ford Direct Loan and Federal Family Education Loan programs, increased loan limits, and flexibility related to the administration of the Federal Campus-Based Aid programs.

In the area of delivery system modifications, review of the current application process and needs analysis must be completed. The Free Application for Federal Student Assistance, FAFSA, should be evaluated for clarity, in order to determine if all of the items are indeed necessary.

Each year, I personally participate in more than thirty financial aid nights in area high schools in the State of Pennsylvania. Many parents are confused when attempting to complete the FAFSA. One area of confusion could be eliminated by requiring all filers to provide asset information rather than eliminate the collection of this information under what is currently called the simplified needs test.

A complete review of the current needs analysis system is recommended in order to determine whether all relevant data are being used to determine the expected family contribution. Further, it is recommended that the income and asset protection allowances be reviewed. And in the case of the income protection allowance, local indices be considered in order to provide for a more relevant and realistic assessment of the family's financial circumstances.

Another area of discussion regarding the needs analysis has centered on the use of what is described as prior prior year income. In other words, an applicant for the 1997-1998 award year, who would now provide 1996 income information, would instead provide 1995 income information.

The use of prior prior year income is attractive, if it can be verified by a database match with the Internal Revenue Service. If

such a match cannot be facilitated, the streamlining of the application and verification processes is not likely. And the only benefit may be the ability to complete an application for assistance earlier than January 1.

In the area of regulatory relief, in an effort to reduce the costs associated with the administration of Federal student aid programs and enhance the level of service that can be provided to students and their families, PASFAA advocates a reduction in regulatory burden for schools wherever feasible without compromising the integrity of these programs.

Two examples of where regulatory relief may be implemented are a recommended \$300 over-award tolerance for FFELP and direct student loan programs, and a change regarding late disbursement regulations related to the FFELP or student loan programs.

Additional information regarding these recommendations is included in the written text provided to the committee.

Additional regulatory relief is requested in the area of current cash management regulations, which impose an unreasonable time frame for schools to disburse FFELP funds or return these funds to lenders, if they are provided to the school through either electronic fund transfer, commonly known as the EFT, or via master check.

Prior to disbursing funds to a student, a school must perform numerous eligibility checks. Current regulations make it almost impossible to accomplish in such a short period of time. This jeopardizes the integrity of the program, and increases the costs related to the administration of this program.

Cash management regulations also require institutions to notify students and parents within thirty days of disbursement of their right to cancel all or a portion of the loan when the loan has been disbursed via either EFT or master check. This is considered to be cumbersome and redundant.

Finally, when considering regulatory relief, it is believed that it is reasonable to associate such remedies to an institution's administrative performance as measured by indicators, such as the institution's default rate, audit, and/or program review findings.

In the area of institutional choice, PASFAA advocates the continuation of both the Federal Family Education Loan program and the William D. Ford direct loan program with no cap and no minimum requirement on the percentage of institutions required to participate in either program.

It is believed that the coexistence of these programs has resulted in enhancements which have benefited students in the form of reduced origination fees and incentives for on time repayments in the form of reduced interest rates.

In addition, alignment of these two programs is recommended wherever practicable, specifically with regard to the availability of the income contingent repayment plan for FFELP borrowers and making direct loan interest rates parallel to that provided in current law for the FFELP borrowers.

It is also believed that an increase in loan limits relative to the FFELP and direct loan programs is necessary, given the increases in the costs related to postsecondary education and the lack of increased funding to grant programs. Although our association has

not provided specific revised loan limits, I believe that an increase of anywhere from \$1,000 to \$2,000 per grade level over the current limits would be appropriate.

It is requested that more flexibility also be allowed in the administration of the Federal Campus-Based Aid Program, so that the students may be served in a more equitable manner.

Specific recommendations in this area include allowing a greater percentage of funds to be transferred to the Campus-Based Program. This would permit schools the flexibility to decide how best to award funds based on the needs of their students.

Also, to allow schools to award SEOG on the basis of exceptional need, as opposed to adhering to the requirements that if you award it to students with the lowest expected family contribution, and those who are Pell eligible. This would allow the cost of attendance, EFC, and Pell eligibility to be considered and may be a better indicator.

In conclusion, I fully expect that other areas of concern will be discussed in the coming months, and that additional recommendations regarding reauthorization of the Higher Education Act will be made by members of PASFAA.

As previously stated, the final position paper listing all of the recommendations will be provided to this committee as soon as it is available.

Once again, I thank you for the opportunity to share the concerns and recommendations of the members of the Pennsylvania Association of Student Financial Aid Administrators, and to participate in this process of reauthorization.

It is our hope that the outcome of this process will be beneficial to the students who we serve, and enable those who are academically qualified to pursue postsecondary education without regard to the family's financial limitations.

Thank you.

[The prepared statement of Mr. Walter follows:]

George J. Walter

Mr. Chairman and members of the Committee:

I am George Walter, Director of Financial Assistance at Villanova University and President of the Pennsylvania Association of Student Financial Aid Administrators. I am delighted to have this opportunity to offer testimony concerning reauthorization of the Higher Education Act.

On behalf of the more than five hundred and fifty members of the Pennsylvania Association of Student Financial Aid Administrators, commonly known as PASFAA, let me begin by expressing our appreciation for your past and continued support of legislation which provides students with access to post-secondary education.

Reauthorization provides the means through which we may work together to better serve students and their families. As an association we are committed to this goal and are taking steps to identify areas of concern which we feel must be addressed during this process.

In July of 1996 the chair of the PASFAA Government Relations Committee began soliciting our membership for comments and recommendations regarding the reauthorization of the Higher Education Act. This committee recently completed the first draft of a list of recommendations which I have reviewed and will be presenting to our membership for approval. Once sanctioned, I will see that a copy of these recommendations is provided to your committee.

The draft document focused on five areas that are of major concern to our membership. These areas are:

**Delivery System Modifications**

**Regulatory Relief**

**Institutional choice between the William D. Ford Direct Loan and Federal Family Educational Loan programs**

**Increased Loan Limits**

**Flexibility related to the administration of Federal Campus-Based Aid programs**

### **Delivery System Modifications**

Under the heading of Delivery System Modifications review of the current application process and needs analysis must be completed. The Free Application for Federal Student Assistance (FAFSA) should be evaluated for clarity and in order to determine if all items are indeed necessary. Each year I personally conduct more than thirty financial aid nights at high schools in the state of Pennsylvania. Many parents are confused and discouraged when attempting to complete the FAFSA. One area of confusion can be eliminated by requiring all filers to list assets rather than eliminate the collection of this information under the current "simplified needs test."

When reviewing the method of collecting applicant data, I would ask that the Department of Education be directed to continue distribution of paper FAFSA forms along with the more automated options, such as the "FAFSA Express," which enables the applicant to enter his or her application via a personal computer. This recommendation is made in light of the fact that many low income families do not have access to a personal computer.

A complete review of the current needs analysis system is recommended in order to determine if all relevant data are being used to determine the expected family contribution. Further, it is recommended that the income and asset protection allowances be reviewed and, in the case of the income protection allowance, local indices be considered in order to provide for a more relevant and realistic assessment of the families financial circumstances.

Another area of discussion regarding the needs analysis has centered on the use of what is described as "prior prior year" income. In other words, an applicant for the 1997-98 award year who would now provide 1996 income would instead provide 1995 income. The use of prior prior year income is attractive if it can be verified via a database match with the Internal Revenue Service. If such a match cannot be facilitated the streamlining of the application and verification process is not likely and the only benefit may be the ability to complete an application for assistance earlier than January first.

### Regulatory Relief

In an effort to reduce the cost associated with the administration of federal student aid programs and enhance the level of service that can be provided to students and their families PASFAA advocates a reduction in regulatory burden for schools whenever feasible, without compromising the integrity of these programs. Two examples of areas where regulatory relief may be implemented are:

- 1) A recommended \$ 300 overaward tolerance for the FFELP and Direct Student Loan programs. It is believed that this modest overaward tolerance is reasonable and necessary in order to reduce a costly and labor-intensive loan change process for schools, lenders and guarantors. In addition, it will provide additional eligibility to students and reduce confusion to both students and parents who currently cannot understand the rationale for all of the administrative steps and inconvenience associated with small overaward amounts.
- 2) Change late disbursement regulations related to the FFELP or Direct Loan programs to allow for certification of a loan up to 60 days after the last date of enrollment, and disbursement up to 120 days after the last date of enrollment for students who have outstanding balances for the enrollment period. Currently, no such provisions exist and this causes financial hardship for students who experience unusual circumstances such as illness, which cause them to withdraw with a balance owed to the school.

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Additional regulatory relief is requested in the area of current Cash Management regulations which impose an unreasonable timeframe for schools to disburse FFELP funds or return these funds to a lender if they are provided to the school through either electronic funds transfer, commonly known as EFT, or via master check. Prior to disbursing funds to a student a school must perform numerous eligibility checks. Current regulations make it almost impossible to accomplish in such a short period of time. This jeopardizes the integrity of the program and increases the cost related to the administration of the program.

Cash Management regulations also require institutions to notify students and/or parents, within thirty days of disbursement, of their right to cancel all or a portion of the loan when the loan has been disbursed via EFT or master check. This is considered to be cumbersome and redundant.

When considering regulatory relief, it is believed that it is reasonable to associate such remedies to an institution's administrative performance as measured by indicators such as an institution's default rate and audit and/or program review finding. One example of a current regulation that could be changed on the basis of this recommendation is the 30-day delayed disbursement requirement for first-year borrowers of the Federal Stafford or Direct Loan programs. Villanova University must currently adhere to this regulation although the recently released FY 1994 cohort default rate for our institution is 1.7% and our attrition rate for first year students is comparably low. It is hoped that these factors may be considered in determining future regulatory requirements.

#### Institutional choice between the William D. Ford Direct Loan and FFELP

PASFAA advocates the continuation of both the Federal Family Education Loan program and the William D. Ford Direct Loan program with no cap and no minimum requirement on the percentage of institutions required to participate in either program. It is believed that the coexistence of these programs has resulted in enhancements which have benefited students in the form of reduced origination fees and incentive for on-time repayments in the form of reduced interest rates.

In addition, alignment of these two programs is recommended whenever practicable, specifically with regards to the availability of the income contingent repayment plan for FFELP borrowers and making Direct Loan interest rates parallel to that provided in current law for FFELP borrowers.

#### Increased Loan Limits

It is believed that an increase in loan limits relative to the FFELP and Direct Loan programs is necessary given the increases in the costs related to post-secondary education and the lack of increased funding to grant programs. Although our association has not approved specific revised loan limits, I believe that an increase of anywhere from \$1,000 to \$ 2,000 per grade level over the current limits would be appropriate.



Biographical Statement for George Walter

George Walter has spent nineteen years as a financial aid professional. He is currently Director of Financial Assistance at Villanova University where he has served since 1989. Previously he served as Director of Financial Aid at La Salle University.

Mr. Walter is currently serving as President of the Pennsylvania Association of Student Financial Aid Administrators and is active in regional as well as national organizations that seek to provide financial resources to students wishing to pursue post-secondary education.

Mr. Walter earned a Bachelors degree at La Salle University and a Master's degree in Educational Administration from St. Joseph's University.



**PENNSYLVANIA ASSOCIATION OF  
STUDENT FINANCIAL AID ADMINISTRATORS**

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Computer Tech

**NURSING**

Adrienne Miller  
Shadyvale Hospital School of Nursing

**INSTITUTIONAL SUPPORT SERVICES**

Dan Wray  
Education First

**AT-LARGE**

Michael Bertoneschi  
LaRoche College

January 27, 1997

Honorable William Goodling  
Chairman, Committee on Education and the Workforce  
U.S. House of Representatives  
2101 Rayburn House Office Building  
Washington, DC 20515-6100

Dear Mr. Goodling:

Pursuant to your letter of January 23, 1997, this is to inform you that, to the best of my knowledge, neither I nor the Pennsylvania Association of Student Financial Aid Administrators are recipients of any federal grants, contract, subgrants, or subcontract by agency or program during this fiscal year or the two preceding fiscal years under the Higher Education Act.

Should any additional information be required please do not hesitate to contact my office.

Sincerely,

George J. Walter  
President

SHERATON STATION SQUARE, PITTSBURGH, PA — OCTOBER 5 TO 8, 1997

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Chairman GOODLING. Thank you. Congressman Greenwood has joined us. Since you did not have an opportunity for an opening statement, do you have anything that you would like to present at this time?

Mr. GREENWOOD. When you are late, you do not deserve one. That is what you always told me.

Chairman GOODLING. You had a long way to come.

I should also indicate that the staff that are here, Sally Stroup and Marshall Grigsby, they are over here. Marshall works with the Ranking Member. And Sally is the wheel you will have to deal with time and time again in the area of higher education, because she is the brains on my side. So she and Marshall, they can tell us what they think it is that we should do. And then you will have to deal with both of them.

From my own staff, I have my executive assistant in charge of legislation who is over here. Kim, do you want to raise your hand? And the little man in the back is Tiny Tim. He is the executive assistant for administration.

I will take a couple of shots at the first couple of questions. I know that Mr. Petri cannot wait to get to Mr. Walter. I have a feeling that is true, since that is his area that he likes to deal with.

In your testimony, Dr. Gogniat, you indicate that an increase in tuition is out pacing the available aid. And I understand that. When Mr. Ford was the Chairman, he always used to say that we could easily deal with the default problem by just giving all Pell Grants. I said yes, that certainly would take care of defaults, would it not. I am not sure where we would get the money for the program.

But one of the concerns that I have is what role do we play on the Federal level with bringing about these tremendous increased costs as far as the college education is concerned?

The Republicans want to give tax breaks for education. The Democrats want to give tax breaks for education. The President wants to give tax breaks for education.

Does that then get to the student and to the parent, or are we somehow or other promoters of increased costs by making more money, more grants, more loans available?

That is something that I wake up thinking about in the morning, and go to sleep at night thinking about, whether we are part of the problem. I will ask the next panel what is the problem.

Mr. GOGNIAT. Well, the tuition increase that I stated was for Penn State/York. For Penn State in general, it was 4.5 percent last year. At this campus, just to give you a particular, 85 percent of the students that we have here need some financial aid. And of that group, approximately 80 percent have part-time jobs also to try to make it through.

It is a different population than we used to deal with. Also, on this campus that you are sitting on right now, there is about 2,100 people here. And half of those people are adults. And we classify adults as anybody from 24 on who has been away from school for a few years.

It is just incredible the amount of aid that these people need. Our financial aid person, our director of student affairs, makes over 30 visits to high schools, to community centers, to all sorts of

places around here trying to explain how one can afford to be able to come to college. Our 4.5 percent increase in tuition I do not think is astronomical. We run a pretty tight ship here. Any kind of increases that we have that come to Penn State/York, we have to put it back into the academic function somehow. And that is generally in remediation. It is in the learning center. It is peer tutoring, and other things like that.

I would add one thing about this 85 percent. It is easy to think that what you are talking about benefits the student and the school. But in an indirect way, what we are talking about here also benefits the community.

In one class alone from public service, where 85 percent are getting tuition reimbursement, they are involved with the community, over 3,000 community service hours to the York community in mainly community based organizations, a political science class, for example, were given to this community. So in a sense, the fact that these students are here is also a pretty strong community asset too.

Chairman GOODLING. Thank you. Congressman Fattah has joined us.

Would you care to give any opening statement at this point?

Mr. FATTAH. No, thank you.

Chairman GOODLING. Congressman Greenwood beat you by a few minutes, 15, maybe.

I am going to go to Mr. Petri next.

Mr. PETRI. I would like to thank all of the panelists for interesting and thought-provoking comments. There was something that ran through almost all of them. I think the need for simplicity, and worry about bureaucracy compounding bureaucracy, and raising costs for ultimately students of education. It seems to be a common theme.

And I think that if you would talk a little about the accrediting. I think Mr. Kroh especially about the costs of bureaucracy associated with the accrediting business.

And I guess that I have two questions. I would like people to respond if they could either now or later through your associations.

One is whether the whole way that we have done accrediting really makes much sense. It seems to have turned into kind of regional monopolies, and they sort of come in with all kinds of things unrelated to safety and soundness and Federal dollars, which is our interest.

And should we maybe open it up, and allow accounting firms or other people to come in and substitute for this whole funny quasi-monopoly that we have set up with all kinds of hidden agendas, or should we just do the lowest 10 percentile in terms of student loan rates, plus new organizations coming in.

It is kind of a weird thing that we have set up in terms of what our real interest is as a Federal Government, it seems to me. So that whole area. There may be a more efficient way of doing it, and squeezing out a lot of the cost for the people who are subject to accreditation.

And a lot of it is outdated now too. Because with computers and things, they count books and do all kinds of things. They do not recognize modern people trying to provide classes near where com-

muters live, and all of these sort of adult education things. And then they give exceptions to the old established universities, because they do not have their courses every day of the week. They do not give exceptions to a lot of the privates and proprietaries.

There are a lot of weird things in the whole accreditation process that I think add to costs and reduce quality for students rather than improving it.

So that is one area. How we could do a better job of our fiduciary responsibility to the taxpayers to make sure that the dollars are really well spent without imposing someone's whole idea of the way education ought to be in the United States, and requiring every institution to be homogenous rather than giving people a lot of choices in the marketplace?

Secondly, in the bureaucracy thing, do you think it makes sense, should we think about getting the Education Department out of the business of administering some of these things, and letting contractors like EDS or other firms do it, in maybe cooperation with your trade associations?

I am really wondering if we really have the competence in the Federal Government bureaucracy to do a lot of this stuff. They are Mickey Mousing hundreds of things. If you were dealing with Master Card or any of these other agencies, it is nothing new to manage a lot of data in our society.

My constituents are really annoyed with the whole government sector. Because they can call up Master Card and get their file five minutes after they do a financial transaction, and they cannot call up IRS and get that kind of service. And you cannot call up the Education Department and get that kind of service.

Yet, if we are going to be modern and responsive, it seems to me that we have got to modernize the government sector, or else get it out of administration and get private contractors into that business. We do it in the health care area. It seems to me that maybe we should be doing more of it in the education area.

Do you have any ideas of what we can really do to administer these programs a lot more simply?

In that connection, financial aid officers have to go through a lot of programs. They are not all Federal programs.

Should there be some sort of a common commuter program or something that we plug into rather than trying to make you do everything the Federal Government way for our programs, and then you deal with Pennsylvania, and you deal with private foundations, and your own university funds?

Do you think that there should be some computer standards or something that all financial aid offices around the United States would find useful, and that would be pretty cheap to administer once they were set up?

Either of those questions. If there is some way of getting this a little more user friendly and not as bureaucratic.

Mr. KROH. Congressman Petri, I would like to respond particularly to the first question about does the accrediting process make much sense. And I think that the answer is no. There are so many approved accrediting agencies with so many different agendas that view the regulations in completely different ways. And one of the points that I made in my testimony is that in my opinion higher

education should be seamless. It allows the student/consumer to be able to move at cross sectors transferring the information that they have gathered from one spot into the next.

It raises the issue of quality assurance. Did you learn something in Institution A that is valued by Institution B. And I think that comes back to addressing the issue of some sort of standardized outcome.

How do you measure it, is it absolutely essential that English composition be taught by a Ph.D. Is it absolutely essential that we establish artificial distinctions among sectors in the community. More and more, the traditional sector is using adjunct faculty that does come from industry to teach the applied courses.

We have had a situation locally where adjunct faculty at Bradley Academy are teaching a similar course at a traditional sector school in this area, and we cannot transfer the credits. The same instructor, and the same course. But if our student goes down the street and says we would like to have received credit for having done that, the answer is no.

Because we are cattlemen, and you are sheep herders, and somebody else is a rancher. And we just do want to talk to each other. We set up these artificial barriers. It would seem to me that it is incumbent on Congress to say that is inefficient.

We had another situation where a student graduated and wanted to get a bachelor's degree, and went to a State university school in another county. And they said we will give you credit for what you have done by not requiring to retake some of the entry level courses, but if you want a bachelor's degree you will buy 128 credits from us. It is an economic decision.

The outcomes that I talked about I do not believe limit choices, but schools will have to make a determination that if they choose to teach a course that does not lead to a satisfactory outcome, they cannot expect to continue to receive or their students cannot continue to receive financial support.

If you want to teach buggy whip repair, that is fine. If you meet the standards, your student qualifies for aid. If they do not have a satisfactory outcome, they do not receive the aid. The school then has a choice in making the decision, is this important to our institutional persona to continue to do this particular program.

You asked about accountants being involved. They are involved. We spent a lot of money trying to get accountants to understand what the regulations are, and then praying that their interpretation will be the same interpretation that the Department of Education has, attestation and certified accounts. Again different standards for different sectors.

Bradley Academy has recently committed to a \$3.5 million new construction project, which includes a lot of capital equipment. Shortly after we signed on the line, the Department of Education comes out with these financial stability ratios. We run the numbers. We have been stable. We may be setting ourselves up for serious financial aid repercussions, because we are investing in capital equipment. And one of the ratios deals with long term debt.

It does not make a great deal of sense for us to go into this commitment, knowing that we are really kind of cutting off our hand.

We would not have done it had these ratios been out earlier. And that is a real negative for the students.

Again the accounting standards are inequitable. It seems to me that also the way that the congressional intent is interpreted by the Department of Education is different than we hear it interpreted by Congress itself.

Moving out of the political arena into a neutral third party kind of environment I think would assure Congress of getting a better interpretation of the intent of the law rather than running the risk of contradictory political agendas. You know, is this really what the legislation means, and where do we go from here.

Chairman GOODLING. If anybody else wants to respond, I would suggest that you make it as brief as possible, or we will not get to everybody on the panel.

Ms. DUNN. Congressman, your question should the Department of Education possibly be removed and private contractors be used. I will keep it fairly simple, but it sounds a little bit cold in some aspects. I have been in several meetings with the department, and it does get frustrating when you try to work with them.

But when you are told that it is going to take three or four months to get through something that you know only takes a week. They do not know what department it is. They do not know which office it is. And then when you are trying to get an understanding of the regulation and be told, and I am not sure why they are not bound by the law and what your intent was, that is a concern to me.

When we have a department that does not somehow think they are bound by the law that you make. And that seems to be where the whole breakdown is.

So if they in fact continue to believe that they are not bound by the law, then I do not think that there is an option, except to possibly go to private contracting, or to some other method.

And your questions were very good. And our association, our national association, will put together some more specific suggestions for you.

Mr. WALTER. Congressman, with regard to the comments that you just heard with regard to the Department of Education. I also think that what is happening, as Ms. Dunn very eloquently stated during her comments, in outlining the amount of correspondence that we receive and the volume.

It really has resulted in, I think the best way to describe it, a micro management approach being taken by the Department of Education.

One of the comments that I made during my presentation dealing with this new requirement that we have to have statements going out to borrowers telling them well, you have a loan, and this is what you need to know about your ability to cancel the loan.

To be told that we have to do that for each individual person, rather than to make this a part of our consumer information requirement. We asked if it could be done that way, and we were told no. That is the kind of micro management I think that is resulting in the volume of correspondence that we receive, and the micro management detail that we have to be concerned with when we talk about what are our liabilities.



Mr. FATAH. Let me ask the representatives from the proprietary sector who are here a more philosophical question.

We in the Congress when we looked at higher education access programs, talked about separating out perhaps what might be more career job training activities, to focus more at the Department of Labor for instance versus what many perceived to be higher education financing for people who are pursuing a broader education than just career development. I would be interested to hear your comments.

Mr. KROH. In my testimony, I made the point that virtually all bachelor's degrees and all professional degrees are occupational. You cannot call nursing, accounting, medicine—

Mr. FATAH. There is a difference between that and a six-month word processing course.

Mr. KROH. Well, it goes back to the seamless issue. If you enter a paralegal course, the ability then to move into a bachelor's level program that might lead to law school. We have a one year diploma program, an electron pre-press technology, that moves into our two year electronic design program that ideally would move into a communications or computer sciences type program.

It is a continuum. And to try to create an artificial point in that continuum that says you are above the line and you are below the line will be very frustrating and will not simplify matters, but will simply lead to people creating longer programs to qualify. We have got to get over this barrier. So let us include A, B, and C to make a program satisfy that particular regulation.

Outcomes really are what it is all about. Does the student get a return on their investment in terms of time and money. My son entered a doctoral program in art history that lasted for one semester. Because he found out that there were three job openings nationwide for people in his career track. He was lucky. He got out early.

Mr. FATAH. You do understand the spirit of my question.

I was wondering if Penn State has a view, or would like to offer any comment on it?

Mr. GOGNIAT. Yes. At this campus, just to be specific about one location within this whole thing called the Penn State system, we offer five associate degree programs. Those associate degree programs I think are career based programs. They are computer science, information technology, mechanical engineering technology, electrical engineering technology, a business program, and a more general liberal arts program.

In the professional technical programs of mechanical engineering technology, electrical engineering technology, and computer science, we have internships for almost all of our students at local businesses here that earn credit while they are working at Harley-Davidson, for example, in computer science.

We are real proud of how that works. We think that is a career program. It also gives an option for a baccalaureate degree once they start working. We are proud of this.

Every one of those programs is in the afternoon and evening, so that traditional students and working adults can take advantage of that program.



Ms. DUNN. When you talk about moving proprietary education to the Department of Labor, I think that everybody in this room who are on these panels today and everybody that I have seen in higher education, we actually do all the same things.

I hope that we are preparing all of our students for jobs, whether you are sitting in a four year degree, a two year degree, an eight year degree, a six month diploma program. I hope that everybody is going to go to work. Because whether you are spending \$3,000 on your education—

Mr. FATTAH. Ms. Dunn, you believe that it is the same, if we have a bartending academy or dog grooming academy where a kid is going to spend thousands of dollars for a four month, six month, or seven month program instead of pursuing a four year bachelor's?

Ms. DUNN. I believe that all education that is preparing somebody to go to work is the same. If you start to discuss what dollars might be for a shorter program, I think that is a different question. But I know that my students believe that they are coming to, whatever they call it, school or college. And they are proud that they are coming to school and that they are going to graduate.

I think that if they start to see that differently, the fact that they are coming to school, and that they might be the first generation on higher education could change.

All of us are doing the same thing. And we are all educating for the purpose of people finding employment. We happen to educate differently. Our focus in a proprietary school is not so much on liberal arts, as it is in focusing on what their job skill may be. And that works for the students who come to our school.

Mr. FATTAH. Right. You are focusing in on what skills would be necessary for this person to go out and have a particular career path.

Ms. DUNN. Yes. And I think that is education.

Mr. FATTAH. And that is training too.

Ms. DUNN. Yes, it is. As much as I think when I was in school. I was learning to be an English teacher. They did teach me English.

Mr. FATTAH. I do not want to prolong this. The Chairman has already advised us that we should be brief. I think that I got the spirit of your comments. Thank you.

Chairman GOODLING. Mr. Greenwood.

Mr. GREENWOOD. Thank you, Mr. Chairman.

Let me preface my remarks by saying that I am brand new to this subcommittee, and perhaps the least informed Member of Congress on higher education. So that may make my questions naive, but maybe to some extent it makes them a little—

Mr. FATTAH. They are happy for that. They can brainwash you.

Mr. GREENWOOD. Well, we will see. We will see.

As I look at the Higher Education Assistance Act, and I recognize it as basically a 1965 Great Society program that was designed exclusively really to make education, higher education, available to people of low income. That is what it is for, to subsidize higher education, so it was not just a marketplace in which the elite remained elite, and the poor remained poor.

And like many of the programs that were enacted in that time period, Medicare, Medicaid, welfare, and so forth, this Congress

and the last Congress is taking a look to see whether we are in fact benefiting the people that we intended to benefit, or to what extent we are benefiting in the case of Medicare the medical community, and in the case of higher education the higher education community.

We noticed that the things that we seemed to subsidize the most in order to make them the most affordable, programs like health care and higher education seemed to be programs that have the highest rate of growth. And we wondered, as the Chairman mused in his comments, whether all of these billions of dollars are making education more or less affordable over the long run, and whether we are just chasing our tail here.

When I look at the fact that since 1980 that college costs have increased at about the twice the cost of living, I see my job as not only trying to figure out how to pay for that over time, but to look at why that is.

We look at the difference between the private schools with an average increase of about 8.5 percent annually versus the public schools with an average increase of about 5.4 percent annually, and wonder why that difference exists there. And that is really where my question is headed.

We are told that administrative costs, when we look at cost increases overall, that administrative costs go up. But I am not aware of why that should be so much more the case with the private schools than for the public schools.

Facilities and equipment costs go up. I am not sure why that is so more the case for the private versus the public schools.

We have the issue of diversity and cross-subsidization. The faculty costs go up. And yet I am not really sure whether this is a buyer's market or a seller's market for faculty. I am told that faculty members, you have to pay more and more to attract good faculty. And yet I am told that faculty members need to do more and more research, so that they can make themselves competitive. That sounds like it is a buyer's market rather than a seller's market.

But finally, it appears that the greatest factor is that the market will bear the cost, that people will pay for the prestige of a private school almost regardless of how fast that rate increases.

So my question to the members of the panel is finally how is it that some schools, and I would assume most of the institutions that you represent, have been able to keep costs escalating at a much slower rate than for the private schools, and what lessons can we take from that in terms of how we make the cost of higher education more available to the middle class?

Mr. KROH. First off, I would like to go on record that we typically have a 3 or 4 percent increase at Bradley Academy.

There was an article that appeared in the Philadelphia Inquirer, a series of articles about a year ago, which I am sure that Congressman Fattah is familiar with this series. They focused on the University of Pennsylvania's experience. And the thing is dramatic. You open to a page, and it showed the number of faculty that have been added, and it was just a couple of people. And the number of support staff who had been added in the 10 year period or thereabouts, and it filled the page.

Part of that is compliance, and part of it is competing in areas that higher education should not be competing on, a new field house, air-conditioned dorms, cable in the room. You know, things of that sort.

So those are part of the issues that come to bear. And not being a private institution in the sense that I think you are referring to, it is difficult to address it. Compliance is certainly a component that has to be addressed.

Mr. GREENWOOD. I guess my question is if private schools have to comply with regulations the same as public schools do, why would it cost a University of Pennsylvania so much more in terms of middle management in order to achieve compliance than it would Penn State?

Mr. GOGNIAT. Part of your question was how have we managed to keep costs relatively low. I think that one of the ways that we have done that is to say—and we learned this from business and industry. What we learned from business and industry are two things. One, you have to listen to the community you serve. And I think that the program initiatives that we have had locally has been the response of community-based endeavors.

We have panels for everything. Every program that we have put in has listened to what people in this area had to say that they needed, and worked together so that it is shared ownership. And when you share ownership, you can keep that cost down. I think that is one important thing we have done.

The second thing is that you have to strategically plan, and you have to say what is your mission, and values, and career goals. You have to put those things together, and I think it is possible.

Mr. GREENWOOD. If I could just quickly follow up on that.

Is a major factor though that the market will only bear so much inflation rate at this institution for instance as compared to Harvard or Yale, that you are in a box where you reach a certain point, and applications fall off, whereas at the high Cadillacs there is no such point?

Mr. GOGNIAT. I would say that that is a very accurate statement.

Chairman GOODLING. Now those of you who are not getting an opportunity to say anything else that you want to say, do that during this question period.

Ms. FIFIELD. If I might speak on behalf of community colleges, as I listened to your question. Historically, community colleges have always tried to provide the highest quality education at the lowest cost. That is becoming increasingly more difficult as time goes on.

Last year, for example, the appropriation, the State appropriation, did not match the cost of living in Pennsylvania, and probably did not match the cost of living in most States in this country.

Community colleges then were faced with the difficult question of what to cut in order to maintain quality, and in order to provide educational opportunity for people who frankly in many cases simply have no other choice. In some cases, they have no other choice because of economic considerations.

In some cases, they have no other choice, because they are not academically prepared to enter more prestigious institutions. In some cases, they have no other choice, because they simply come

from families that are not accustomed to thinking about higher education. They are the first in their families to go to college, as I was. They may be the only person in their entire family to go to college, as I am. And the notion then of going to a higher education institution becomes a daunting experience.

Last year, for example, I was faced with cutting over \$100,000 out of our maintenance and facilities budget that ultimately will have a cost as we move through the years.

In addition to that, the ratio of part-time to full-time faculty has grown considerably. That is not to say, as some of my colleagues here have pointed out, that part-time faculty do not bring expertise. And in some cases, a degree of education to the classroom that other faculty do not have.

But, nevertheless, it is not good for education when the balance shifts. So that the ratio of part-time faculty to full-time faculty is at an imbalance.

All of these issues have a lot to do with the kind of education that we are providing for people who need education the most. And all of these issues go back to the business at hand here, which is the reauthorization of the Higher Education Act, and what kinds of financial provisions can be built into that Act to make education more affordable for our students, as well as to help institutions to be accountable.

Chairman GOODLING. Mr. Peterson.

Mr. PETERSON. Yes. I would first like to thank all of the panelists for good testimony, and coming and sharing with us this morning.

I have two questions. First, I would like to have each of you share with me, being less knowledgeable than my colleagues, being more familiar with State government than the Federal Government as far as the educational system is concerned, how do you compare dealing with the Federal grant programs with dealing with State grant programs through PHEAA, which I am much more familiar with than I am the Federal system at this time.

Could each of you share with me, you keeping talking about a growing bureaucracy and growing regulations, and a growing paperwork load in dealing with the Federal grant programs, how does that compare with the State of Pennsylvania?

Mr. GOGNIAT. I will start off. I am not sure how germane this is to your reauthorization Act. But there is a lot of money that comes through to this campus right here that is Federal money. The Job Training Partnership Act money is Federal money. And so is OER, Office of Education and Rehabilitation. That is Federal money.

And that drives our financial officer crazy. The kinds of accounting that has to be done with that. We value the opportunity to serve this segment of the community. There is no question about that. But boy, is it a lot of work. You say to yourself, my God, how much time is being invested in this for this many people. That is the problem. So that is one problem.

Mr. KROH. I do not deal with it on a day to day basis. So I cannot really speak to the details of it. I do know that the Federal level is a far more fluid program, and that the rules are changing constantly. And that the oversight provided by the Federal Depart-

ment of Education is more onerous than that provided at the State level.

I do not think that it is any less effective. And, in fact, we have a more periodic review of State aid funds than we do at the Federal level, which we welcome. Because the hammer is not quite as big when somebody comes around the corner.

But I think that there are lessons that can be learned from PHEAA in terms of how programs can be administered. There seems to be a mutual trust and respect at the State level. The expectation that people are trying to do right, as compared to the Federal level, which seems to be the expectation that people are trying to scam you somehow or another.

Ms. FIFIELD. I cannot speak to it directly. But I am reminded of an experience that now goes back some 25 years ago. When I was a doctoral student, I did an internship in areas of student services. One of the experiences that I had was to work for two weeks in the financial aid office, where the financial aid officers of a community college attempted to help me deal with students and process paperwork.

As a doctoral student, at the end of the two weeks, I still could not do a complete application, that is help a student do a complete application.

Now I consider myself to be an average student. But, nevertheless, when I consider what our students have to go through, regardless of whether they are at proprietary institutions, or universities, or community colleges, to simply process the paperwork for financial aid. Whether it be Federal paperwork or State paperwork, I think that something is amiss.

Mr. FATTAH. Congressman, if I could just interject for a minute.

Mr. GREENWOOD. Sure.

Mr. FATTAH. In Pennsylvania, it is a joint application, is that not correct?

Ms. FIFIELD. I do not know.

Mr. FATTAH. The students only fill out one form, and it is administered through PHEAA.

Mr. WALTER. Just to clarify that, with regard to the application process, the PHEAA grant application—and representatives of PHEAA are here—and they can speak to this much more eloquently than I can. But the student would complete the FAFSA form, and that really would be the first step. And then in some cases PHEAA will have to go out and ask for some additional information for purposes of the State grant.

Mr. FATTAH. That is in a minority of cases.

Mr. WALTER. That is correct.

Mr. FATTAH. In the bulk of the cases, the student fills out one form.

Mr. WALTER. That is correct.

Ms. DUNN. This will appear to be a simplification. But PHEAA is easier to deal with. And one of the biggest reasons that I noticed that is they will answer the phone and speak to you. I am sorry, that seems to be a simplification. But you can literally call PHEAA, and somebody will talk to you. Somebody will talk to the student. Somebody will try to help you through the process. And you cannot make that happen at the Federal Government level.

Mr. PETRI. Try calling a public number for any Federal agency, and see where you go.

Mr. PETERSON. In Pennsylvania, we have, I think, one of the better grant programs in the country. And, in fact, I think we administer grants for many other States. What I was looking at is there a way that we could utilize States or programs like PHEAA to be the person we deal with, even though it is Federal money and it is a Federal program. Where as you just said, you can call them up, and you can talk to them. In the Federal Government, you can call, but they do not talk to you.

I have a follow-up question. I guess that my greatest concern in education is the adult who grew up not realizing they needed more than a high school education, or that they even needed a high school diploma. But today, if they want any economic future, they do.

How user friendly is the Federal system for part-time students, who are going to become full-time students once they reach a certain level?

Most of them start out part-time, and then later on when they get down the road a ways, they become full-time students, whether it is a community college or a traditional school.

So I guess that is the question, how difficult is the Federal grant programs for a part-time adult trying to get back into the educational system, is it usable at all?

Ms. DUNN. Yes, I think it is usable. If a student is starting part-time and at whatever point they jump to full-time, it is just another layer of paper and another layer of bureaucracy, but it does seem to be there. That particular point does not seem to be an issue.

Financial aid people and directors or officers know where your cutoffs are, when it is a three-quarter time student, when it is a half time student. And you know when you can make the change to it. It is just more paperwork.

Mr. PETERSON. But you can get Federal grants, and go to school half-time?

Ms. DUNN. Yes, you can.

Mr. WALTER. With regard to not just the part-time student but all of our students, I think that what we find is that at this point in time there is a movement on the part of the Department of Education to automation. And trying to use, for example, the Internet and the Worldwide Web, to do a lot of things that heretofore have been done by paper.

And I think that that is an excellent initiative. But the only thing, I think, that has to be remembered—Ms. Dunn talked about when you make a call that there is someone there to answer your question—is that many of the students who need this money the most may not have access to personal computers.

And therefore, the department has to keep that focused in their initiative. They still must provide the personal approach and the paper application for the student who needs it, or a means by which the student can pursue it, without having the automation at their fingertips.

Mr. GOGNIAT. I would like to add though that there is a group of people here who are working full-time. They are in jobs that they



are not sure how that is going to affect their future and improve their quality of life. They would like to take one course. Maybe that is three courses a year, nine credits a year, and slowly go through the process of trying to improve their education.

There is no Federal assistance to do that whatsoever. I think that it is a six credit minimum, which is a full load for somebody who has all of the adult responsibilities and a full-time job.

Mr. FATAH. I was interested in the dialogue about the onerous nature of the Federal bureaucracy versus PHEAA.

Ms. Dunn, can you differentiate for me what PHEAA is looking at when they are interacting with your school, is it not a different level of accountability that is also involved here?

Ms. DUNN. Yes. The Federal Government, of course, looks at all aspects of your school in addition to whatever the regulations that have been there, in determining first if you are permitted to participate, if your school is permitted to participate in Title IV.

Mr. FATAH. PHEAA is only looking at the audit trail in terms of the actual student aid part?

Ms. DUNN. Correct.

Mr. FATAH. They are not looking at the totality of the school.

Ms. DUNN. Correct. Because once you are in the Title IV program, they know that all of that has been reviewed. Yes, when they come in to do an audit, they are looking at the trail.

Mr. FATAH. Right.

Ms. DUNN. Yes.

Mr. FATAH. I am saying that part of the nature of the relationship is quite different.

Ms. DUNN. Yes.

Mr. FATAH. Whereas PHEAA does not have the responsibility to make judgments about the totality of the educational aspects of what is going on at the school.

Ms. DUNN. That is correct.

Chairman GOODLING. What I got earlier and it may have been before you were here is that they do not have a problem with that. Their problem is that that seems to change every fifteen minutes, and that is driving them crazy.

Mr. FATAH. And I sympathize. I just did not want you to think that the State was doing the same thing as the Federal Government, that one is totally different than the other.

Chairman GOODLING. I will throw this out for the next panel, and for you to respond in writing, because we have to move on to the next panel.

I probably was the leader in the fight against the community service program as it was put together, and that was for three reasons. Not that I am not for community service, but for these three reasons.

First of all, it was sold on the idea that hundreds of thousands of young people would have an opportunity to get a postsecondary education. If you look at something that is \$25,000 to \$30,000 per person, obviously that is not going to happen. So that was my number one concern, that it was being sold incorrectly.

But beyond that, my concern was that we already had a college work-study program set up. We did not need a new bureaucracy anywhere. That all we had to do is say to the colleges and the uni-

versities is that a certain percentage of your work-study money must go to community service, and why set up many agencies all over this country, and another bureaucracy in Washington to do that.

And the third was that it was not means tested, which would have been the only program that we were dealing with that was not means tested. Which with a short supply of money, it did not seem to make sense to me.

The question that I will be asking the other panel and ask you to respond to is if we dramatically, because now I believe all sides again—I think the President is saying the same as I am saying, that we should dramatically increase work-study—if we were to do that, are all areas in a position to take advantage of that, and get the necessary community service, whether you are center city, or whether you are rural, or wherever you are, could you do that?

Because again, I think that is the way to go, if you really want to get community service to benefit those who are seeking a post-secondary education.

One of the most disturbing things thus far is that an awful lot of people who are in the program are not taking advantage of any kind of postsecondary education. So that is something that you can give to me in writing. And I will ask the second panel as well.

Again, I thank you all very much for appearing before us. We have a big job to do. We do not want to wait until next year to get it done. In election years, I notice, you do not get as much done as you do in a non-election year. So hopefully, we can get this done this year. Thank you again.

If the second panel would come forward, we will not waste any time.

[Recess.]

Chairman GOODLING. Our second panel consists of Dr. Gordon Haaland, the president of Gettysburg College in Gettysburg, Pennsylvania; Dr. A. Lee Fritschler, the president of Dickinson College, Carlisle, Pennsylvania; Dr. Anthony Ceddia, president of Shippensburg University of Pennsylvania, Shippensburg, Pennsylvania; Ms. Cathi Killingsworth Bost, vice president of admissions, York Technical Institute in York, Pennsylvania; Mr. Mike Hershock, president of Pennsylvania Higher Education Assistance Agency, Harrisburg, Pennsylvania; and Dr. George Waldner, president of York College, York, Pennsylvania.

We will start with Dr. Haaland.

#### STATEMENT OF GORDON HAALAND, PRESIDENT, GETTYSBURG COLLEGE, GETTYSBURG, PENNSYLVANIA

Mr. HAALAND. Mr. Chairman and Members of the committee, I am Gordon Haaland, president of Gettysburg College. President Fritschler and I have submitted to you a series of policy matters that we think are deserving of your attention. But today, I want to focus on one piece really dealing with Federal financial aid, and suggest some ideas. You will not find me raising a lot of criticisms about the programs that the Federal Government has in fact generated. I think that our public policy and the work of Congress over the years has combined to put forward a series of sometimes complex programs. But I believe that they have helped students



throughout the course of our recent history in ways that are very important and very substantial.

I would like to focus for a minute on what are called the campus-based programs. As you know, there are a set of financial aid programs that support students directly, or work through the institutions, who work with the students directly.

And I would like to urge continuation of the campus-based programs, as they have been part of the Federal effort over the years. Particularly, the supplemental education opportunity grant, the Federal work-study, the Federal Perkins loan program, and our State student incentive grant program.

Briefly, let me just point out a few matters with regard to these programs. The SEOG is matched 25 percent by colleges and universities. These programs are all partnerships between institutions and the student and Federal Government, and we believe they work.

Nearly 1 million students with an average income of \$20,000 receive assistance from the Federal SEOG programs. It is a vital element in helping to bridge the gap between the Pell Grant, available to all students of great need, at the Pell Grant current level of funding, and the authorized level.

The total funds necessary to increase Pell are substantial, as you know. The SEOG at the moment really helps families and students with great need. We believe that it is an efficient and cost-effective way to provide assistance, and to encourage students to continue in their studies, one of the great goals, I think, of all us.

The work-study program, as you know, has been a real success. In fact, Congress just in the last session increased the work-study dollars available, I think to the benefit of all. It is also matched 25 percent by colleges, universities, or in some instances actual businesses.

The Federal work-study program is what we believe is the cornerstone of the self-help efforts for students. The program provides more than 700,000 students with jobs on campus, in the communities, and in the private sector. We believe that it encourages students to take responsibility, build work skills, and to augment their classroom learning with practical areas of interest.

Nearly half of all of the recipients of the Federal work-study funds come from families with less than \$30,000 of annual income. As the Chairman mentioned, there is a set-aside requirement for community work that many institutions have taken advantage of in an aggressive way. Gettysburg over-matches on that whenever possible. We think that it is a very important aspect of the Federal work-study program.

The Perkins loan program is also matched 25 percent by colleges and universities. And they provide loan funds for needy students, which are in addition to the amounts that they can borrow under the student loan entitlement programs, which are the other part of the Federal efforts.

Nearly half of the loan funds go to students with family incomes of less than \$30,000. And we think that the forgiveness feature of that for certain occupations has also been very helpful in attracting students into certain public service areas of pursuing careers that are of great benefit.

Finally, the State student incentive grant program is matched at least 50 percent at the State level. The median family income of SSIG recipients is \$12,000, which is below the Federal poverty level for a family of four. We believe that this program continues to actively encourage States to maintain their investment in student aid.

In recent years, the maintenance of effort requirement has prevented at last four States that over-match funds from reducing State aid to students, which we think is also a good idea.

The whole effort of these programs is a partnership between the institution, the State, and the Federal Government. They have provided the opportunity for many students to pursue a higher education over the last three decades in some very important ways. And these programs work.

Currently, for example, at Gettysburg, more than 53 percent of our first year students receive either Federal or institutional dollars, providing an average of two-thirds of all of their costs to attend our college. More than 65 percent of our students receive some form of financial aid.

We believe that the programs that Congress has developed over the years have made a real difference in the lives of all people who are interested in pursuing higher education, and we think they form the basis for a very strong continued commitment to the youth and to the education of all of our people in this Nation.

I would be pleased to answer questions subsequently on the issues that you have raised of access, quality, cost, or accreditation.

Thank you.

[The prepared statements of Mr. Haaland and Mr. Fritschler follows:]

TESTIMONY TO THE  
COMMITTEE ON EDUCATION AND THE WORKFORCE

JANUARY 28, 1997

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DR. GORDON HAALAND, PRESIDENT  
GETTYSBURG COLLEGE  
GETTYSBURG, PA

DR. A. LEE FRITSCHLER, PRESIDENT  
DICKINSON COLLEGE  
CARLISLE, PA

107

January 28, 1997

Honorable William Goodling  
Chair, House Committee on  
Education and the Workforce  
U. S. House of Representatives  
Washington, D.C. 20515

Dear Mr. Chairman:

We are delighted to have the opportunity today to testify before your committee regarding the reauthorization of the Higher Education Act. Attached are a draft copy of the 1997 reauthorization policy documents of the National Association of Independent Colleges and Universities (NAICU) and a copy of the Association of Independent Colleges and Universities of Pennsylvania's (AICU) position letter on the 1997 reauthorization. These documents are the basis for our testimony and will provide the context for our specific remarks, as well as additional detail for your future reference. We contributed to the development of the positions spelled out in these documents which reflect the views of private colleges across Pennsylvania and the nation.

We look forward to the hearing and to working with you during the entire reauthorization process. Please let us know if we can be of further assistance.

Sincerely,

A. Lee Fritschler  
President, Dickinson College

Gordon A. Haaland  
President, Gettysburg College

Enclosures



## A SUMMARY OF POLICY PRIORITIES

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### REAUTHORIZATION OF THE HIGHER EDUCATION ACT

- ◆ During this reauthorization, NAICU must seek to protect campus-based aid.
- ◆ Secondly, NAICU will seek to revise the most egregious aspects of the accountability sections of Title IV.

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### BUDGET AND APPROPRIATIONS

- ◆ NAICU believes that federal expenditures for student assistance represent an irreplaceable investment in our nation's future.
- ◆ We recognize, therefore, that it is vital to the future of our colleges, our students, and their families that we continue to advocate a much greater federal investment in student aid.

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### REGULATORY POLICY

- ◆ The protection of independent colleges and universities against inappropriate governmental intrusion is of utmost importance. We will work to ensure that such protection is enhanced.
- ◆ At the same time, we will work to ensure that the federal government has the tools and authority necessary to protect against fraud and abuse in the student aid programs.
- ◆ In particular, we will encourage the federal government to:
  - Respect institutional diversity through legislation drafted appropriately for the different sectors of higher education.
  - Amend Part H of the 1992 Higher Education Amendments, including elimination

of SPREs, modification of the Accreditation Provisions and revisions of eligibility requirements.

Limit regulations to the scope of the statute, narrowly construed, and reflecting the intent of Congress.

Correct problems in existing regulations, including lack of organization, overlap, redundancies, and conflicts by encouraging the department to convene a community-wide, top-to-bottom review of all regulations.

Reform the regulatory process, to distinguish between procedural controls and monitoring progress toward national goals.



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## TAX POLICY

- ◆ Reversing the erosion of support for tax exemption, and preventing further erosion, will be a top priority for NAICU.
- ◆ We believe that the federal tax code must recognize independent higher education's fundamental reliance on charitable giving, and should continue to support policies that reflect the public character of such gifts.
- ◆ We believe that colleges and universities should pay taxes on business activities that are not substantially related to their exempt purpose. But any changes in the unrelated business income tax must distinguish between these taxable unrelated business activities and activities that in another context would be unrelated, but are clearly connected to the teaching, research, and service functions of colleges and universities. We will also support record keeping and reporting procedures and accounting guidelines that are fair, easy to administer, and consistent with the mission and goals of colleges and universities.
- ◆ We will also continue to support tax policies that provide incentives for students to pursue higher education.
- ◆ We welcome any other opportunities the 105th Congress may provide to explore additional ways of using the tax code to make college more affordable for American families, such as the use of tax credits or deductions. NAICU will evaluate such proposals on the basis of their ease of administration and their effectiveness in promoting access and choice. We will also work to ensure that use of the tax code for this purpose will not come at the expense of Title IV programs.
- ◆ We believe that the historical practice of providing tax-free tuition scholarships to college employees and their families should be preserved in a way that allows campuses some flexibility in administering the benefit. Non-discrimination rules should be based on eligibility to participate in tuition reduction programs, not only on actual use of those programs.
- ◆ We will work vigorously to restore equal access for independent colleges and universities to tax-exempt bond financing for education facilities and major equipment purchases.
- ◆ We will work to eliminate the current institutional volume caps, which apply to independent but not public colleges and universities, and oppose the inclusion of these bonds under state volume caps.
- ◆ We will urge Congress to reclassify the bonds used to rebuild our infrastructure as "tax exempt bonds serving public purposes" instead of "private activity bonds," in light of the essential public purposes served by independent colleges and universities.
- ◆ We will support the maintenance of appropriate tax-exempt bond financing for student loans as a limited source of supplemental capital to fill out student financing packages.
- ◆ Any changes in the laws governing fringe benefits must be made with sufficient notice and guidance to allow adequate preparation and implementation.




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# PUBLIC POLICY OBJECTIVES FOR THE 105TH CONGRESS

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## STUDENT AID

The present configuration of federal grant, work-study, and loan programs authorized by the Higher Education Act represents a significant investment in human capital by the federal government. NAICU is dedicated to supporting and improving this investment. Although often referred to as a "patchwork," these programs were not created haphazardly. They grew out of

specific assumptions about access and choice, the responsibilities of students and parents, and the partnership of state and federal governments. These programs were designed to offer all able citizens a chance to advance their minds, skills, and economic potential, while also providing for the betterment of society.

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## REAUTHORIZATION OF THE HIGHER EDUCATION ACT

The 1997-98 reauthorization of the Higher Education Act comes at a unique point in the history of the student aid programs. It will begin only months after Congress provided the largest percentage increase in the Pell Grant maximum since 1985, and the most significant boost to campus-based aid since 1976. Student loans also have more popular and political support than ever.

However, this newfound period of support was preceded by more than a decade of criticism. In the early days of the 104th Congress, this culminated in proposals to eliminate many programs altogether. Such an assault did not come out of a vacuum. Even the advocates of student aid spent much of the preceding decade criticizing the programs for their lack of accomplishment. Stories of rising defaults and fly-by-night schools further weighed down the programs. NAICU believes that the student aid programs are fundamentally well designed, in both philosophy and structure, and play a critical role in our nation's ability to educate its citizens. While remaining open to opportunities to strengthen the programs, the message that student aid pro-

grams work must be the dominant one for reauthorization.

### *The Need for a Concerted Effort*

But even an "era of good feeling" about student aid does not guarantee independent colleges a positive outcome during reauthorization. Indeed, we stand to lose much if we do not protect those aspects of the student aid programs that particularly benefit our students' access to the institutions of their choice.

- ◆ During this reauthorization, NAICU must seek to protect campus-based aid.

The idea of establishing a federal system of one grant, one loan, and one work-study program is gaining popularity. This could lead to the elimination of the Supplemental Educational Opportunity Grant, Perkins Loan, and State Student Incentive Grant programs. Such an outcome would seriously limit choice for poor students who want to attend independent colleges.



- ◆ Secondly, NAICU will seek to revise the most egregious aspects of the accountability sections of Title IV.

In addition to seeking the formal elimination of state postsecondary review entities (SPREs), we will advocate a series of revisions to the Eligi-

bility and Certification, Accreditation, and General Provisions sections. These revisions will be based on a desire to protect independent colleges and universities against inappropriate governmental intrusion.

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## BUDGET AND APPROPRIATIONS

The greatest challenge for federal student aid is not the design of the programs in the authorization process, but the amount of money available through the budget and appropriations processes. The decline in funds available to the appropriated student aid programs—especially grants and campus-based aid—has hurt our nation's college students.

### *The Decline in Grant Aid*

The shift from grants to loans is well known. In 1980-81, grants accounted for 47 percent of all federal aid available. Now they account for 22 percent of that aid. Since 1980-81, inflation-adjusted federal appropriations for campus-based aid have fallen by 33 percent; SSIG is worth only a third of its former value, and the value of the maximum Pell Grant has decreased by 21 percent. As a result, students increasingly rely on loans to pay for their education.

- ◆ NAICU believes that federal expenditures for student assistance represent an irreplaceable investment in our nation's future.

We are concerned that loans continue to replace grants as the primary federal student aid source, and we strongly support an increased emphasis on grant funding. A further increase in

debt will affect the next generation of parents, who must pay off their own student loans before they can save for their children's education.

### *Institutions Maintain the Commitment*

In the face of declining federal grant support, independent colleges and universities have turned to institutionally funded financial aid. Between 1980-81 and 1995-96, independent colleges and universities increased their commitment of institutional funds to student aid by 243 percent, after adjusting for inflation. That level is now estimated to be more than \$8.2 billion annually.

While this supports essential goals of academic quality and student diversity, it comes at a high price. If taken from the operating budget, it decreases the money available for academic programs, puts inflationary pressure on tuition, strains operating budgets, and drains endowment resources that, for the majority of independent colleges and universities, are extremely limited.

- ◆ We recognize, therefore, that it is vital to the future of our colleges, our students, and their families that we continue to advocate a much greater federal investment in student aid.

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## REGULATORY POLICY

Independent colleges continue to pay a high regulatory price for participating in federal student aid programs. While the federal government must set a high standard of accountability and

oversight, the current enormous regulatory system is unrelated to effective management of Title IV aid. It has become a serious drain on the vitality and creativity of American higher education.





Government and higher education must work together to develop a system of appropriate accountability that responds to legitimate governmental needs for oversight and public needs for information while enhancing institutional diversity and creativity.

- ◆ The protection of independent colleges and universities against inappropriate governmental intrusion is of utmost importance. We will work to ensure that such protection is enhanced.
- ◆ At the same time, we will work to ensure that the federal government has the tools and authority necessary to protect against fraud and abuse in the student aid programs.

In particular, we will encourage the federal government to:

- ◆ Respect institutional diversity through legislation drafted appropriately for the different sectors of higher education.
- ◆ Amend Part H of the 1992 Higher Education Amendments, including elimination of SPREs, modification of the Accreditation Provisions and revisions of eligibility requirements.
- ◆ Limit regulations to the scope of the statute, narrowly construed, and reflecting the intent of Congress.
- ◆ Correct problems in existing regulations, including lack of organization, overlap, redundancies, and conflicts by encouraging the department to convene a community-wide, top-to-bottom review of all regulations.
- ◆ Reform the regulatory process, to distinguish between procedural controls and monitoring progress toward national goals.

## TAX POLICY

### *Tax-Exempt Status*

Tax-exempt status is the crucial tax policy underlying independent higher education. The tax exemption predates most of the nation's private colleges and universities, and even our nation's own tax code. It is a unique American tradition that has resulted in a diverse and responsive system of higher education. We are concerned that the failure to understand the tradition of tax exemption, and the escalating search for new revenues at all levels of government, will seriously harm independent higher education in the long run.

- ◆ Reversing the erosion of support for tax exemption, and preventing further erosion, will be a top priority for NAICU.

### *Charitable Giving*

Also central to the tax priorities of the nation's independent colleges and universities is our donors' continued ability to deduct the full

value of their charitable contributions. Congress weakened this principle when it decided to include the charitable deduction in the floor set for upper-income taxpayers' deductions in the Omnibus Budget Reconciliation Act of 1990. Charitable giving is a voluntary transfer of private resources for public purposes. It fosters individual choice and public responsibility for our institutions, and promotes the diversity of educational institutions unique to this nation. The gifts that this tax policy encourages are crucial to our colleges and universities.

- ◆ We believe that the federal tax code must recognize independent higher education's fundamental reliance on charitable giving, and should continue to support policies that reflect the public character of such gifts.

The tax code should: a) allow full deductibility of charitable gifts against the taxpayer's highest marginal tax bracket; b) be free of floors that



must be exceeded before a deduction is permitted; c) retain the full fair-market value deductibility of all gifts of appreciated property; d) be fully integrated into any minimum income tax as well as individual and corporate income taxes; e) be available to every taxpayer whether or not the taxpayer itemizes deductions; f) allow 100 percent estate tax deductibility and permit such gifts to be free of any gift tax, and g) allow charitable gifts to be free of any income tax on unrealized gain at death.

#### *Unrelated Business Income*

- ◆ We believe that colleges and universities should pay taxes on business activities that are not substantially related to their exempt purpose. But any changes in the unrelated business income tax must distinguish between these taxable unrelated business activities and activities that in another context would be unrelated, but are clearly connected to the teaching, research, and service functions of colleges and universities. We will also support record keeping and reporting procedures and accounting guidelines that are fair, easy to administer, and consistent with the mission and goals of colleges and universities.

#### *Tax Incentives for Education*

The tax code should recognize education as an investment that has important societal benefits, and should encourage participation through appropriate incentives.

We support tax-deferred education savings accounts that would encourage families to save for future tuition and fees at the college of their choice.

- ◆ We believe that families with accumulated savings in individual retirement accounts (IRAs) should be able to withdraw these funds for higher education costs without penalty. Such funds should not be considered in the methodology for determining a student's need for federal funds.
- ◆ We will also continue to support tax policies that provide incentives for students to pursue higher education.
 

The following should be excluded from a student's taxable income: a) the full amount of a scholarship or fellowship award; b) the full value of stipends granted to graduate teaching and research assistants; c) educational assistance provided by the employer to employees taking either undergraduate or graduate programs, and d) other higher education tuition assistance or savings plans provided by the employer.
- ◆ We will seek to restore the deduction, and create a tax credit, for interest paid on higher education loans, and continue to advocate the exclusion of full-time students employed on campus from the Social Security (FICA) tax.
- ◆ We welcome any other opportunities the 105th Congress may provide to explore additional ways of using the tax code to make college more affordable for American families, such as the use of tax credits or deductions. NAICU will evaluate such proposals on the basis of their ease of administration and their effectiveness in promoting access and choice. We will also work to ensure that use of the tax code for this purpose will not come at the expense of Title IV programs.
- ◆ We believe that the historical practice of providing tax-free tuition scholarships to college employees and their families should be preserved in a way that allows campuses some flexibility in administering the benefit. Nondiscrimination rules should be based on eligibility to participate in tuition reduction programs, not only on actual use of those programs.

#### *Tax-Exempt Bond Financing*

The tax code must support the efforts of independent colleges and universities to meet the increasing public demand for the highest quality education and research.



- ◆ We will work vigorously to restore equal access for independent colleges and universities to tax-exempt bond financing for education facilities and major equipment purchases.
- ◆ We will work to eliminate the current institutional volume caps, which apply to independent but not public colleges and universities, and oppose the inclusion of these bonds under state volume caps.
- ◆ We will urge Congress to reclassify the bonds used to rebuild our infrastructure as "tax exempt bonds serving public purposes" instead of "private activity bonds," in light of the essential public purposes served by independent colleges and universities.
- ◆ We will support the maintenance of appropriate tax-exempt bond financing for student loans as a limited source of supplemental capital to fill out student financing packages.

#### *Fringe Benefit Programs*

We believe that any further congressional review of fringe benefit programs, such as pensions, early retirement plans, and health insurance, should recognize the labor-intensive nature of our campuses.

- ◆ Any changes in the laws governing fringe benefits must be made with sufficient notice and guidance to allow adequate preparation and implementation.



## WHO WE ARE

### *America's Independent Colleges and Universities*

**I**ndependent colleges and universities are as old as our nation itself. They are not only vehicles of tradition, but centers of learning whose independent governance gives them the flexibility to respond quickly to the ever-changing needs of American life. Their wide variety of sizes, locations, academic programs, and institutional missions gives students a choice of ways to achieve their dreams.

Diversity and choice are among the hallmarks that distinguish American higher education, helping to keep the United States strong and competitive. Independent colleges and university serve important national and public interests—educating citizens, preparing a skilled work force, increasing scientific and technical knowledge, and enhancing economic productivity.

An intelligent and visionary partnership of independent higher education with other ele-

ments in society—government, business, and philanthropy—has worked to assure the availability of remarkable opportunities for individuals for nearly four centuries of American life. In the end, the choice belongs to the student. As we stand at the threshold of a new millennium that will bring even more diversity in our population, assuring that choice must remain a fundamental tenet of our nation's public policies.

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#### INDEPENDENT COLLEGES AND UNIVERSITIES ARE...

##### *Diverse*

The 1,600 independent colleges and universities in the United States enroll more than 2.9 million students and are located in every state. They include traditional liberal arts colleges, major research universities, church- and faith-related colleges, historically black colleges, women's colleges, two-year colleges, and schools of law, medicine, engineering, business, health, and other professions. Enrollments range from fewer than 100 to more than 30,000 students. By reflecting the diversity of the nation, these colleges provide students with a choice of size, governance, location, academic program.

##### *Productive*

They award 29 percent of all degrees earned in the United States, 25 percent of all undergraduate (two- and four-year) degrees, 33 percent of all bachelor's degrees, 41 percent of all graduate degrees, and 60 percent of all first professional degrees.

*Providing access to students from a variety of racial and ethnic backgrounds.*

The proportion of minority students enrolled in state and independent four-year institutions is the same—23 percent of the total enrollment in each sector.

*Providing access to students from a variety of family*



#### *incomes*

In 1994, dependent students at independent colleges and universities had an estimated median family income of \$50,300. Independent institutions enroll the same proportion of students from families earning less than \$25,000 a year as from families earning more than \$75,000 a year. More than two-thirds of all full-time undergraduates at independent institutions receive some form of student financial aid.

#### *Committed to remaining affordable*

Tuition and fees at independent four-year institutions in 1996-97 averaged \$11,112. Three times as many independent institutions have tuition and fees below \$8,000 as above \$16,000. Independent colleges and universities provided an estimated \$8.2 billion in student financial aid from their own institutional resources in 1995-96. For undergraduate students, this is more than three times as much grant aid as they receive from all federal Title IV grant programs combined.

#### *Saving money for taxpayers*

If the states were to assume responsibility for educating students now attending independent

institutions, the additional burden for taxpayers would exceed \$12 billion annually.

#### *Successful*

Students who attend four-year independent institutions are more likely to complete a bachelor's degree in four years than undergraduates at four-year state institutions. After four years the graduation rate for students at independent colleges and universities is 65.5 percent, compared with only 27.5 percent at state colleges and universities.

#### *An integral part of their local communities*

Many independent institutions have partnerships with localities that include economic development, local leadership development programs, adult literacy programs, community health or legal services, research focused on local needs, or collaboration with elementary and secondary schools. In 1996, independent colleges and universities had an estimated \$73 billion in revenues. As these dollars work their way through local economies, their effect is multiplied into a cumulative economic impact exceeding \$180 billion.

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January 22, 1997

The Honorable William F. Goodling  
Chairman, House Economic and Educational Opportunities Committee  
United States House of Representatives  
Washington, DC 20515

Dear Representative Goodling:

As you know, the House Education and Workforce Committee will be actively engaged this year in writing the 1997 Reauthorization of the Higher Education Act (HEA). Your committee will make many decisions that shape the debate and greatly affect higher education policy in the next several years. Therefore, as president of the Council of Independent Colleges and Universities (CICU) of Pennsylvania, I want to convey to you on behalf of the 82 independent college and university presidents of CICU a number of issues for your reflection as you work on the HEA reauthorization.

#### Background

To provide the proper context for my remarks, however, I want to remind you that Pennsylvania is an unusual higher education state because it has the second largest number of private colleges and universities and private college and university students in the nation. While a few New England states have a larger percentage of students attending private institutions, only New York state has a larger number of private higher educational institutions and students. To give you just a sample of statistics that indicate the important role private higher education plays in the Commonwealth, consider the following:

- While nationally 19 percent of the students in higher education attend a private college or university, in Pennsylvania 40 percent of the students attend a private institution.
- 57 percent of Pennsylvania's graduate students attend a private university.
- 34 percent of the minority students attending a Pennsylvania college or university are attending a private institution (and we accomplish this without the benefit of a historically black college or university in our sector).
- 48 percent of the bachelors degrees in Pennsylvania are awarded to private college students.
- While 34 percent of the minority students attend private colleges and universities, 49 percent of the degrees awarded to minority students in Pennsylvania are awarded to students at private institutions.
- The private sector is also an efficient sector of higher education, graduating 69 percent of its first-time, full-time freshmen who enrolled in the fall of 1988 in five years. For comparison, the five year graduation rate for the same cohort of students attending Pennsylvania's state-related universities was 54 percent and for the state-system universities was 51 percent.
- Students attending private colleges and universities today have a very similar demographic and academic profile as those attending public universities. The

Pennsylvania Higher Education Assistance Agency estimates that the median family income for students at the state system schools is \$49,500, at private colleges is \$50,000, and at the state-related universities is \$51,000. While the selectivity of entrance requirements at private colleges and universities varies greatly, almost every private college president will acknowledge that public universities today compete successfully for the same academically talented students as the private institution.

What does this all mean? Primarily, it means that the Commonwealth of Pennsylvania is able to spend fewer state taxpayer dollars on higher education per capita than almost any other state in the nation. As the attached chart reveals, Pennsylvania has one of the most efficient state tax expenditures for degrees awarded in the nation. We spend roughly \$10,000 in state tax dollars per degree while another large state like California spends approximately \$27,000 per degree. Why? Because Pennsylvania has 40 percent of its students in private colleges and universities; therefore, we spend more private dollars (in tuition and private fundraising) than almost any other state. You will notice on the attached chart that those states with high percentages of students attending private colleges are the very states with low tax expenditures per degree. Similarly, those states, mostly western and southern, with few private colleges spend the most per degree because the state must subsidize at a much higher rate the education of more of its citizens at public institutions.

These observations are important because the needs of private colleges and universities are not always the same as those of institutions in the public sector. Consequently, we urge you to keep in mind the contribution of the independent sector of higher education in Pennsylvania as you work on reauthorization since preserving the ability of our private colleges and universities to serve the state is critical.

Equally critical is the federal role in preserving the contribution of private higher education. Why? Because the federal government has historically focused its financial support in the direction of students, while state governments have appropriated the bulk of their dollars on their public institutions. Consequently, the students attending private colleges and universities are more dependent upon federal appropriations than upon state appropriations. This combination of federal student support and state institutional support worked well for a number of years, but over the last 15 years or so, the federal contribution to student aid has remained stagnant (largely due to budget deficit problems) while state governments have continued to increase substantially their appropriations to public universities (although these appropriations have abated somewhat over the last few years). When federal support remains stagnant and state support increases, private colleges and universities have a more difficult time putting together financial aid packages to make their institutions competitive with public universities. This is why the substantial increases in the campus-based aid programs and the Pell Grant in FY 1997 are so greatly appreciated by the independent sector of higher education.

### Reauthorization Issues

#### Student Financial Aid

**The number one priority for Pennsylvania's independent higher education sector during the 1997 reauthorization will be enhancing the federal commitment to student financial aid.**

As explained above, the federal commitment to student financial aid is instrumental in preserving access and choice to private colleges and universities in this nation. Without

the federal commitment to students, state appropriations to public universities would overwhelm the marketplace and drive large numbers of our students into the public sector. Private colleges need the balance to government support for higher education that the federal student aid commitment brings. With 40 percent of the student population in the independent college sector, Pennsylvania is even more dependent upon federal student aid than most states. Stagnant or declining federal student aid support harms many Pennsylvania local economies when private colleges and universities shrink or close, and it costs the state taxpayer when more students are forced to attend public universities.

Campus-based programs (SEOG, College Work-Study, and Perkins Loans) have played a crucial role in enabling students to attend independent colleges and universities. These programs allow financial aid administrators to address additional needs in order to assemble financial aid packages for our students. While Pennsylvania's private colleges are diverse and have differing historical experiences with different campus-based programs, national studies show that as a whole Pennsylvania's independent colleges and universities benefit disproportionately from campus-based programs due to the historical formulas used in the distribution of campus-based funds. In other words, when campus-based programs receive an increase in funding, Pennsylvania and other states in the Northeast with a large private college enrollment will benefit more than those states with larger public sectors of higher education. Consequently, preserving and enhancing campus-based programs is critical for the independent colleges. Thankfully, campus-based programs make good public policy sense as well. These are the only federal student aid programs that require matching funds from the institutions, thereby leveraging the federal investment in education.

Pell Grants serve a worthy purpose in ensuring that the lowest income students are provided resources to continue their education beyond high school. We hope to see Congress continue its support for gradual increases in the Pell Grant maximum. However, some institutions and unscrupulous operators have abused the Pell Grant maximum, thereby reducing public support for this important initiative. Therefore, CICU supports any real reform measures Congress can devise during reauthorization if these measures are intended to eliminate abuses and increase the benefit of the precious tax dollars Pell Grants provide to low-income students.

Federal student loan programs play a critical role in providing financial access to students throughout the nation. The major concern for all of us should be ensuring adequate loan availability to students without asking the taxpayer to cover a large default on those loans. Preserving in-school interest exemptions on loans is also crucial in helping to keep the loan burden down for low and moderate-income students.

Creating incentives for more means testing of state higher education appropriations has been suggested in some higher education finance circles as a possibility for the 1997 reauthorization. CICU will make no attempt to identify how this could be accomplished or even elaborate on the arguments for or against such a proposal. However, if this notion is considered by the authorizing committees of the House and Senate, we want to register the independent college and university support for this principle. We do not believe that every tax dollar must be means-tested, and we would not terminate the state legislative practice of providing some universal subsidy to all students, regardless of family income, who attend a public institution. However, as tax dollars for higher education become ever more precious and as institutions continue to struggle to obtain the revenue to provide a quality education to their students, over subsidizing students who would attend college without government support while simultaneously providing insufficient assistance to other students who either fail to attend a higher education institution or assume too much debt in order to do so is increasingly becoming an indefensible public policy. Pennsylvania has



one of the best state student grant programs in the nation, yet even in Pennsylvania only 15 percent of the \$1.5 billion in state tax dollars devoted to higher education are distributed to students based upon need through the state student grant program.

#### Tax Incentives

The creation of a tax credit or tax deduction for tuition actually paid by the student or family would be an encouragement for families to assume more responsibility in financing higher education. Furthermore, the creation of pre-tax savings incentives for parents and grandparents who wish to save for the college education of their children would prove beneficial in lessening the demand on state and federal tax dollars later. Provisions could be included in all of these measures to ensure that these federal benefits were given to those who truly needed assistance in paying for college, which includes the majority of Americans.

#### Regulatory Balance

Pennsylvania's independent college and university presidents are committed to the elimination of fraud and abuse in Title IV programs. Problem schools create a bad image for all and dissipate public support for these programs. We urge Congress to develop a fair process for the elimination of these problem institutions from Title IV so that federal tax dollars can be directed to students who will benefit from an education at an institution offering programs of quality. However, we also urge careful deliberation on this subject. Our past experience suggests that bureaucracies--whether state or federal--have a very difficult time drafting oversight regulations to eliminate the few problem institutions without requiring the vast majority of reputable and responsible colleges and universities from spending an inordinate amount of time and money completing unnecessary paperwork. In particular, the regulatory bureaucracy appears hesitant to differentiate between those institutions with impeccable records and those institutions with a checkered past. Consequently, we urge you to stick to default rates and other consumer triggers and then let the market place regulate, not an inadequate state or federal bureaucracy. If an institution has a history of attempting to recruit students only for the purpose of obtaining Pell Grants or if its student default rate has persistently exceeded an acceptable level, terminate it from Title IV. But please do not allow the USDE to write regulations that require expensive legal, accounting, and other work from institutions with no past history of abuse. Furthermore, CICU requests that Congress continue to push the U.S. Department of Education to eliminate as many unnecessary and duplicative regulations as possible and to clarify those regulations that are currently impenetrable or contradictory to other regulatory provisions.

#### Cost Control

Cost control in higher education is of great concern to the public and therefore our elected officials in Congress. This is certainly an appropriate topic for public debate. And private college officials who seek federal and state support for their students and institutions must be held to the highest standards of accountability for the tax dollars they receive. However, I would encourage members of Congress to consider very carefully how to achieve accountability without resorting to micromanaging the decision-making of the senior administrators and boards of trustees at private or public higher education institutions for two reasons.

First, many people who complain about the "cost" of higher education are really complaining about the "price" charged to the consumer. Colleges and universities in meeting their missions provide a subsidy to all students, which reduces the "price" charged

to them. Depending upon the students' circumstances and the institution, this subsidy takes the form of federal or state appropriations, alumni contributions, endowment earnings, or major capital gifts. Indeed, some of the largest privately-financed subsidies are provided to students attending some of the most expensive colleges. Very few students or parents complain about increasing the subsidies provided to them. They are frequently more than happy for the "cost" of higher education to increase as long as someone else pays for the extra value. The only complaints I hear are those aimed at increasing the portion of the education "costs" that the students must pay (otherwise known as "price"). Therefore, decisions about cost control imposed from the government could result in harm to the quality of education and a reduction in the private subsidy, not in actual changes in the "price."

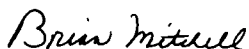
Second, while the non-profit nature of all colleges and universities--and the corresponding subsidy provided to all students mentioned previously--removes higher education from a simple marketplace analysis, private higher education institutions must nonetheless respond to marketplace forces in many ways. For private colleges and universities to remain competitive in today's environment, all but a small handful of the most elite institutions must control their costs and moderate their tuition in order to attract students. As noted earlier, private colleges are confronted today with the reality that students are turning more and more to public universities based on the price charged to the student. This does not mean that the public universities are more efficient. It simply means that students, especially those whose family incomes make them ineligible for state or federal student grant aid, must attend public universities in order to capture the state taxpayer subsidy provided for higher education. In Pennsylvania, each student attending a public four-year university in academic year 1994-95 received a state subsidy of \$4,250, which allowed those public universities to charge a price to the student much lower than the private college can charge.

As competition for students has increased, private institutions have moderated their tuition increases significantly over the last few years. For example, the average total cost increase for residential students attending Pennsylvania's private sector in academic year 1996-97 is 4.52 percent. In some cases, private colleges or universities in Pennsylvania have not increased tuition at all, or, in the case of certain graduate programs at Lehigh University, tuitions were actually reduced. However, private colleges and universities must be careful and extremely efficient in how they reduce costs, for if the quality of their education suffers, then they will struggle to recruit students at all. Remember, private institutions must offer students some quality that public universities do not have or the paying customer will have no incentive to attend the institution.

Therefore, the marketplace will control costs for private institutions. If we price our education too high, we will not be able to recruit students. On the other hand, if we price it too low, we may not be able to provide the quality educational experience our students are seeking. If we provide a quality product at a good price, we will be able to recruit students. Certainly, no one is making students attend private colleges and universities. In this sense, federal financial aid programs directed to students are the most accountable form of government assistance because the student can take the federal support to any institution he or she wishes to attend. If the private college or university is priced too high, even after grant aid is taken into consideration, then the student will not attend that school. Private college officials certainly believe that the student-centered federal support for higher education is the most efficient mechanism available for ensuring accountability for tax dollars.

Thank you very much for this opportunity to share these thoughts with you and the other Pennsylvania members of the House Economic and Educational Opportunities Committee. I look forward to seeing you in Washington in February. In the meantime, if you have any questions about these comments, please feel free to call me or Don Francis, CICU's Vice President and Director of Government Relations.

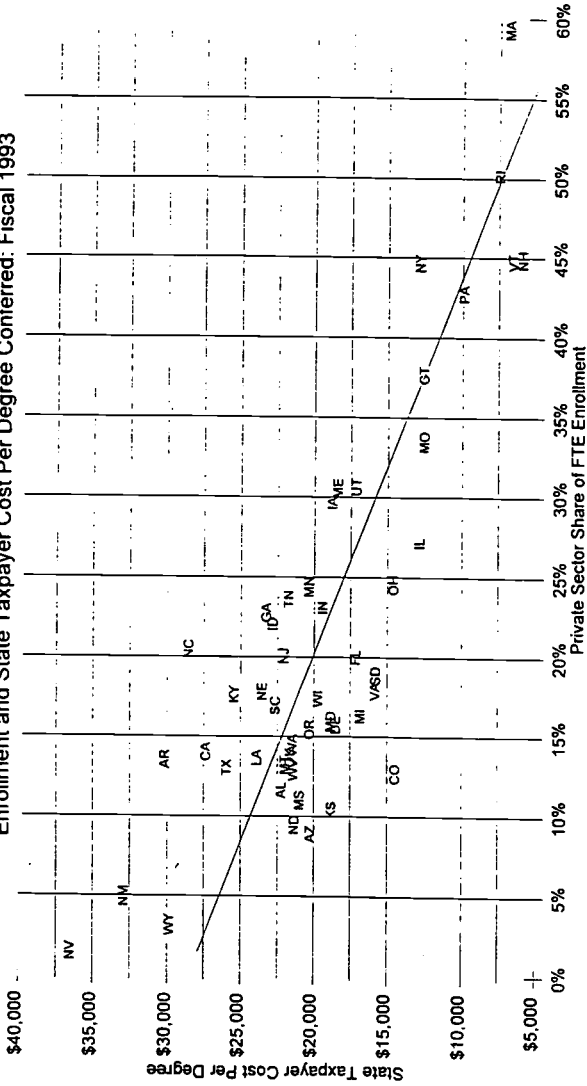
With Warmest Regards,



Brian Mitchell  
President

cc: All Members of the Pennsylvania Congressional delegation  
Senator Arlen Specter  
Senator Rick Santorum  
Ms. Sally Stroup, House Education and Workforce Committee  
Dr. Richard A. Kneeder, Chair, CICU and President, F&M College  
Dr. Don Francis, Vice President and Director of Government Relations, CICU

Relationship Between Private Sector Share of College Enrollment and State Taxpayer Cost Per Degree Conferred: Fiscal 1993



Each 1 percent share of student enrollment held by private colleges reduces taxpayer costs per degree by \$424. Nationally this means a 1 percent increase in the private sector share of the market would save taxpayers more than \$900 million annually. For Pennsylvania a 1 percent increase in the private sector share would save taxpayers more than \$46 million per year.

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Source: Digest of Education Statistics, 1996 Edition - Human Capital Research Corporation - May 1996

## STATE APPROPRIATIONS, GRANTS AND CONTRACTS, DEGREES CONFERRED AND ENROLLMENT FISCAL YEAR 1992-93

ID	State	Number of Degrees Conferred in Fiscal Year 1993					Total	State Appropriation Grants and Contracts	State Taxpayer Cost Per Degree	Private Hdcount Share of Enrollment	Private FTE Share of Enrollment
		AA	BA	Prof	MA	PhD					
AL	Alabama	7,484	20,525	866	5,636	406	34,917	\$772,713	\$22,130	11%	11.65%
AZ	Arizona	6,928	15,807	436	5,694	690	29,555	\$596,087	\$20,169	7%	8.91%
AR	Arkansas	2,618	8,449	449	1,836	120	13,472	\$404,957	\$30,059	12%	13.53%
CA	California	54,688	111,010	9,195	37,048	4,987	216,926	\$5,914,065	\$27,263	12%	14.03%
CO	Colorado	6,294	18,925	813	6,391	768	33,191	\$476,829	\$14,366	12%	12.70%
CT	Connecticut	5,094	14,931	679	6,590	630	27,924	\$348,823	\$12,492	35%	37.71%
DE	Delaware	1,313	4,119	550	954	144	7,080	\$130,215	\$18,392	17%	15.75%
FL	Florida	39,405	43,212	2,322	13,145	1,681	99,745	\$1,699,701	\$17,040	17%	20.02%
GA	Georgia	8,316	25,390	1,949	7,958	899	44,512	\$1,030,941	\$23,161	21%	22.79%
ID	Idaho	3,544	3,923	146	1,005	65	8,683	\$197,411	\$22,735	19%	22.04%
IL	Illinois	27,620	51,462	4,410	22,440	2,601	108,553	\$1,386,402	\$12,772	24%	27.15%
IN	Indiana	9,236	31,453	1,496	6,874	1,107	50,166	\$98,430	\$19,305	21%	23.11%
IA	Iowa	6,344	17,598	1,534	3,517	683	31,676	\$590,852	\$18,653	29%	29.61%
KS	Kansas	8,312	14,282	601	3,920	387	25,502	\$476,753	\$18,695	9%	10.43%
KY	Kentucky	6,546	14,396	985	4,195	328	26,450	\$670,197	\$25,338	16%	17.65%
LA	Louisiana	2,865	17,825	1,502	4,723	428	27,343	\$650,344	\$23,785	13%	13.66%
ME	Maine	2,433	5,976	168	917	40	9,534	\$174,502	\$18,303	30%	30.58%
MD	Maryland	8,425	20,427	1,050	8,006	963	38,871	\$728,205	\$18,734	15%	15.96%
MA	Massachusetts	13,354	42,747	3,677	19,215	2,276	81,269	\$547,420	\$6,736	57%	59.33%
MI	Michigan	24,231	45,711	2,581	14,944	1,513	88,980	\$1,487,865	\$16,721	15%	16.29%
MN	Minnesota	9,766	24,762	1,854	5,217	674	42,273	\$856,739	\$20,267	22%	24.39%
MS	Mississippi	5,575	10,673	466	2,672	303	19,689	\$410,776	\$20,863	11%	11.03%
MO	Missouri	8,023	26,954	2,171	9,303	711	47,162	\$587,986	\$12,467	33%	33.48%
MT	Montana	801	4,194	68	756	57	5,876	\$128,445	\$21,859	15%	13.26%
NE	Nebraska	2,494	9,522	806	2,007	238	15,067	\$353,186	\$23,441	16%	17.80%
NV	Nevada	1,311	3,029	54	845	39	5,278	\$192,460	\$36,465	1%	1.51%
NH	New Hampshire	3,343	7,524	195	2,267	118	13,447	\$77,595	\$5,770	45%	44.89%
NJ	New Jersey	12,299	25,165	1,679	8,110	965	48,238	\$1,058,237	\$21,938	19%	20.07%
NM	New Mexico	3,007	5,667	178	2,142	243	11,237	\$368,785	\$32,819	4%	4.95%
NY	New York	53,393	97,104	7,476	42,539	4,045	204,557	\$2,616,728	\$12,792	43%	44.68%
NC	North Carolina	12,164	31,852	1,709	6,864	980	53,569	\$1,524,786	\$28,464	18%	20.45%
ND	North Dakota	1,696	4,555	142	649	74	7,116	\$151,143	\$21,240	9%	9.47%
OH	Ohio	19,881	51,487	3,225	14,613	1,973	91,179	\$1,319,208	\$14,468	24%	24.55%
OK	Oklahoma	6,304	15,002	928	4,457	416	27,107	\$583,977	\$21,543	12%	13.68%
OR	Oregon	5,676	13,139	988	3,650	535	23,988	\$464,275	\$20,188	13%	15.50%
PA	Pennsylvania	20,091	65,073	3,774	17,649	2,267	108,854	\$1,064,949	\$9,783	43%	42.76%
RI	Rhode Island	4,156	9,341	81	2,070	289	15,917	\$117,062	\$7,355	45%	50.17%
SC	South Carolina	5,953	15,254	604	4,245	408	26,464	\$595,843	\$22,515	15%	16.93%
SD	South Dakota	848	4,252	130	913	52	6,195	\$97,242	\$15,697	19%	18.87%
TN	Tennessee	6,801	20,371	1,341	5,016	721	34,250	\$741,326	\$21,645	21%	23.64%
TX	Texas	24,604	67,598	4,882	20,887	2,546	120,717	\$3,118,048	\$25,829	11%	13.04%
UT	Utah	4,839	12,901	388	2,868	376	21,372	\$363,909	\$17,027	27%	30.65%
VT	Vermont	1,264	4,707	96	1,103	53	7,223	\$46,439	\$6,429	43%	44.78%
VA	Virginia	10,232	30,858	1,811	9,325	998	53,224	\$836,957	\$15,725	16%	17.87%
WA	Washington	16,819	20,829	920	6,745	618	45,731	\$976,065	\$21,344	13%	14.51%
WV	West Virginia	2,919	8,606	320	1,916	99	13,860	\$294,996	\$21,284	12%	12.93%
WI	Wisconsin	9,481	27,709	971	6,340	851	45,352	\$888,921	\$19,600	17%	17.36%
WY	Wyoming	1,850	1,856	69	342	50	4,167	\$123,967	\$29,750	3%	3.22%

Source: U.S. Department of Education, Digest of Education Statistics, 1995

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**Dr. Gordon A. Haaland****President, Gettysburg College**

Dr. Gordon A. Haaland assumed his duties as President of Gettysburg College in March of 1990 following six years as President of the University of New Hampshire. As president and chief executive officer, he is responsible to the Board of Trustees for all operations of the college, its financial and academic integrity, and quality of student life.

Recipient of a Ph. D. in psychology from the State University of New York at Buffalo, Dr. Haaland has published numerous articles on social psychology, leadership, teamwork, management, and higher education policy. At Gettysburg, Dr. Haaland teaches courses in small-group dynamics, leadership, and influence, extending a personal commitment to teaching and research that began in 1965 when he joined the faculty of the University of New Hampshire. As a psychologist and management analyst, he has consulted with many groups and organizations.

After serving as Chair of UNH's Department of Psychology and teaching for a year at the University of Bergen, Norway, Dr. Haaland was appointed Dean of the College of Arts and Sciences at the University of Maine, Orono, in 1975. In 1979, he returned to the University of New Hampshire as Vice President for Academic Affairs and served as President from 1983-1990. Dr. Haaland serves on the boards of the National Association of Independent Colleges and Universities and the Commission for Independent Colleges and Universities of Pennsylvania; is a member of the NCAA Presidents' Commission; was elected a founding member of the Council on Higher Education Accreditation, and is a co-founder of the Annapolis Group (an organization of selective liberal arts colleges).

While President of the University of New Hampshire, Haaland served on the executive committee of the National Association of State Universities and Land Grant Colleges as well as their International Affairs committee and their Division of Marine Affairs. In 1988-90 he was Chairman of the New England Board of Higher Education.

Dr. Haaland served as a director of First New Hampshire Banks, Inc. (the largest bank holding company in New Hampshire), First New Hampshire Investment Services, and as a member of their audit committee. He was active in the affairs of the State of New Hampshire, serving on the Boards of many volunteer business, planning, and arts groups.

Dr. Haaland and his wife, Carol, are both natives of Brooklyn, New York. The couple's daughter, Lynn, is an attorney practicing in Washington, D. C., and their son, Paul, is a reporter in Johnstown, Pennsylvania.

7-96

**FEDERAL GRANT EXPENDITURES  
JUNE 1, 1996 TO JANUARY 24, 1997**

**U.S. Department of Education**

Federal Pell Grant Program	277,460
Federal Supplemental Education Opportunity Grant Program (SEOG)	264,970
Federal Work Study Program	125,778
Eisenhower Leadership Program	36,643

**National Science Foundation**

RUI: Control of DNA Replication	15,928
New Jersey Sea Grant	2,840
Contemporary Laboratory Experience in Astronomy	42,390
Contemporary Laboratory Experience in Astronomy	4,437

**U. S. Department of Health and Human Services**

Learn and Serve Grant: Higher Education	4,821
Learn and Serve Grant: Higher Education	<u>269</u>

TOTAL	<u>\$775,536</u>
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KCM/kag



**FEDERAL GRANT EXPENDITURES**  
**JUNE 1, 1995 TO MAY 31, 1996**

**U.S. Department of Education**

Federal Pell Grant Program	285,485
Federal Supplemental Education Opportunity Grant Program (SEOG)	274,974
Federal Work Study Program	129,053
Eisenhower Leadership Program	91,722

**National Science Foundation**

RUI: Control of DNA Replication	28,724
New Jersey Sea Grant	315
Contemporary Laboratory Experience in Astronomy	127,903
RUI: An Attributional Model of Mere Exposure Effect	59,935
Improving Undergraduate Instruction in Anthropological Field Methods	10,568

**U. S. Department of Health and Human Services**

Learn and Serve Grant: Higher Education	19,171
Learn and Serve Grant: Higher Education	12,434

**National Endowment for the Humanities**

The Authorized Biography of James Wright	<u>15,000</u>
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TOTAL	<u>\$1,055,284</u>
KCM/kag	

## GETTYSBURG COLLEGE

## Schedule of Federal Awards

Year ended May 31, 1995

	CFDA#	Grant number	Federal expenditures
<b>Major Programs</b>			
<b>U.S. Department of Education:</b>			
<b>Student Financial Assistance Programs:</b>			
Federal Pell Grant Program	84.063	P063P35617 \$	281,475
Federal Supplemental Education Opportunity Grant Program (SEOG)	84.007	P007A33594	289,402
Federal Work Study Program	84.033	P033A33594	132,123
			<b>703,000</b>
<b>Loans Program (note 4):</b>			
Federal Perkins Loan Program	84.038	N/A	-
<b>Federal Family Education Loan Program:</b>			
Stafford (Guaranteed Student Loans)	84.032	N/A	-
Parent Loans for Undergraduate Students (PLUS)	84.032	N/A	-
<b>Total - Student Financial Assistance Programs</b>			<b>703,000</b>
Eisenhower Leadership Program	84.261A	N/A	356,947
<b>Total - U.S. Department of Education</b>			<b>1,059,947</b>
<b>National Science Foundation:</b>			
Contemporary Laboratory Experience in Astronomy	47.076	N/A	116,924
Modernizing the Introductory Astronomy Laboratory	47.076	N/A	69,531
<b>Experimental Atomic and Molecular Physics via</b>			
<b>Laser Induced Fluorescence and Laser</b>			
Optogalvanic Spectroscopy	47.076	N/A	590
Digital Imaging for the Astronomy Laboratory	47.076	N/A	237
<b>Total - National Science Foundation</b>			<b>187,282</b>
<b>Total - major programs</b>			<b>1,247,229</b>

(Continued)

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**GETTYSBURG COLLEGE****Schedule of Federal Awards, Continued**

	CFDA#	Grant number	Federal expenditures
<b>Nonmajor Programs</b>			
<b>National Science Foundation:</b>			
RUI: An Attributional Model of Mere Exposure Effect	47.075	N/A	\$ 68,938
<b>National Endowment for the Humanities:</b>			
The Authorized Biography of James Wright	45.143	N/A	15,000
<b>U.S. Department of Health and Human Services:</b>			
Learn and Serve America: Higher Education Federal Cooperation for National and Community Service:	94.005	N/A	13,045
Pennsylvania Campus Compact	94.001	N/A	2,451
<b>Total - nonmajor programs</b>			<b>99,434</b>
<b>Total federal awards and expenditures</b>		<b>\$</b>	<b>\$ 1,346,663</b>

See accompanying notes to schedule of federal awards.

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**A. LEE FRITSCHLER**

President  
 Dickinson College  
 Carlisle, Pennsylvania 17013

Dr. A. Lee Fritschler, the 26th President of Dickinson College, is a public policy educator and writer. Prior to his presidency of Dickinson College, he served as Director of the Center for Public Policy Education at The Brookings Institution in Washington DC; Chairman of the United States Postal Rate Commission; and Dean and Professor of the College of Public and International Affairs at American University. Dr. Fritschler also served as Dean of the School of Government and Public Administration of the College of Public and International Affairs and Director of the Public Administration Program at American University. He is a frequent lecturer for executive programs on business-government relations, regulation and postal matters, and the author of two books, How Washington Works: The Executive's Guide to Government and Smoking and Politics: Policymaking and the Federal Bureaucracy, and numerous articles. Dr. Fritschler has a Doctor of Philosophy degree in Political Science and a Master of Public Administration degree from the Maxwell School of Citizenship and Public Affairs of Syracuse University, a Bachelor of Arts degree in Economics and Political Science from Union College and an honorary Doctor of Laws degree from The Dickinson School of Law.

7-1-96

Dickinson College Grants Affiliated with the Higher Education Act

DICKINSON COLLEGE  
FEDERAL GRANTS AFFILIATED WITH THE HIGHER EDUCATION ACT

27-Jan-97

TO DATE  
FEDERAL  
AMOUNT  
RECEIVED 95-96

FEDERAL  
AMOUNT  
RECEIVED 94-95

FEDERAL  
TOTAL  
AWARD @

FEDERAL  
GRANT #

DESCRIPTION

DESCRIPTION	FEDERAL GRANT #	FEDERAL TOTAL AWARD @	FEDERAL AMOUNT RECEIVED 94-95	FEDERAL AMOUNT RECEIVED 95-96	TO DATE FEDERAL AMOUNT RECEIVED 96-97
DOE FIPSE Dissertation	P116850026	\$177,907		\$23,492	\$23,492
DOE FIPSE Workshop Math	P116850615	\$224,484		\$47,908	\$1,673
DOE FIPSE Workshop Math	P116811132	\$186,935	\$20,940		
DOE FIPSE Workshop Physics	P116850999	\$156,675		\$47,974	\$1,989
DOE Holden with Franklin and Marshall College #	P116840849	\$14,715		\$7,176	\$7,932
DOE-Bair	P183D70034	\$6,379			
DOE-Cameron		\$55,000	\$29,760		
DOE-Tufts University - High School #	R215D-30295	\$74,323	\$29,432	\$9,147	\$23,712
Federal College Work-Study Wage Programs (Fed Contribution)	P033A4372	\$724,946	\$254,762	\$240,835	\$239,349
Federal Supplemental Educational Opportunity Grant (Fed Cont)	R007A4372	\$834,159	\$344,035	\$254,236	\$550,000
Federal Pell Grant		\$1,451,688	\$429,287	\$472,401	\$42,377
Federal Perkins Loan Programs (Federal Contribution)	Title IV	\$1,641,198	\$710,740	\$71,081	\$4,300,000
Federal Stafford Loan Program - Subsidized	Title IV	\$12,645,987	\$4,128,599	\$4,217,388	\$4,300,000
Federal Stafford Loan Program - Unsubsidized	Title IV	\$1,211,137	\$245,955	\$515,542	\$550,000
Federal PLUS Loan Program	Title IV	\$4,401,138	\$1,124,101	\$1,277,057	\$1,700,000
NEH Challenge - Clarke Center	NEW	\$300,000			MONS RECEIVED TO DATE
NEH Boyers - Mississippi Delta	RO-21840-95	\$170,856		\$83,688	\$16,650
NEH-Alex Grant	SUBCONTRACT	\$6,990			\$6,990
U.S. Army ROTC Scholarship	U.S. Army	\$772,136	\$772,047	\$235,089	\$265,000
Robert C. Byrd Scholarship	Title IV	\$20,968	\$1,500	\$10,500	\$8,968
TOTAL FEDERAL GRANTS AFFILIATED WITH THE HIGHER EDUCATION ACT		\$23,862,663	\$6,956,397	\$7,813,514	\$8,081,260

@ AWARDS MAY SPAN SEVERAL YEARS. FEDERAL AWARDS SHOWN FOR TITLE IV AMOUNTS EQUAL THE SUM OF ACTUAL FOR FY 1994-95 AND FY 1995-96 PLUS AN ESTIMATE FOR 1996-97.

# NOTE: DICKINSON IS THE SUB-CONTRACTING INSTITUTION ON THESE GRANTS

SOURCE: DICKINSON COLLEGE AUDIT WORKSHEETS

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Chairman GOODLING. Dr. Fritschler.

**STATEMENT OF A. LEE FRITSCHLER, PRESIDENT, DICKINSON COLLEGE, CARLISLE, PENNSYLVANIA**

Mr. FRITSCHLER. Thank you, Mr. Chairman. And thank you for the opportunity to testify before this distinguished panel. Maybe more distinguished, in my view, because Congressman Greenwood is a Dickinson graduate. And Mr. Peterson has an assistant, Bob Morran, who is also with us today, another graduate. We are very proud of you all. And I am pleased to be here to say a few words to you.

Gordon Haaland mentioned that we submitted some joint testimony. I hope that is useful for the record. What I would like to do, however, is talk about two points, neither one of which is covered very directly in that testimony. One is on the issue of regulation, and the other on the issue of escalating costs in higher education, and the role of the Federal money in helping that escalation along.

First, on regulation. Let me begin by saying that I have had a little bit of experience on the other side of the table. I have not been a college president all of my life, only for the last 10 years. And in a previous administration, I chaired a Federal regulatory panel. So I have had some interest in the subject from both a professional and an academic point of view.

I think that there is plenty of room for overall regulatory reform. We heard a great deal about that from the previous panel. It is confusing, it is complex, and it is very costly.

I have some sympathy, by the way, and I think I must say this, with the Federal Department of Education. Because it is not always clear to them what Congress intended in its legislation.

As a matter of fact, if you look at the first bill, the Higher Education Act, which I believe was 1972, it is about that thick. If you look at last year's five-year authorization, I think that it is about that thick, which indicates to me that Congress might be spending a little bit too much time on the specifics. And the specifics might be worked more usefully through normal rule-making hearings.

Chairman GOODLING. Are you accusing us of micro managing?

Mr. FRITSCHLER. I would not do that. I am trying to be very, very positive.

That is one thing to look at. But another area to look at is one that I find particularly fascinating. I would call it a variable or differential regulation. In almost every field of Federal regulation these days, agencies have moved to target regulations, their regulations, to problem areas, to areas which need some extra help, and which need some extra looking at.

Very, very infrequently do you see in other Federal fields across-the-board regulations where everyone has to comply in the same way. I would suggest that we take a look at a series of performance factors, and use those as a way of lessening the regulatory burden on the institutions which have high compliance.

This perhaps answers Mr. Petri's question to the first panel. I think that there are ways to make the regulatory system much more efficient, to serve the interests of the public much better, therefore, and to really satisfy all of us. It seems to me that this is a win-win situation all the way around.

I am not suggesting, by the way, that we regulate by type of institution. I think that would be wrong. I do not think that we should differentiate between not-for-profits, for-profits, public, or private. I think that we ought to look at the regulatory burden in terms of the success and the performance of a specific institution.

How we might develop these variables, obviously one is default rate. The default rate in this country this year, I understand, ranges from below 1 percent, which I am proud to say is where Dickinson happens to be at the moment, up to something like 36 percent.

At the same time, we are asked to prepare the same data or the same frequency as everyone else. I think that creates a regulatory burden, not only for the schools involved, but also for the government.

I brought with me a document I received only yesterday as a matter of fact, and I want to commend it to your attention. It comes from the Office of Management and Budget, and it is called More Benefits, Fewer Burdens. It is written by the general counsel, I believe, of OMB.

What it is, is a very interesting compilation of regulatory initiatives taken in other areas. If I might, I would like to read three or four sentences from this: "In January 1996, the Coast Guard issued a final rule revising inspection and safety requirements for more than 5,000 small passenger vessels. Extensive risk analysis and public comment received on the proposed rule combined with a focus on high risk vessel operations enable the Coast Guard to substantially reduce its original proposed requirement." Again, just looking at the high risk vessels.

EPA has done this by waiving certain requirements. For example, they reduced unnecessary requirements for workers such as farm machinery operators, who have limited contact with pesticides when entering restricted areas, while retaining stringent requirements for workers who have greater contact, such as fruit pickers. Again, some differentiation.

The last one that I will bring to your attention from this rather interesting and well written document is the Federal Trade Commission's telemarketing sales rule exemplifies tailoring a rule to combat a program, namely telemarketing fraud and abuse estimated to cost consumers \$40 billion annually without unduly burdening legitimate business activity.

I think that all of these areas are worth looking into, to see if somehow the U.S. Department of Education, in conjunction with Congress, could not put them to the benefit of all of us.

Now let me say a word about the cost. It seems to me, Mr. Chairman, that you are absolutely right with your suspicion that Federal money does have the tendency to increase expenses and the cost of colleges and universities in this country.

We have kept our tuition increases at about the cost of living now for the last seven or eight years. It could be argued, it seems to me, that we have been able to do that because of the Federal money. So there is a real positive gain there in keeping our costs, anyway, and I think the costs of many of our colleague institutions, somewhat on the lower side.

The real question, though, it seems to me, is what is the money being used for. We spend all of the money we get on improving the quality of our institution and the quality of our programs. We do not take any home with us. And we do not raise salaries, I am here to attest. Actually, our faculty and staff have been receiving increases at the rate of inflation for the last seven or eight years, which in higher education by the way is pretty good. But it is still not very generous.

So the questions that we face are should we expand our program, should we increase the quality of our program, will the market in part pay for that, or will it not.

For example, we are building a new library, which will double the size of our library, starting next month. I think that most people, nine out of ten, would say by any standard measures we need that library. On the other hand, if my back were against the wall, I could say to you that Jim Greenwood did a terrific job at Dickinson in the old library, why do we really need a new one.

Mr. GREENWOOD. Was there a library back then?

Mr. FRITSCHLER. That really makes my point.

You know, it is that sort of question. Dickinson has six overseas campuses, all of them in Western Europe. They have been very successful. Half of our students study abroad. We now want to open a campus in Asia. We are looking for a partner to reduce our cost. We think that is very worthwhile. And, of course, it is the constant stream of resources that helps us do that.

So I think that the real question is does the Federal money help improve the quality of higher education, or is it somehow just being wasted. And I suppose that I would be the first one to want to join in a debate of is this higher level of quality necessary. I mean it is a tough call, but I think it is certainly a legitimate question.

Mr. Greenwood raised the question of private versus public. Our figures in the State of Pennsylvania surprisingly, and it has been very difficult to make this point, make it known that is, show that the cost of educating an undergraduate is about the same in the private sector and in the public sector in this State.

Ours is probably a little bit higher. If you look, however, at our graduation rate, which is better or higher than the public sector, I think that you could make an efficiency argument.

But the difference in cost is based in large part on the subsidy that schools get, or how the schools, and maybe Mr. Ceddia could talk about this, we had a conversation about it a few minutes ago, how the capital cost of the public campuses are figured into the cost of running the organization. And it is figured differently.

But if you net it all out, and it is not easy to get the numbers, I think that you will be surprised to see that the cost is about the same. The price, of course, what everybody looks like, is much different. The price is different, because of the way in which the State deals with its own institutions.

So I would simply suggest that as we get into this cost debate, that we will look carefully at that point.

Thank you.

Chairman GOODLING. Dr. Ceddia.



**STATEMENT OF ANTHONY F. CEDDIA, PRESIDENT,  
SHIPPENSBURG UNIVERSITY OF PENNSYLVANIA,  
SHIPPENSBURG, PENNSYLVANIA**

Mr. CEDDIA. Thank you very much, Mr. Chairman. I am delighted to be here this morning, and appreciate the opportunity to share with you some thoughts regarding the reauthorization process. Like my colleagues on this panel and those before me, I have shared with you some written comments, which I hope will be helpful to you and your staff.

Let me begin by just reinforcing a couple of points that you, Mr. Chairman, made earlier today. And that is the need to be concerned about cost and its relationship to access to higher education. Also, the focus should be on quality, regardless of whether it is a proprietary school or a baccalaureate granting, or a doctoral granting institution.

And finally, I would add another component that I would ask you to think about in the reauthorization process. That would be how the process itself might encourage partnerships between and among institutions of higher education.

I think that as we are looking at the business world, that we are seeing a lot of acquisitions, and also partnerships developing. It would seem to me that in the long run that higher education could benefit from some encouragement in that direction.

I would like to focus, however, my comments on three basic areas. The first is need analysis. The second is integrity. And the third is the State role.

Let me take need analysis first. I think that this process must be simplified as much as possible. We also believe at the university that the use of the tax code changes might be a way to encourage parents to save for college and allow them over time to be able to help supplement the cost of their son's or daughter's education.

We also think that the needs assessment process itself could benefit, if in fact all applicants were required to submit the 1040 tax forms or W-2 statements from the previous year. We think with that information we could eliminate a lot of what is required on the form, and at the same time reduce some of the regulatory requirements on the institutions.

I think that has been a very simplistic approach. And, in fact, now it was used on a target basis within the existing process, but one ought to be examined for more applicability across the board.

I would also like to call your attention to some punitive treatment that two categories of students received in the last reauthorization process in 1992, which I think and many others think ought to be changed.

In 1992, there was a subsistence allowance for students who were independent. That subsistence allowance was lowered from \$6,400 to \$3,000. We think that was detrimental in terms of encouraging independent students, more of whom are entering higher education. And considering Representative Peterson's view on rural education, we think that can be a real barrier.

Similarly, the amount dependent students were allowed to earn should be increased from \$1,750, set in 1992, to at least twice that amount. We think that these two provisional changes, and that of

need analysis modification, would be an incentive for work rather than borrowing.

Let me focus on the integrity issue, which is on the minds of everybody today, not just Congress and those of us in higher education, but especially the general public.

I believe that the system that has been put in place to support the Federal-based financial aid programs to guarantee integrity has been a "one size fits all" approach. I think that Lee Fritschler, my colleague from Dickinson, said it nicely in his testimony, that we think in higher education there ought to be some recognition of an institution's integrity to meet the expectations of financial aid programs at the Federal level over time, and there should be some regulatory relief for those institutions who do it in a consistently good fashion.

For example, those institutions that have low default rates, and Shippensburg is one of them—and as a public institution, I am proud to tell you that we are probably at about the 99th percentile, only 3 percent default, just about 3 percent, it is about 2.99, I think—we think that we deserve, because of that and other things we have done consistently well over time, some reduction from the regulatory requirements of the process.

I would urge your committee, Mr. Chairman, to get away from the one size fits all approach. There ought to be levels of accountability and integrity based upon how an institution functions.

Let me talk a little bit about the State role. In 1992, the Reauthorization Act created expansive roles for States through the oversight under the State postsecondary review entities, alias aka SPREs.

Now although the SPRE alternative was not fully activated, it still exists in Title IV, Part H, of the Higher Education Act. We suggest to you today, Mr. Chairman and to your colleagues, that the SPRE alternative be repealed. Again we think this was an establishment of a level of regulation, which indeed might not be necessary, and in fact cause institutions of higher education irreparable harm in trying to deal with State level bureaucracies as well as Federal requirements.

I should also suggest to you that in response to the need for integrity that the American Association of Colleges and Universities, the American Association of Community Colleges, and the National Association of State Universities and Land Grant Universities created the Joint Commission on Accountability Reporting, otherwise known as JCAR.

The Commission is recommending a series of report formats that will provide a consistent, comparable, regional, and national source of information necessary to answer most questions on accountability. For example, graduation rates over four years, five years, and six years. And placement information regarding graduates, et cetera.

Recently, the Pennsylvania State System of Higher Education under the leadership of James McCormick, our chancellor, and the board of governors adopted the JCAR technical reporting standards. It was the first State system of higher education in the United States to do so.

We did this so that over time, we could measure according to publicly understood standards what it is that we do for our students and with our students. Hopefully, this information will be used as students consider choices regarding higher education. Also, we could use these standards to further reinforce with lawmakers and others our ability to succeed in terms of our mission, and the purposes and objectives that we set.

In closing, I would like to just finally comment on the administration's proposed Hope scholarship tax credits, the \$10,000 reduction for college expenses, and the removal of tax penalties for the individual retirement accounts, IRAs, when withdrawals are used for college expenses.

While we are encouraged that the administration is focusing on this area, we have some misgivings about the Hope scholarship and tuition tax deductibility proposals. We believe in the end that these will wind up as middle class tax cuts and have a minimal effect on those most needy in terms of support for higher education.

We urge your committee, Mr. Chairman, along with others, to consider counter-balancing this approach with more fully funding the Pell Grant program. If the Pell Grant program were funded to its capacity, we believe that more aid would be directed to the most needy students. Again, going back to your own opening comments about access, we believe that those students are in need of the most help.

I want to thank you for the opportunity to be able to participate in this panel this morning. I would be happy with my colleagues to answer questions afterwards.

Thank you, Mr. Chairman.

[The prepared statement of Mr. Ceddia follows.]

Dr. Anthony F. Ceddia

Good Morning and thank you Mr. Chairman for the opportunity to participate and provide input into the important task of reauthorizing the Higher Education Act. My name is Anthony Ceddia and I am President of Shippensburg University. This reauthorization provides an opportunity for preparing the stage for access to higher education for a new generation of students. This is a complex task, and I thank you and the Committee for your collective efforts.

The American system of higher education is distinguished by the components of access and high quality within a pluralistic setting. Each segment of our system of public and private institutions-- community colleges, state universities, research universities, and private liberal arts colleges--serve a diverse population with a distinct mission. To ensure access, the costs to attend these institutions are currently shared by students, benefactors, and the State and Federal Governments. The benefits of this cost sharing approach are distributed through our society resulting in an enlightened citizenry, an enhanced quality of life, and economic progress through a strong and well-prepared workforce.

We must protect this treasure of higher education because it reflects who we are and holds promise for what we may become. It is our national insurance policy for our society and way of life. In an environment of scarce resources at the local, state, and national levels, we must do a better job of allocating these scarce

resources. Herein lies the challenge and opportunity. As these resources become more and more scarce, we must work to ensure that more costs for higher education are not directed towards students and families who cannot absorb this increased financial burden. Within the competitive environment of our system of higher education, we must open new access avenues for learners of all ages, develop a more customer-focused system, better employ the use of technology in instruction and learning, and provide for the on-going development and nurturing of citizens of character who graduate from our institutions. In addition, we must remain vigilant in supporting several important underpinnings of the higher education enterprise.

They are:

- Access: We must maintain a system of higher education open to all citizens regardless of ability to pay,
- Cost: We must constrain the upward spiral of tuition costs which serves as a barrier to families considering higher education for the first time,
- Partnerships: Institutions of all types must develop ways to share resources to better serve students in the future, and

- Quality: All institutions of higher education must do more than aspire to achieve excellence. The achievement of quality should be measured through appropriate assessment techniques and should be easily understood by the general public.

Shippensburg University has been providing opportunities for education to the citizens in south-central Pennsylvania for 125 years. We believe that we are able to offer a quality educational experience at a reasonable price by adhering to the principles I just mentioned. But, this is becoming more problematic as resources continue to diminish from the State and Federal Governments. Our student body totals about 6,600 students, and of these 5,500 are undergraduates located in three colleges--Arts and Sciences, Business, and Education. We employ 375 faculty to provide this educational experience. More than half of our students are the first in their families to attend college, and approximately three out of five students receive some form of financial aid. Consequently, the impact of the reauthorization process will have a significant effect on most of our students, many of whom, Mr. Chairman, reside in your district.

Since it is estimated that about 95% of the total Federal funds appropriated under the Higher Education Act are used to support financial aid programs, it seems appropriate to devote the balance of my time to a discussion of financial aid and

what might be done through this reauthorization process to streamline and enhance the existing system. Of particular concern to many of us in public higher education are the issues of need analysis and program accountability and integrity.

### NEED ANALYSIS

As the basic means test for federal student aid programs, need analysis is the administrative mechanism that establishes conditions, sets amounts, and defines types of eligibility for the various student financial aid programs. We believe it is a laudable goal to attempt to induce parents to save more for their children's post-secondary education, and thereby relieve pressure on the Federal financial aid system. To accomplish this goal, we believe that tax code changes which do not punish those who save for college must be enacted. Therefore, we endorse the use of the tax code to provide real-time inducements for families to save money for their children's education. We believe that need analysis can only work if it is based on actual financial circumstances at the time of application, and not on prior years financial information. To provide integrity within this system, all students and parents should be required to submit copies of their 1040 tax forms and W-2 statements for the previous tax year. If enacted, this approach would not only reduce misuses in the system but also provide the necessary verification which could lead to regulatory relief at the institutional level.

We also believe that the last reauthorization's highly punitive treatment of two categories of students--single independent students and dependent students who work--should be amended. The Pell eligibility of single independent students, or as we classify them, nontraditional students, was sharply curtailed in 1992, when Congress lowered the subsistence allowance for these students from \$6,400 to \$3,000. We believe that single independent students should be allowed to retain at least \$6,000 of their earnings for living expenses before being asked to contribute toward their cost of education. Similarly, the amount dependent students are allowed to earn before being assessed for their cost of education should be increased from \$1,750--set in 1992--to at least twice that amount. Mr. Chairman, the two provisions just cited are ways that need analysis can be modified to provide an incentive for work rather than borrowing.

### INTEGRITY

The current framework of ensuring program integrity in the Federal student aid program has evolved over the last thirty years of the program's existence, and consists of a patchwork of provisions that were created to respond to specific problems. The absence of a comprehensive, systematic approach to program accountability has resulted in increased loan default rates by shoddy organizations, a



loss of tax dollars to taxpayers, and the imposition of burdensome regulatory and compliance costs on colleges and universities. We believe that this "one size fits all" approach to program accountability and integrity should be changed. A more equitable and diversified set of regulations should be developed which categorizes institutions by type and control. Such an approach would permit the Department of Education to focus its limited enforcement resources on institutions that have problems and in turn reduce the unnecessary paperwork burdens imposed on those institutions that are fiscally sound and well managed. We do, however, support the retention of the requirement that institutions be accredited by their appropriate organization as a condition of participating in Title IV programs.

#### STATE ROLE

In 1992, the reauthorization process created an expansive role for states through oversight under the State Postsecondary Review Entities (SPRE). While the process of start up was underway, the Congress wisely decided to terminate the program by not providing funds. However, the authorizing language remains intact under Title IV, Part H of the Higher Education Act, and could be revised, despite the inherent dangers of more state political intrusion into the academic and business affairs of colleges and universities. We believe that this statutory authority for the

SPREs should be repealed. As an institution vested in the public interest, we are audited frequently and consistently demonstrate sound financial management and are in no danger of precipitous closure. Therefore, additional oversight by these review entities is not necessary.

As you are aware, colleges and universities are called upon frequently by students, parents, government officials, and the general public to provide comparable information that is easy to understand. To help colleges and universities respond to this need for comparable information, the American Association of State Colleges and Universities, American Association of Community Colleges, and National Association of State Universities and Land-Grant Universities created the Joint Commission on Accountability Reporting (JCAR). This Commission is recommending a series of report formats that will provide a consistent, comparable, regional and national source of information necessary to answer most accountability questions from our stakeholders. Recently, the Pennsylvania State System of Higher Education, under the leadership of Chancellor James H. McCormick through the Board of Governors, adopted the JCAR technical reporting recommendations. The transition to the voluntary reporting of the JCAR conventions has begun and public reporting of these results will begin in the 1998-99 academic year. This action is consistent with the long established tradition within higher education of

regulating itself. Any additional legislation and burdensome regulations in this regard are not necessary. The JCAR standards fit nicely with the need for public accountability at both State and Federal levels.

In closing, allow me to comment on the Administration's proposed Hope Scholarship tax credits, the \$10,000 tax reduction for college expenses, and the removal of tax penalties from Individual Retirement Accounts (IRAs) when withdrawals are used for college expenses. While we are encouraged that attention is being focused in this area, we have misgivings about the Hope Scholarship and the tuition tax deductibility proposals. As we understand these proposals, neither plan provides much in the way of new benefits for the most needy students, and both proposals will redirect funds away from the more needy financial aid recipients. In the case of tax deductibility, the dollar amount of benefits would increase as family incomes approach the upper end of the eligible income range. Therefore, those families at the low end of the income range will receive zero benefits while those at the upper levels of the eligible income range will benefit more. Said another way, the Hope Scholarship program as presented appears to be a middle class tax cut. To counterbalance this and provide appropriate support for students in low income situations, the Pell Grants should be fully funded at the maximum level of \$4,000.

Federal regulations associated with academic grading practices in higher education is misguided at best. The use of the B grade average for second-year eligibility for Hope Scholarships may disadvantage certain students who may need more time to improve their academic performance. Furthermore, the need for some type of grade verification will put the Internal Revenue Service in the position of verifying grades and this approach may in the long run be a factor in grade inflation. In addition, these scholarships are only available for two years, whereas the \$10,000 tax deductibility plan would be available for as many years as the student is in school.

As currently proposed, neither plan would provide benefits in a timely manner when the family needs the resources to make payment for college expenses. Since both plans are linked to the tax filing deadline, benefits will lag college expenses and could create a cash flow problem for some families. We do support the expanded use of IRAs for payment of college expenses.

Funding higher education in the future will be one of the most important challenges we face as a nation if we are to continue to enjoy the enormous benefits this system has provided. As President of Shippensburg University, I pledge to continue to work to provide a quality educational experience for the citizens in our region at a price that is affordable.

Thank you, Mr. Chairman for this opportunity to share these thoughts with you today.

Chairman Goodling. Ms. Killingsworth Bost.

**STATEMENT OF CATHI KILLINGSWORTH BOST, VICE PRESIDENT OF ADMISSIONS, YORK TECHNICAL INSTITUTE, YORK, PENNSYLVANIA**

Ms. BOST. Thank you for the opportunity to testify today. My name is Cathi Bost, and I am representing York Technical Institute's 750 students and 90 faculty and staff today.

We are very proud of our graduation completion rate of 80 percent, and our placement rate of 92 percent. We are even more proud of our default rate, which is at 3.8 percent.

The purpose of our school is to provide students with entry level skill training focused on specific careers. With high hopes, students come to us with visions of successful careers dancing in their heads. We are their dream-makers.

Across the State, private career schools like ours all have a clear purpose and clear accountability, education and training for jobs. Accountability for career schools is based on three main measures. How many students complete their education, how many graduates get jobs related to their field of study, and how many graduates pass licensure or certification exams in their field.

This accountability measurement has always been an integral part of the private career school training. As you develop changes in the Higher Education Act, I urge you to consider using a variety of meaningful performance outcomes to determine program eligibility requirements for private as well as public postsecondary institutions.

Multiple measures are needed to ensure educational quality and accountability, not a simple measure of loan repayment. Please understand that loan repayment and cohort default rates are important. But until the accuracy of the data and other reforms in the delivery and servicing of the loans are remedied, they are not a true measure of accountability or educational quality. Furthermore, the outcomes that I have spoken about should be shared with all perspective students.

In general, people believe that in the future that most jobs, particularly the high wage jobs, will require a four year college degree. This is not the case. Most labor market experts agree that the most promising area of the future work place is in the technical segment. It is the largest and fastest growing.

Between 1990 and 2005, the economy is expected to generate 623,000 jobs in professional specialty categories. It is also projected that traditional four-year colleges will award more than 1.1 million undergraduate and graduate degrees.

During the same period, the technical support and service occupations will have 1.5 million openings, but it is projected that only 462,000 students will become credentialed for these occupations.

A little more specifically, I would like to give you a performance outcome report that came across my desk recently. There were 32 career schools that were surveyed in six Western Pennsylvania counties. The following performance outcomes were reported to the Allegheny County Commission for Work Force Excellence at their request to indicate job training performance in Western Pennsylvania.

The report showed that over 17,000 students were served in 1996 in the six-county region. There were 48 percent of those students who were Pell recipients, which usually means that their family incomes were under \$20,000. The average student graduation rate was 72 percent. The average job placement rate for these institutions was 85.9 percent in their related field of study.

As the study shows, multiple performance outcomes are the best measures for vocational and career oriented programs. These results and others like them should be included in any determination of Title IV eligibility and program quality.

In order to compete as a Nation in a global, technologically sophisticated economy, I implore you to continue providing Federal financial assistance to all students regardless of their choice of post-secondary education. I believe that the issues that we are speaking of today really boil down to students' lives. We are talking about individuals here, individuals who are striving to realize their dreams.

I would like to share with you two stories of individuals who finally realized their hopes and dreams. First, I would like to talk about Matt. Matt graduated from high school in 1986. During high school, he really did not know what he wanted to do. So when he graduated, he took the path of least resistance, and he followed his brother to a university.

Eighteen months later, after too much partying and not enough studying, Matt and the academic dean both agreed that Matt did not belong. So Matt came home to York.

Several years later, after a lot of different jobs that really gave him no satisfaction, he did some serious soul searching. In 1995, he realized that what he really wanted to do was work in recreation and work with people.

So he decided to enter our travel and tourism program, and he excelled in the program. He is now an advance sales associate with the Disney Vacation Club in Orlando, Florida. Since joining Disney a year ago, Matt has been promoted twice.

Stacey finished high school in 1983. At that time, her goal was to get married and have a family. She accomplished that goal, and several years later found herself a divorced mother of three. Working in a variety of low skill positions, Stacey was able to keep her family together. But she realized that to really give her children the kind of opportunities that they should have, she needed to get an education.

For her, four years was out of the question. She did not have that kind of time. So she enrolled in our associate and specialized business program in business administration. Throughout school, Stacey was an exemplary student, worker, and mother. After graduating with highest honors, she secured a position as a marketing specialist with Ettlne Foods Corporation.

Both Matt and Stacey were in the middle-middle. They were in the middle academically and economically. Through their career training at YTI, both graduates finally were able to achieve the success that eluded them for so long. If it had not been for the grant and loan program, they could not have realized their dreams.

Eleanor Roosevelt believed that the future belongs to those who believe in the beauty of their dreams. Please remember the time in your life when you, too, dreamed of success, as you craft the Higher Education Act of 1998. Thank you.

[The prepared statement of Ms. Bost follows:]

## Cathi Killingsworth Bost

I am Cathi Bost and I represent York Technical Institute's 750 students and 90 faculty and staff! Annually we graduate into the workforce 400 students in jobs such as CAD Technicians, Electronics Technicians, Accountants, Sales and Marketing Assistants, Computer Specialists, Travel Reservationists, and Heating, Air Conditioning and Refrigeration Technicians. Our students hail from a 150 mile radius of York, Pennsylvania; the average age our of students is 20. Twenty percent of our student body are housed in apartment complexes close to the school.

Our graduation/completion rate is 80% and our job placement rate is 92%. The 1994 student default rate at York Tech is 3.8%.

The purpose of our school is to provide students with entry level skill training focused on specific careers or career fields. The goal is for the student to become skilled and get a job in fields such as electronics, information and computer technologies, HVAC, computer aided design, business, or travel.

Most students are recent high school graduates, young adults, or dislocated workers being retrained. They want job specific training to improve their employment opportunities. Most are looking for quick entry into the job market and, for a number of reasons, have not chosen traditional two or four year colleges for their educations.

Let me share with you a glimpse of YTI's success through the eyes of two graduates.

Matt H. was graduated from York Suburban High School in 1986. During high school, he received no career guidance. Upon graduation, he still didn't know what he wanted to do. So, he took the path of least resistance and followed his brother to Penn State. Eighteen months later, after too much partying and not enough studying, Matt left Penn State, returning home to York. For the next seven years, Matt worked in several different fields, but never felt satisfied. In 1995, after some serious soul searching, Matt realized that he wanted to work with people in a recreational or resort setting and to do that, he needed specialized training. He enrolled in YTI's Travel and Tourism program and excelled. Matt is now an Advanced Sales Associate with the Disney Vacation Club in Orlando, Florida. Since joining Disney one year ago, Matt has been promoted twice.

Stacy L. finished high school in 1983. At that time, her goal was to get married and have a family. She accomplished that goal and several years later found herself a divorced mother of three children. Working in a variety of positions, Stacey kept the family together. Finally, in 1994, she decided that she wanted a professional career and in order to have that, she needed more education. Since four years was out of the question, she enrolled in YTI's Associate in Specialized Business program in Business Administration. Throughout school, she was an exemplary student, worker, and mother. After graduating with highest honors, Stacy secured a position as a Marketing Specialist with Ettlne Foods Corporation.



Both Matt and Stacey were among the academic middle in high school. Through career training at YTI, both graduates finally achieved the success that eluded them for so long. Without federal/financial assistance, these young adults in the middle could not have returned to school.

The grant and loans programs enabled them to finally realize their dreams.

Across the state, private career schools like ours have a clear purpose and clear accountability - education and training for jobs. Accountability for career schools is based on three main measures:

1. How many students complete their education.
2. How many graduates get jobs related to their field of study.
3. How many graduates pass licensure or certification exams in their field.

As a result, institutional purpose and accountability are in synch. Success or failure can be measured when the institutional purpose is clear.

This accountability measurement has always been an integral part of private career school training.

As you develop changes in the Higher Education Act, I would urge you to consider using a variety of meaningful performance outcomes to determine program eligibility requirements for private, as well as public, postsecondary vocational institutions participating in Title IV programs. Multiple measures are needed to ensure educational quality and accountability, not a simple measure of loan repayment. Please understand that loan repayment and cohort default rates are important, but until the accuracy of the data and other reforms in the delivery and servicing of the loans are remedied they are not a true measure of accountability or educational quality.

In addition, the student population served by an institution should also be taken into account when measuring outcomes. Institutions that serve high risk students should be allowed some leeway in their accountability measures. They should not be compared to institutions, like ours, which serves middle and upper SES, suburban student populations.

Studies reveal that 95% of all youth want a college education in the hope that it will lead to a career in the professions. Why? Because they have been told there is only one way to win - a baccalaureate degree.

Historically, the pressure to go to a four year college has been fueled in the United States by a desire for status and upward mobility. To a degree, however, these beliefs are based on misconceptions or misinformation about future job and career opportunities.

*Time Magazine's* recent cover story, "Where the Jobs Are", sheds additional light on the subject. Author John Greenwald poses the question, "Why, with so many jobs going begging, are so many people unemployed?" Rollie Heath, president of Denver's Ponderosa Industries, a precision machine shop, offers this disheartening answer, "For the last 25 years we've told people that the jobs you with your hands - these jobs don't count. We've basically told young people, "Don't even consider those jobs."

One of the misconceptions is that everyone is well suited and capable of succeeding in a four-year program. While the best and the brightest should pursue a baccalaureate, other high school seniors, young adults, and career changers are at a great disadvantage when career decision time comes. In terms of traditional career paths, their futures aren't bright. Today's labor market is uncertain and difficult. Tuition costs for traditional four year colleges have soared out of reach for many students. And the academic records of these students greatly limit their likelihood of acceptance and, therefore, their options for further education.

Yet these are precisely the students who excel in focused, skill-centered programs. Their style of learning is kinesthetic; they learn best by actually performing a task. In that, they are perfect in hands-on, outcomes based programs.

In general, people believe that in the future most jobs, particularly high wage jobs, will require a college degree. This is not the case. Most labor market experts agree the most promising area of the future workforce is the technical segment. It is the largest and fastest growing. While most of the occupations do not require a four year college degree, they do require specialized training. Although education and earnings are correlated, high wage rates are paid in the labor market as a premium for specialized skills in demand, not simply for a four year degree.

According to the Bureau of Labor Statistics of the United States Department of Labor, the economic reality is that by the year 2000, less than 20% of all jobs will require a college degree and most of the remaining 80% will require training beyond high school. (Source: *Occupational Outlook Handbook*, Bureau of Labor Statistics, United States Department of Labor, 1992 edition).

The mismatch between the projected supply and demand of college graduates becomes even more dramatic when one looks at data for selected occupations. Between 1990 - 2005, the economy is expected to generate 623,000 jobs in professional specialty categories; it is also projected that traditional four year colleges will award more than 1.1 million undergraduate and graduate degrees - 400,000 more college graduates than needed.

During the same period, in the technical, support, and service occupations, 1.5 million openings are projected while only 462,000 students will become credentialed for these occupations.

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The following chart demonstrates the wide variety of **high skill/high wage occupations which do not require a Baccalaureate Degree** but in which Private Career Schools across the nation offer training for their students.\*

**Craft and Construction**

Construction Drafting  
Construction Project Manager  
Heating/Air Conditioning Technician  
Plumbing/Pipe-Fitting Technician  
Precision Welding  
Specialized Carpentry and Installation

**Health Occupations**

Dental Assistant  
Dental Hygienist  
Emergency Medical Technician  
Licensed Practical Nurse  
Medical Laboratory Technician  
Medical Record Technician  
Optometric Technician  
Radiology Technician  
Surgical Technologist

**Manufacturing**

Automated Manufacturing Technicians  
Computer Controlled Equipment Operator  
CAD Technicians  
Electronics Engineering Technicians  
Industrial Machine Repair  
Robotics Repair Specialists

**Service Occupations**

Accountant  
Commercial Design  
Computer Graphics Specialist  
Data Processing Manager  
Libra Technician  
Paralegal  
Professionally Trained Chefs

**Technical Service, Repair, and Installation**

Airframe Mechanic  
Avionics Repair Technician  
Biomedical Equipment Technician  
Computer Systems Installation and Repair  
Electronics Technician  
Microcomputer Technicians  
Telecommunications Installation and Repair

**Service Occupations**

Accountant  
Commercial Design  
Computer Graphics Specialist  
Data Processing Manager  
Library Technician  
Paralegal  
Professionally Trained Chefs  
Computer Artists and Animators  
Computer Engineers  
Computer Programmers  
Marketing Managers

\*Sources: *Occupational Outlook Handbook*, US Department of Labor, Bureau of Labor Statistics, 1996 Edition, *Time Magazine*, January 20, 1997 issue

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Not only do these fields offer high skill/high wage occupations to graduates, but also a plethora of opportunities. *Time Magazine* states, "Computer artists and animators for Hollywood films along the lines of *Twister* and *Toy Story*: they can easily earn \$ 80,000 or more a year. Also topping the most wanted lists are programmers skilled in cutting-edge languages like JAVA, who can command \$ 70,000 to start".\*

More specifically, I would like to give you a performance outcome report that came across my desk recently. Thirty-two career schools were surveyed in Allegheny, Fayette, Washington, Beaver, Westmoreland, and Butler Counties. Using their accrediting commission reports, the following performance reports were reported to the Allegheny County Commission for Workforce Excellence at their request to indicate job training performance in Western Pennsylvania. The report is attached and shows that over 17,000 students were served in 1996 in this six county region. Forty-eight percent of those students were PELL recipients, which usually means that their family income was below \$20,000.

The average student completion/graduation rate was 72.2 %. This is well above the completion rates of traditional two and four year institutions.

The average job placement rate for these thirty two institutions was 85.9% in their related field of study. The job placement rate was from 71%-98% in 1996.

As this study shows, multiple performance outcomes are the best measures for vocational and career oriented programs. These results and others like them should be included in any determination of Title IV eligibility and program quality.

\* Source: *Time Magazine*, January 20, 1997 issue, pg. 58

**WESTERN PENNSYLVANIA SURVEY**

The following are the results from the six county Western Pennsylvania survey of private career schools requested by the Allegheny County Commissions for Workforce Excellence.

Forty one institutions were contacted; thirty two responded. The data were reported in aggregate form and appropriately weighed.

**ENROLLMENT**

Total number of students served in a 12 month period	17,190
Total number of full-time students	16,160
Total number of PELL recipients	8,341 (48.5%)

**STUDENT COMPLETION RATE**

Institutional Average Completion Rate	76.5%
Median Completion Rates	78.1%
Weighted Average (Institutional completion rate factored by the number of students at each institution)	72.2%
Range	40% - 87%

**JOB PLACEMENT RATE**

Institutional Average Placement Rate	85.1%
Median	87%
Weighted Average (see above)	85.9%
Range	71% - 88%

**EMPLOYEE INFORMATION**

Total number of employees	1,512
full-time	1,170
part-time	342

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In closing, I pose the following:

In order to compete as a nation in a global technologically sophisticated economy, I would hope that you would not limit access to funding to traditional four year educational programs. This would minimize educational opportunities for the vast majority of technical and business students who help our country to succeed and grow.

The strength of our national economy is dependent upon giving students in skill related training programs continued, equal access to federal financial assistance programs. Those from the academic middle have a right to equal attention, equal resources, and equal opportunity to pursue career training commensurate with their skills, abilities, and interests.

It is the right thing to do to attain the appropriate balance of human resource development necessary for the 21<sup>st</sup> Century.

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## SCHOOL PERSONNEL REPORT

TO: Executive Director  
 Accrediting Commission of Career Schools and Colleges of Technology  
 2101 Wilson Boulevard, Suite 302  
 Arlington, Virginia 22201

Submit this report (typed) for each person employed in an instructional or administrative capacity, full or part-time.

Name of School York Technical Institute School # \_\_\_\_\_  
 Address 1405 Williams Road  
 City, State, Zip York PA 17402  
 Telephone # (717) 757-1100 Fax # (717) 757-4954  
 Employees Name Cathi Killingsworth Best Title V.P. Marketing & Recruitment  
 Date of initial employment 4/88 Years in this position? 8 Full-time  Part-time \_\_\_\_\_  
 Responsibilities: Responsible for managing and leading all recruitment personnel and recruitment functions  
 Allocation of Time(Typical Week)

Assignment	Morning	Afternoon	Evening
Administration	20	20	10
Instruction - Classroom			
Instruction - Lab or Shop			
Instruction - Externships			
Student Advising			
Other			
<b>TOTALS</b>	20	20	10

### Educational Background

School, State	Month/Year		Area of Concentration	Certificate, Diploma or Degree Earned	Copy on file with School? Yes/No
	From	To			
Duquesne University, PA	1/72	5/74	Pre-Law	B.A.	Yes
Ohio University, OH	9/68	6/69	Education	---	---

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**Prior Work Experience (Practical Experience in the Occupation or Subject: Section V(B)(1-2), Standards of Accreditation)**

Company, Address	Month/Year		Job Title and Duties
	From	To	
Franklin Morris Academy Philadelphia, PA	1986	1988	President & Co-owner: responsible for all school operations & results
Bradford Schools Inc. Philadelphia, PA	1985	1986	President of Phila. branch: Total responsibility for school operation and outcomes.
Duff's Business Institute Philadelphia, PA	1980	1983	Administration Coordinator: resp. for externship placement & all marketing activities
Median School of Allied Health Philadelphia, PA	1974	1980	English/Psych teacher promoted to Dir. of Student Services & Placement responsible for all clinical experiences and permanent placement

**Instructor, Counselor or Administrator Training and Experience (If applicable).**

(Education and training to teach, counsel, or administer; Sections V(A-B); and VI(A)(3-4), Standards of Accreditation)

Institution and/or Program; Location	Month/Year		Nature of Training or Certification Received	Copy on file with School? Yes/No
	From	To		
Indiana Univ/Purdue Sch. of Allied Health Ed, IN	Summer 1975	Summer 1975	Grad. work in allied health ed. methods. Teaching & clinical supervision	Yes
Workforce Comm. Seminars	Fall'86	Fall'86	Retention seminar by John Benanti	Yes
AICS Retention Seminar, Washington D.C.	3/82	3/82	Retention seminar by David Ellis	Yes
AICS Admissions Mgmt Workshop Ft. Lauderdale, FL	2/84	2/84	3 Day Admissions Management Workshop	Yes
AICS Admissions Workshop	12/83	12/83	2 Day Admissions Workshop	Yes

List additional licenses, certification, and other relevant experience:

List professional organizational activities, continuing education, self-study, and in-service training:

Speaker on Admissions and Placement for Career College Association. Former Board Member and Secretary P A Assoc. of Private School Administrators

I certify that my background and experience are in compliance with the Standards of Accreditation and that the information herein and attached hereto is correct.

Employee's Signature: *Walter H. Eng...* Date: 11/14/95

Revised 4/1995

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PREPARED FOR  
 THE COMMITTEE ON EDUCATION AND THE WORKFORCE  
 WILLIAM F. GOODLING, CHAIRPERSON

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AMOUNT AND SOURCE OF FEDERAL FUNDING

1996/97	Authorizations			
<u>Pell</u>	<u>SEOG</u>	<u>FCWS</u>	<u>FFEL</u>	
\$429,000 (estimated)	\$46,340	\$14,600	\$4,240,000	
Year Ended June 30, 1996	Actual			
<u>Pell</u>	<u>SEOG</u>	<u>FCWS</u>	<u>FFEL</u>	
\$288,268	\$73,341	\$23,209	\$2,866,193	
Year Ended June 30, 1995	Actual			
<u>Pell</u>	<u>SEOG</u>	<u>FCWS</u>	<u>FFEL</u>	
\$210,004	\$61,516	\$18,467	\$1,939,602	

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Chairman GOODLING. Mr. Hershock.

**STATEMENT OF MICHAEL H. HERSHOCK, PRESIDENT, PENNSYLVANIA HIGHER EDUCATION ASSISTANCE AGENCY, HARRISBURG, PENNSYLVANIA**

Mr. HERSHOCK. Mr. Chairman, thank you for the opportunity to participate in this hearing this morning. While I only had the opportunity to meet Mr. Petri briefly today at coffee hour, it felt much more like a reunion than a hearing to me.

I am here to speak for PHEAA, the Pennsylvania Higher Education Assistance Agency, an organization whose objectives and whose challenges are of concern to all of you on this panel, I know. Our job is to help the families of Pennsylvania obtain access to higher education in spite of financial difficulties in coping with that challenge.

In Pennsylvania, the general assembly chose to configure its higher education agency as only a half dozen other States or so have done, I believe. All aspects of student aid in Pennsylvania are centered at PHEAA. In each of those aspects, they are rather large by national standards. We administer the State scholarship program. We help the U.S. Department of Education from time to time administer the Pell Grant program when they need our assistance in doing that.

But in addition to being the third largest needs-based scholarship program in the Nation, we are designated in Delaware, West Virginia, and Pennsylvania as the Federal guarantor for lenders who provide loans under the Stafford Act to students in schools in those States, or students from those States attending schools elsewhere.

As the guarantor, we have also achieved considerable size. A publication came out this week indicating that PHEAA is now the second largest guarantor in the Nation. And as one of the largest guarantors, it has the lowest default rate by any measure you care measure it. Whether it is cohort or trigger, ours is among the lowest default rates in the country. Default claims to lenders where students had indeed defaulted on loans, there were about 115 million of them. But we also collected on more defaults than we paid to lenders.

Because last year, 123 million defaults were collected. A similar large number was prevented. And I think that is an equally important part of the process. It is important to do what we can to prevent defaults, as opposed to just collect them.

We are, in addition to being the scholarship agency and the guarantor, a national servicer. We are at this point servicing almost \$14 billion in lender loans in 22 different States across the United States. We service 48 different kinds of student loans for 39 different guarantors.

Among those are some more private, who administer student loans that are not dependent upon the Stafford Act for reinsurance to the banks. So, we are in the business of administering of both government and private student loans at this point.

We are in addition to being the scholarship agency, the guarantor, and the lender servicer the secondary market for Pennsylvania. That means that we are charged with replenishing the capital of

banks when they need us to do so, to provide student loans to campuses in our three States that we are the designated guarantor.

And we have the ability to use all of those aspects of our student aid charge in Pennsylvania, to creatively provide I think a superior product in terms of student aid to Pennsylvania nexus students.

The one statistic that perhaps is most telling, because the Higher Education Act at this point in time has set up competing programs, the Federal direct loan program and the FFELP program that we are part of to provide student loans across the country.

The competition is, as you gentlemen know, fierce and constant. It never goes away between the two programs. But in this State, in Pennsylvania, and in our service region, statistics which the U.S. Department of Education is about to publish in a few weeks will show that less than 6 percent of our school markets have been penetrated by the Federal direct lending program, and 94 percent of the dollar volume. And similar statistics of our students and schools have preferred in our service region to stay with PHEAA and the programs that we offer.

One reason is a recent effort on our part to provide better services to our customers. Our customers are schools, lenders, and students. I listened with interest to the previous panel talk about how easy it is to reach PHEAA compared to the U.S. department. If the panel is interested, perhaps some measure of that volume would be of interest to you.

On January 2 and 3 of this month, PHEAA received telephone calls from borrowers at the rate of 1,300 an hour. It was the largest volume of telephone calls ever to come into PHEAA's telephone banks. And I am proud to say that in that intense day or two of telephone volume, we lost less than a dozen calls.

We used the computer with some sophistication to monitor how long the phone call waits, how many gave up in frustration, and in this case less than a dozen did. We have quality control listening points, so that supervisors can listen to the courtesy and the accuracy of the information being provided to student borrowers with objective critique in mind for the employees who do that.

But in addition to our electronic connection to schools and to students, we believe that the question of cost of higher education is perhaps the driving one that has to be addressed.

So in our effort and in the effort of my board of directors to reach the issue of cost, we have turned to what we can do as a Pennsylvania aid organization to lower the cost of higher education.

We have done that through what we call the Keystone family of loans. This has been an evolving program that I assure you is not done yet. There is more to come in our efforts to reduce the cost of borrowing to Pennsylvania and nexus students as they attend higher education.

Our first effort was to use tax exempt bond allocation, remember I said that we were a secondary market as well, provided by both Governor Ridge and Governor Casey, to provide a 2 percent reduction in the origination fees to families with incomes under \$21,000. And we pay for those loans and that discount out of these tax-exempt bond issues. About 46,000 Pennsylvania students a year are benefiting from that low income loan program.

Our second effort was simply called Keystone, and it was an effort to reduce for those above \$21,000 one of the origination points. There are four origination points that you may recall in the current Stafford point. For those above \$21,000 in Pennsylvania, we reduced one of those points, making the money available at the front of the loan, where the student has to pay for higher education costs.

The third effort was announced just this month. In a recent partnership with Sallie Mae, we have added a new feature that will be available to Pennsylvania students and schools next year, in the next academic year.

To say that in addition to reducing those loan points at the front, if the student turns out to be a good borrower, meaning at forty-eight months they have made all of their payments on time, and if in addition they agree to use our electronic funds transfer service as a means of paying off their debt, we will reduce another two and a quarter points from the interest at the back of their loan.

So we do not consider this job finished, but we consider it a honest effort to reduce the cost of borrowing, which our students obviously are having to rely on more all of the time.

Because we have had some success, and I think considerable success in Pennsylvania, at providing smooth, fast, and inexpensive financial aid to our students, and because we have the opportunity to participate in twenty-two other States in some way as a financial aid administrator, I would like to offer you my following thoughts on your efforts on the Higher Education Act, as you take it up.

Above all, please do not do anything to limit flexibility in these programs. Sometimes the competition between the two programs becomes very unhealthy. It takes on an anti-student flavor that is not worthy of either competitor.

Sometimes your role, I think, is in the great American tradition of being the referee. A good healthy competition requires a strong referee at times. I would urge you to play that referee's role, and not allow any of the competitors to become anti-student in their operation of the programs.

We took all of the flexibility available to us, and used every part of PHEAA, the scholarship agency, the guaranty agency, the servicer, and the secondary mark to make these Keystone loans work.

The fact that we have made loans cheaper for Pennsylvania students should not be a reason to limit our ability to do that. So that direct lending can compete better in Pennsylvania than it currently does.

I think that the issue of direct lending and FFELP in Pennsylvania is over. Six percent of the schools have changed or moved their volume. So I do not think that any more will or many more will.

But I urge you to maintain the flexibility that we need to be creative, and to continue to offer these kinds of changes in the programs.

I would also ask that you be cautious in your judgment of the two programs, and not write off the opportunity to cherry pick the best of both. We believe that we provide fast, smooth, efficient access to money for students in Pennsylvania.

Do not throw away that capability or that capability in the direct lending program where they have demonstrated it rather effectively in some States.

We provide that money from the private capital markets, and I would advocate doing that further in the future. I do not believe that it is a proper choice to take government treasury money when private capital is available to do that.

So I would urge you to continue to let us offer these kind of creative programs, and not to close your mind to the possibility of picking the better features of each, and moving forward with the best possible student loan device that we can come up with for our students. And with that, I will pass the microphone and take your questions later.

[The prepared statement of Mr. Hershock follows:]

TESTIMONY ON  
HIGHER EDUCATION ACT REAUTHORIZATION

Presented to the

HOUSE COMMITTEE ON EDUCATION AND THE WORKFORCE  
TUESDAY, JANUARY 28, 1997 9:30 A.M.

by

MICHAEL H. HERSHOCK  
PRESIDENT AND C.E.O.  
PENNSYLVANIA HIGHER EDUCATION ASSISTANCE AGENCY (PHEAA)

Mr. Chairman, members of the Committee on Education and the Workforce, thank you for inviting me to testify before you today as you begin to consider reauthorization of the Higher Education Act.

As you know, today's children need to have access to education more than ever before to compete in the worldwide marketplace. At PHEAA, we recognize that no matter what changes occur in government funded financial aid programs, the need for more efficient and effective programs will continue. We're continually streamlining operations and developing new financial aid programs and services to ensure the students of Pennsylvania and elsewhere have the opportunity to pursue a higher education.

PHEAA has remained on the cutting edge of higher education financing. However, at times, we face obstacles to our innovations imposed by the United States Department of Education (USDE). While I understand that it is the Department's job to ensure that every option for financial aid is considered, I am concerned that its actions may not always be in the best interest of the Federal Family Education Loan Program (FFELP), since it is in direct competition with the Federal Direct Lending Program. I believe it is still too early to pass final judgement on the either program. The cycle of a student loan does not simply include the ability to originate a loan, but to service it through repayment. By waiting until more students participating in Direct Lending fully complete the student loan process, everyone will be able to more effectively and accurately judge the results of the program.

I do not believe that a fair analysis of whether the Direct Lending Program or FFELP can deliver a better product can be made while the federal government implements regulations that tie the hands of successful guaranty agencies like PHEAA. Therefore, the most important message I bring to you today is to urge you to allow agencies, such as PHEAA, the flexibility to meet the changing needs of the marketplace and not to stifle its innovation and creativity, which are leading to more efficient and effective services for our students.

The challenges each and every one of us faces in the delivery of financial aid are great. Today's students graduating from high school in Pennsylvania alone are facing a more than \$4 billion annual price tag for higher education. About \$2 billion of that total is available from programs funded by state, federal and school grant, loan and work-study programs. Students and their families face the challenge of paying for more than \$2 billion.

PHEAA is a leader in addressing the entire \$4 billion price tag; as the administrator of state and federal grant programs, as a guaranty and servicing agency for federal student loans and as an innovator in the creation of new programs to ease a family's financial burden.

PHEAA was established in 1963 by the Pennsylvania General Assembly as an independent public agency to assist families with financing higher education. The Agency is governed by a 20-member board of directors. Since its creation, PHEAA has grown into a nationwide, multifaceted financial services organization. The income generated from its extensive operations is used to expand higher education opportunities for students through programs that fill the gaps left behind by traditional government financial aid programs, without additional expense to state and federal taxpayers.

I am here today to ask that while you consider reauthorization of the Higher Education Act, you keep the best interests of students and their families in mind at all times. As policy makers, I urge you to allow student loan providers the flexibility to do what is in the best interest of the student. PHEAA's innovation, careful management and vision has allowed it to develop new and exciting programs to assist students and their families while maintaining programmatic and fiscal integrity. I urge you to allow PHEAA to continue to advance technologically, provide more information and training, work more closely with secondary students and provide funding where it is most needed, to ensure students have access to quality education.

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## Keystone Family of Student Loan Programs

As the cost of higher education continues to increase, it is evident that students are relying more and more on student loans. Therefore, we believe that finding a way to cut the cost of borrowing is the fastest way to create more affordable options to help our students pay for the costs of school. We have done just that through the implementation and continued expansion of our Keystone Family of Student Loan Programs. Through the programs, we pay the cost of discounting student loans through various financing means at no cost to state or federal taxpayers.

In 1995, PHEAA introduced its Keystone Stafford Student Loan Program to offer students from families with incomes below \$21,000 a two percent reduction in the up-front fees, from four percent to two percent of the total loan amount. By paying fees on behalf of the student, we provide them with more of the loan proceeds to cover their immediate education expenses. After a borrower makes 36 consecutive on-time monthly payments, PHEAA will cut the student loan interest rate by one percent.

For the 1996-97 school year, PHEAA implemented the Keystone Direct<sup>SM</sup> Stafford Student Loan Program, which is available to all students regardless of their family income. Through this program, PHEAA reduces the students' up-front fees by one percent, from four percent to three percent of the total loan amount, and reduces the interest rate by one percent when students make their first 36 monthly payments on time. Keystone Direct loans are available to Pennsylvania residents attending school at any USDE approved institution anywhere and any U.S. resident attending school in Pennsylvania.

This year, PHEAA entered into a joint effort with Sallie Mae to offer Keystone Rewards<sup>SM</sup> for the 1997-98 school year. The new student loan program is a combination of PHEAA's Keystone Direct Stafford Student Loan Program and Sallie Mae's Great Rewards<sup>®</sup> and Direct Repay<sup>SM</sup> Programs. Keystone Rewards will offer Pennsylvania students a one percent discount in their up-front fees, a reduction from four percent to three percent of the total loan amount. In addition, borrowers will be eligible for a two percent reduction in their student loan interest rate after making their first 48 payments on time and an immediate one-quarter percent reduction in their interest rate if they enroll in a program to have their payments automatically



withdrawn from their checking or savings account. In all, a typical borrower with \$10,000 in eligible student loans can save as much as \$885 through Keystone Rewards over the life of the loans.

Key to our new venture with Sallie Mae has been the support of Pennsylvania lenders and the student financial aid community. We have structured the program based upon input that we solicited from both schools and lenders to ensure that our students have access to this superior loan program. Any lender serving Pennsylvania students can participate in Keystone Rewards.

However, our efforts to discount federal student loans are limited by federal law. Chairman Goodling, I thank you for introducing legislation to clear the way for PHEAA and all lenders to offer these important discounted student loans to students. I would like to once again take the opportunity to detail our difficulty with current statute for the benefit of the entire committee.

The USDE charges students a three percent origination fee on student loans to help offset the costs of the student loan program. Federal law currently permits lenders to pay the origination fee for borrowers in the Subsidized Stafford Loan Program but does not permit this payment for borrowers in the Unsubsidized Stafford Loan Program. Right now, this law interferes with our ability to provide the benefits of Keystone Stafford Loans to students from families with incomes less than \$21,000. If a student qualifies for the program, but does not qualify for a subsidized student loan, we can only provide them with a one percent discount in their up-front fees. I believe that if a lender is prepared to make payments on behalf of students, they should have the ability to do so and I urge all of you to once again support Chairman Goodling's effort.

The implementation of our Keystone loan programs also has magnified the unnecessary restriction that prohibits a state agency to act as an escrow agent for loans made by the agency. This means that schools must use two separate fund transfer services from PHEAA to obtain loan proceeds for their students.

While we are working diligently to find ways to increase access to higher education through our Keystone Family of Student Loan Programs, it is imperative that we are not limited

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in our ability to cut the costs of borrowing on behalf of our students or to act as a lender if it means we can provide them with a lower cost loan.

At this time, I believe it would be appropriate to provide you with an overview of PHEAA's programs and services.

### **Student Loan Guaranty Services**

PHEAA insures loans for federal guaranteed loan programs in Pennsylvania, West Virginia and Delaware where PHEAA is the designated guarantor, and throughout the nation for a wide variety of loan programs. As a result of our continued focus on quality and efficiency, we maintain one of the lowest student loan default rates in the country and the lowest default rate among the largest guaranty agencies. This year we achieved record results when our cohort default rate dropped to 3.5 percent and our default trigger rate was under 1.6 percent. These numbers are before we initiate collection efforts, which include administrative wage garnishment, IRS tax offset and the use of both in-house and external collectors. Last year, while we paid \$115 million in default claims, through our collection activities we collected \$123 million.

Our guaranteed student loan volume continues to grow despite the implementation of the Direct Lending Program. During the past ten years, the value of federally guaranteed student loans has more than tripled from about \$600 million in 1984 to over \$2.2 billion today. Since the program's inception over thirty years ago, more than six million loans have been guaranteed by PHEAA. Our record of success is most clearly demonstrated by the fact that PHEAA has maintained more than 90 percent of its guaranteed student loan volume while continuing its strong relationship with Pennsylvania's schools.

PHEAA's guaranty services include timely loan approvals, complete processing of loan applications and escrow services for schools and lenders through the PHEAA Fund Transfer Services. And when borrowers enter repayment, the Agency maintains borrower repayment files, counsels borrowers through aggressive preclaims assistance programs, consolidates federal guaranteed student loans and maintains comprehensive default collection services.

### **Student Loan Servicing**

Building on its record of success in Pennsylvania, PHEAA's operations serve a large clientele of lenders and secondary markets across the country. Through the Student Loan Servicing Center (SLSC), PHEAA provides a variety of products and services for 48 different loan programs made under 39 different guaranty and private insurance programs. The total assets managed by the servicing center have expanded rapidly over the past seven years, growing from \$3 billion to more than \$10 billion today. An additional \$3.5 billion is managed through the Agency's remote services program, which offers time-share agreements to student loan services nationwide.

PHEAA's SLSC provides full life-of-loan services from origination through repayment. Origination services include all functions related to disbursing the loan proceeds to schools and students. Post-disbursement loan servicing includes comprehensive toll-free telephone access for all students and schools, debt management counseling, default prevention programs and loan consolidation services. These programs are designed to assist students with the repayment process while preserving the integrity of the student loan programs.

### **Automated Financial Aid Processing**

In order to provide prompt guarantees and other financial aid assistance, PHEAA operates automated financial aid processing systems, through direct data link or personal computer for nearly 400 institutions. The services, which are used to deliver \$1.4 billion in federal, state and institutional aid to 500,000 students, are estimated to save schools nearly \$24 million in administrative costs. Our software programs allow for timely guaranty approval, need analysis calculation, financial aid packaging and other automated student aid delivery services.

PHEAA distributes software programs and support to 350 middle, junior and senior high schools, as well as higher education career centers and libraries, to encourage and increase our students' pursuit of higher education. The Agency also is implementing a new early awareness program to promote higher education planning among the states' 170,000 seventh grade students and their parents.

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### **State Grant Program**

PHEAA administers the fourth largest needs-based state grant program in the nation. In fact, just this month, we awarded our \$3 billionth since the inception of the program in 1966.

For the 1996-97 fiscal year, \$233 million was appropriated by the state for a projected 141,000 grants to students. The program serves full-time undergraduate students for up to five years, depending on the requirements of their program of study. PHEAA also has fully integrated part-time students into the program by offering them half the full-time grant. Funding for this program has more than doubled over the past ten years, which has increased the number of grants available by nearly 30,000 and doubled the average grant from \$851 to more than \$1,900. Since PHEAA pays for the administration of the program, all funds appropriated by the state go directly to students.

### **Job Creation**

As we've expanded our financial aid operations, PHEAA has become a major economic force for the local economy. In just the last ten years, PHEAA has grown from a workforce of 1,200 to 2,300 today.

### **Reauthorization Should Provide Flexibility**

I am attaching a listing of specific issues PHEAA would like you to address in the reauthorization of the Higher Education Act to provide us with the important flexibility we need to serve our students.

*Use of the FAFSA as the application for the Federal Family Education Loan (FFEL) Program: (483(a)(1)) and (484(a)(4)) and (428(a)(2)(i)).* This would allow for a simple and streamlined application process for both students and schools. The statute would have to be amended to remove language requiring a separate and identifiable application for FFELP as well as repeal language concerning filing of a borrower's information on cost of attendance, anticipated financial aid and affidavit of education purpose with a lender.

*Use of Escrow Agents: (428(f)(1)).* The law currently prohibits a state agency from acting as an escrow agent for loans made by the agency. Elimination of that language would assist in the streamlining and efficient management of student loan funds.

*Electronic Forms and Signatures:* Permitting the use of electronic signatures will further streamline and add efficiency to loan program administration. This too will expedite the use of electronic forms (483(a)). Electronic forms will reduce paperwork and applicant error, and will expedite the submission and processing of student aid applications.

*Standardization of loan consolidation: (428C).* The law concerning the FFELP consolidation program and the direct lending consolidation program are vastly different. These differences should be eliminated to best serve borrowers within both FFELP and the Federal Direct Student Loan Program (FDSLSP). Those areas include:

1. Two-way consolidation (428C(a)(4)) – The Student Loan Reform Act of 1993 contained language allowing FFELP borrowers to consolidate into FDSLSP but not FDSLSP into FFELP. This was due to the foundation being the complete transition of the FFELP into FDSLSP. Now it is clear that both FFELP and FDSLSP will coexist indefinitely and competition between those programs will continue. With that, there is a clear need to ensure that borrowers have the option to consolidate either through the FDSLSP or the FFELP. The need becomes more critical as the number of direct loan borrowers transfer to FFELP participating schools or to accommodate those who are attending schools once participating in FDSLSP but have since dropped out of the program. Borrowers must be permitted to choose under which program they want their loans consolidated.
2. Borrower eligibility (428C(a)(3)) – With regard to a defaulted borrower consolidating loans in order to remove the default, PHEAA believes it is reasonable to require a borrower to make a minimum of six consecutive payments prior to allowing the consolidation. This will allow the borrower to establish a consistent repayment history, begin a habit of making payments and avoid an inevitable "re-default" if the borrower does not have the ability to repay a higher balance consolidation loan.
3. Subsidy on loans: FDSLSP consolidation loans retain borrower eligibility for interest subsidy for all of those loans included in the consolidation which were originally subsidized. In FFELP, if the consolidation loan includes any loans other than subsidized Stafford Loans, the borrower loses the deferment subsidy on the entire

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consolidation package. Language in Section 420C(b)(4)(C)(ii) must be amended to allow borrowers to retain their underlying subsidies. This would simply provide FFELP borrowers with equal benefits under the consolidation program. Holders would continue to track the subsidized and unsubsidized loans separately, however, the borrower would be able to retain the interest subsidy when entering into any authorized deferment.

4. **In-School Consolidation:** Students who are in school often do not know what financial position they will be in when it is time to begin repaying their loans. They have yet to know how much they will borrow in total, if they will eventually transfer to another institution, or what their employment outlook and pay level will be. Loan consolidation has both advantages and disadvantages which will vary depending on the student's situation. Therefore, students should wait until they are ready to enter repayment to determine whether or not loan consolidation is in their best interest. It should be noted that Congress never expressly authorized in-school loan consolidation. In fact, in-school consolidation is clearly not permitted in FFELP. The lack of statutory specificity with respect to direct loan consolidation has led the Department to pursue this strategy to bring more FFELP volume into the direct program.

*Deferments (428 (b)(1)(A)):* Currently under FFELP rules, deferments are borrower-based; however, under FDSLPL rules, they are loan-based. This leads to a borrower in FFELP being subject to an unrealistic rule. For example, if a borrower is unemployed, FFELP allows for a three-year deferment. If that borrower goes back to school, obtains additional loans and again is unemployed for any length of time, once the three years is used, that borrower can no longer obtain the deferment, even for new loans. That is not the case in FDSLPL. In FDSLPL, deferments are attached to the loan itself, not the borrower. Therefore, the borrower's new loans are protected. Currently, with the limited number of deferments available, and with many being based on conditions that can run quite a bit longer than the designated three-year time frame, it is time for Congress to rethink the time limit. Perhaps it would be better to limit the time for payment of interest subsidy for those deferments. After all, if a borrower is unemployed for three years and six months, he is not any better able to repay for those six months than during the previous three years. The deferment of principal should run as long as the condition exists. However, the government's payment of interest subsidy during the deferment would be limited for a period not to exceed three years.

*Institutional choice:* It is clear that there will be two loan programs for the foreseeable future. That has been clearly recommended by the Advisory Committee for Student Financial Aid as well as many institutions of higher education. With that, schools have indicated a desire to maintain their ability to choose the program that works best for their students and institutions. Therefore, all language within the statute pertaining to "transition" to the direct loan program should be deleted. The Act now allows the Secretary to make decisions about FFELP solely on the basis of a full transition to direct lending. That clearly is no longer a sound foundation on which to make policy decisions since the programs will co-exist for some time.

*Retention of Current Interest Rate Calculation (427A (h)):* The change within the current statute set to take place in 1998 will cause substantial risk in the loan program for those who own these loans. This risk will not result in any substantial benefits for students, on the contrary, it may result in additional costs. The interest rate change currently in the statute should be removed and the calculation utilizing the 91-day Treasury Bill should be retained. Retention of the current interest

calculation for FFELP loans will, according to the Congressional Budget Office save up to \$2 billion over 6 years. This savings can be used to provide real savings for students.

*Elimination of Prorated loan limits (428(b)(1)(A) and 428H(d)(2)):* Current law requires the proration of loan limits for students enrolled in programs of study that are less than an academic year in length as well as for programs longer than an academic year with a remaining portion that is less than a full academic year. This requirement has caused confusion and increased the complexity of the program for both educational institutions and students. The recommendation here is to repeal the requirement for prorated loans but only for programs of more than one year in length.

*Repayment options (428(b)(1)(D)):* The FFELP rules have maintained a 10-year maximum repayment term since inception. This rule worked before loan limits were increased and fixed interest rates were replaced with variable rates. This limitation also hampers FFELP providers in offering the most flexible repayment terms for borrowers. Income-sensitive and graduated terms are available in law, however, providers are unable to do the most they can by such restrictions as the "three-times rule" (a single payment cannot exceed an amount that is triple any previous payment regardless of how a borrower's financial circumstance may change), and the 10-year term. More flexible repayment terms are needed in FFELP. One recommendation is to offer terms similar to those in the Consolidation program without forcing a student to actually go through the consolidation process. When a borrower consolidates, some benefits are lost plus the interest rate changes. We would like to see the borrower's repayment term determined by their level of indebtedness regardless of whether or not a borrower chooses to consolidate. PHEAA believes that the Income-Contingent Repayment option currently available in FDSLIP actually provides disincentives to borrowers to repay their loans. While this program will assist a limited few, overall, borrowers will fall into greater debt with high levels of negative amortization. This program also costs the tax payers as it contains a forgiveness feature after 25 years of repayment status. PHEAA believes a more flexible term based on the borrower's debt level will allow the lender to assist the borrower as his/her financial situation changes and will encourage payment as well as impose no obligation on the tax payer.

*Regulatory Relief:* Providing for regulatory relief and simplification for all program participants is necessary to reduce the micro-management of the program and to ensure the best service and products for borrowers, their families and educational institutions. PHEAA prides itself on its innovation and foresight in its efforts to provide low cost, streamlined services to borrowers while maintaining the integrity of the programs and the federal fiscal interest within the FFELP. The ability to provide innovative and customized services is hampered as a result of over regulation. It is important that the negotiated rulemaking process be utilized for any new legislative initiatives instituted as a result of this reauthorization.

*Borrower Benefits:* As indicated above, PHEAA works diligently to offer the best for students and their families. One such example of that is PHEAA's Keystone Programs. These programs offer substantial benefits to students and allow them to retain more of their loan funds up front to assist in the payment of college expenses. These programs also offer a benefit for consistent on-time payments once the borrower is in repayment in the form of an interest rate reduction. As the cost of higher education continues to rise, students are relying more and more on student loans. Therefore, it is imperative that lenders and holders be given the opportunity to offer these programs. The Higher Education Act allows payment of origination fees on behalf of borrowers for the subsidized Stafford Loan Program in FFELP. However, due to a technical oversight, the

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same opportunity is not permitted in the unsubsidized program (428H(f)(1)). Last year, a bill to correct that inconsistency made it almost unanimously through the House of Representatives showing clear bipartisan support for this effort. This correction can easily be made in this reauthorization process.

*Simplification:* Many of the recommendations in this letter will enhance simplification of the program. Another is the use of the Master Promissory Note. This would allow borrowers in programs of more than a year in length to sign only one promissory note for multiple years of borrowing (435(e) and 432(m)(1)). This would be another step in streamlining the loan process for both the student and the school. This will reduce paper requirements, provide faster turnaround within the loan process while maintaining all elements to insure program integrity. This proposal, along with a draft form and implementation guide has been provided to the U.S. Department of Education for review.

Another area that could be adjusted for simplification is that of overawards. Currently, if a borrower has a loan (FFELP or FDSLIP) and receives Federal College Work-Study, there is a \$300 overaward tolerance. Meaning, no funds would have to be returned and the borrower's financial aid package would not have to be adjusted. There would be no interruption to the student's financing stream. PHEAA feels that overaward tolerance should be in place regardless of the type of aid that makes up the financial aid package. This again would allow for a more streamlined process across the federal programs and reduce burden on both the student and the institution (428G(d)(2) and 443(b8)(4)).

*State Risk Sharing (428(n)):* The statute currently contains a provision requiring states to bear the cost of those schools located in the state with default rates over 20%. The cost is calculated by a formula that may result in extensive losses for a state. Regulations have yet to be promulgated since the implementation and enforcement of this statute is extremely difficult, and costly and unfair to the states. There are many unanswered questions, such as what is the procedure should the school in question close? PHEAA feels this provision should be deleted from the statute since it would only increase the cost of the programs and in turn have the potential to decrease available funds for various grant programs now under the purview of states.



Chairman GOODLING. Mr. Waldner.

**STATEMENT OF GEORGE W. WALDNER, PRESIDENT, YORK COLLEGE, YORK, PENNSYLVANIA**

Mr. WALDNER. Thank you.

My name is George Waldner, and I am the president of York College of Pennsylvania, which is an institution located here in York, Pennsylvania. We have 3,000 full-time students, and 1,500 part-time students.

It may be of interest that York College scored in the top 25 percent on program quality of the regional liberal arts colleges included in the latest U.S. News and World Report survey. With 1996 and 1997 tuition at \$5,525 and tuition fees, room and board at \$9,890 for the year, York College provided that level of quality at a lower cost than any other private sector college in the north-eastern quadrant of the United States.

Our charges are equivalent to Pennsylvania's State-related universities, which in addition to what students pay, received tax subsidization of more than \$4,000 per student.

Economics 101 tells us that there are three values or goals to maximize simultaneously in the provision of higher education. They are quality, efficiency, and access. The experience of the century since Adam Smith identified the invisible hand of the marketplace, and especially the recent dramatic confrontation between free enterprise and socialist systems since World War II, has demonstrated conclusively that marketplace competition is much more likely to produce maximizing behavior than the practices of institutional subsidization, State monopolies, and bureaucratic control.

The thrust of my remarks is simply that this lesson be taken to heart and applied to the extent feasible in both Federal and State level policies related to higher education. In my written testimony, I would begin by commending Federal financial aid policies for reflecting the marketplace principle of helping students and families rather than subsidizing institutions, which is unfortunately the theme of much state level policy and funding.

What I request for consideration during the Federal reauthorization process, however, is enhanced funding for the Federal student aid programs, to make up for a significant erosion of their real value in the last decade or so.

York College is particularly impressed with the so-called campus-based programs, which I gather has been a theme of this morning's activities. SEOG, college work-study, and the Perkins loans are all examples of such programs that have cost-saving features and cost-sharing features, which incent the colleges to be careful stewards of the money that they are contributing to those programs as well as the Federal dollars involved.

The other general request is for Federal initiatives via the reauthorization process to encourage States to move in the direction of student-focused financial aid. In Pennsylvania, of \$1.5 billion spent per year to fund higher education, less than 15 percent is actually drive by student and family need. The remainder takes the form of subsidies.

Governor Ridge has, however, given student-focused aid top priority in his budgets by increasing PHEAA funding to a much great-

er extent than the institutional subsidy lines. Governor Casey did that as well, and we applaud that new direction in Pennsylvania State policy.

The financial aid staff at York College would have several specific requests with regard to procedures for processing student loans, and I would just mention those four.

These all relate to the points that some of my colleagues made about crafting regulations to pick out high risk institutions for greater scrutiny as compared to lower risk institutions, and not overburdening those who are already doing a good job.

We would suggest that for schools, whether public or private, with low student loan default rates, that the following forms be instituted. One, that the entrance and exit interviews should be restricted to students at those default institutions, who themselves have some indication of being a high risk for default.

And those factors that I would think of logically would be number one, how is the student managing his or her account with the college. If the student is not keeping his account up to date with the institution, that student might well be a candidate for even a more extensive interview process than the current law provides for all students.

And second, whether the student has a relatively weak academic record, and therefore might encounter some difficulties in making his or her way in the world.

The second reform that we would ask for is that right now there is a serial disbursement requirement for all loans. And that makes sense in the course of an academic year, giving a portion of the loan for the fall semester, and a portion of the loan for the spring semester.

But the serial disbursement requirement also applies to semester length loans. So that the financial aid staff is required to make several disbursements of the money, even within the context of one semester. This seems to be a needless duplication of effort.

The third request that we would make is the elimination of the 30 day delay on disbursements for new students. Right now, new borrowers, even at low default institutions, have to wait an additional 30 days to get their loan funds. Many times those loan funds are used to pay for housing expenses that may well not even be on the campus. And so it creates an undue hardship on those new borrowers to have to wait an additional 30 days.

The fourth request is a simplification of refund policies and procedures. My financial aid staff tells me that right now sometimes it is required to do four different calculations for a given student refund to find out which would be the most applicable to that student's case. It seems to me logical that some simpler method for calculating refunds could be instituted.

In closing, may I say how important the Federal role is in making high quality higher education accessible to academically qualified students who need financial help to attend.

The general policy solution for quality, efficiency, and access is focusing tax dollars on students and their families. Thus, the forces of the marketplace are fully unleashed, so that colleges, whether public or private, have to scramble to deliver what students and families demand of higher education.

By focusing tax dollars on academically able but needy students, many of whom are members of middle class families, maximum access is attained per tax dollar spent.

However, to attain quality, efficiency, and access, education policies at all levels of government must turn away from further blanket subsidization of public institutions. Subsidies lead to institutional inefficiency, non-need based transfer payments, and less than optimum access per public dollar spent.

What we need is a competitive mixed system of higher education where students and thus student aid flow to the institutions that are meeting the needs of students, as they prepare for their future careers.

Thank you very much.

[The prepared statement of Mr. Waldner follows:]

Statement of Dr. George W. Waldner  
President, York College of Pennsylvania  
to the  
Committee on Education and the Workforce

January 28, 1997

Located in South-central Pennsylvania, just north of Baltimore, York College is a private sector, independent college of 3400 full-time and 1500 part-time students. The curriculum emphasizes practical majors designed to prepare students for employment and professional careers. Popular and growing fields include nursing, business administration, criminal justice, engineering, computer information systems, and education. Several arts and sciences majors also attract substantial enrollments, especially psychology and biology. York College scored in the top 25% on program quality of the regional liberal arts colleges in the latest U. S. News and World Reports survey. With 1996-97 tuition at \$5525 and tuition, fees, room and board at \$9890, York College provided that level of quality at a lower cost than any other private sector college in the northeastern quadrant of the United States. Our charges are equivalent to Pennsylvania's state-related universities, which, in addition to what students pay, receive tax subsidization of more than \$4000 per student.

As Chairman Goodling will confirm from his own background and experience, the people of York County place great stock in combining quality and efficiency. Indeed, that is what they expect of academic leaders as well as public officials in the provision of higher education opportunities. I believe that education policies, Federal and state, need attention in a number of areas to attain more fully the twin goals of high quality and moderate costs.

In terms of financial aid procedures, a number of enhancements can be readily identified. First, however, I would comment that Federal policies are to be commended for focusing aid on

individual students and their families. This student focus is in sharp contrast to the continuing practice of many state level policies, which subsidize public institutions rather than focusing aid on students. Such policies, by extension, penalize private sector initiative in higher education and transfer tax dollars without any means testing of the need of the recipients and their families. The problem with Federal financial aid policies, on the other hand, is that the real value and contribution of Federal aid has been shrinking for well over a decade, even as more families need more help in affording collegiate level study.

My principal request and hope in reauthorization is for greater support for the so-called campus-based programs, for example, SEOG, College Work-Study, and Perkins Loans. These programs require matching funds from institutions, and they are also clearly student and family focused. The institutional match helps ensure careful allocation of these resources. The student and family focus incents colleges and universities to do a good job in meeting student needs, rather than having the luxury of relying on automatic subsidies.

A second request is for a serious exploration of ways for Federal policy to encourage state governments to move more decisively in the direction of student-focused aid. Here in Pennsylvania, Governor Ridge's administration has made a good start on embracing the student-focused philosophy. The Pennsylvania Higher Education Assistance Authority (PHEAA) grants have received top priority in the Governor's budgets. These grants go to academically qualified students who demonstrate financial need, regardless of whether they choose to attend a public or an independent college. Colleges, therefore, have to compete to attract these PHEAA eligible students, thereby mobilizing marketplace forces in support of both excellence and access. Other states should be encouraged to follow and greatly extend Pennsylvania's preliminary moves away

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from greater and greater state subsidies to the public sector institutions. In this way scarce and precious tax dollars can be focused on student needs via the power of competition. In the process, we shall be able to get away from the inefficiency, rigidity, and comfortable mediocrity so often associated with public entities and especially state monopolies. America is blessed with thousands of private sector colleges and universities, built and supported in large part through private philanthropy. My request is simply that ways be explored to encourage and extend private sector initiative in higher education, rather than stamping it out through state-level practices which render the private colleges uncompetitive from the consumer's standpoint, but policies which are actually wasteful of taxpayers' dollars.

In the category of administrative procedures for Federal financial aid policies, we at York College would have a number of specific requests:

- 1) For schools with a low default rate (e.g., under 10%), amend the current requirement of holding entrance and exit interviews with all student loan borrowers. Personal counseling sessions could be held only with students who show potential repayment risk, such as tardiness in paying the school's charges or relatively low academic standing. Meeting with all new and exiting borrowers requires many hours of administrative and staffing time. Students also find the two sessions (entrance and exit) to be tedious and repetitive.
- 2) Currently, all student loans must be serially disbursed. This makes sense for a loan term of the entire school year. However, if the loan term is for one semester, this requirement does not make sense. Students must wait for funds until the middle of the semester to pay for that semester's charges.

- 3) For schools with a low default rate, eliminate the 30-day delay on the first disbursement to new borrowers. This requirement also puts a burden on the student, since funds are received after many charges have been assessed. Determining the status of new borrowers and ensuring proper disbursement present many administrative and system problems.
- 4) Simplification of the refund policies. For some students, up to four different refund calculations are required. Fairness to the student is the goal, but with such a complicated system and its potential for error, the goal may not be reached.
- 5) The Federal Direct Student Loan Program has brought market competition and efficiencies to the student loan process. Continuing to offer both the Ford Direct Loan and the Stafford Loan programs provides students with improved customer service and greater options for repayment.
- 6) As a result of the current need analysis formula, many families feel they are being penalized for saving and working. Families who have sacrificed and saved over the years, see other families who have not been so frugal, receiving aid when they are not. This perception is difficult to overcome. Excluding an amount of student savings from the need analysis formula (e.g., \$5,000) would serve to encourage savings. The proposed \$10,000 tax deduction would also help families send their children to college. Other vehicles, such as an education savings account, similar to an IRA may also be helpful.

In closing, may I say how important the Federal role is in making high quality higher education accessible to academically qualified students who need financial help to attend. The

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general policy solution for both quality and access is focusing tax dollars on students and their families. Then, the forces of the marketplace are fully unleashed, so that colleges, whether public or private, have to scramble to deliver what students and families demand of higher education. By focusing tax dollars on academically able but needy students, many of whom are members of middle class families, maximum access is attained per tax dollar spent. However, to attain quality and access, education policies at all levels of government must turn away from further blanket subsidization of public institutions. Subsidies lead to institutional complacency, non-need based transfer payments, and less than optimum access per public dollar spent. What we need is a competitive, mixed system of higher education, where students and thus student aid flow to the colleges and universities that are meeting the needs of students as they prepare for their future careers.



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 York, Pennsylvania 17403  
 Telephone: 717-848-1711 Home  
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Date of Birth: May 12, 1946

**EDUCATION**

- Ph.D. in Politics - Princeton University  
 Dissertation: "Japanese Foreign Policy and Economic Growth"
- Certificate - Inter-University (Stanford) Center for Japanese Studies, Tokyo, Japan  
 Advanced Written and Spoken Japanese Language
- M.A. in Politics - Princeton University  
 General Examination Fields: International Relations Theory and Methodology; Comparative Politics; East Asian Area Studies; Special Field - Japanese Politics and Foreign Policy
- Summer Studies - Columbia University  
 Introductory and Intermediate Japanese Language
- A.B. in Government - Cornell University  
 Special emphasis on politics and economics of developing countries

**PROFESSIONAL EXPERIENCE**

- 1991- President  
 YORK COLLEGE OF PENNSYLVANIA  
 York, Pennsylvania 17405
- 1987-91 Vice President for Academic Affairs (Senior Vice President) and Professor of Political Science  
 WILKES UNIVERSITY  
 Wilkes-Barre, Pennsylvania 18766
- 1973-87 Provost and Faculty Member in Political Science  
 OGLETHORPE UNIVERSITY, 4484 Peachtree Road, N.E.,  
 Atlanta, Georgia 30319

**SELECTED PUBLICATIONS AND PAPERS**

- "Liberating Students for Liberal Learning: Addressing Career Concerns Through Planning," Association for General and Liberal Studies, 28th Annual Meeting, October 1988.
- "The Japanese Response to Foreign Pressure to Liberalize Access to the Japanese Market, 1958-60," Presented at the Association for Asian Studies, Southeastern Conference, January, 1984.
- Japan in the 1980's, editor and contributor, Southern Center for International Studies, Atlanta, 1982.
- "Trade Liberalization and Japanese Politics," Proceedings of the American Political Science Association, 1976 Annual Meeting.

**MEMBERSHIPS/BOARDS**

- Board of Trustees, President, Historical Society of York County  
 Board of Directors, First Capital Compact, York, PA  
 Rotary Club of York, York, PA  
 Japan Society, Inc., New York  
 Princeton Club of New York  
 International House of Japan, Tokyo  
 Board of Directors, Health Education Center, York, PA

Wife: Judith                      Daughter: Lizanne, Student at Princeton University

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ORK COLLEGE OF PENNSYLVANIA

Schedule of Federal Awards

Year ended June 30, 1995

	CFDA number		1994-95 Federal expenditures	
Federal Grantor/Program Title				
Major Program:				
Student Financial Aid:				
U.S. Department of Education:				
Perkins Loan Program:				
Student loans advanced	84.038A	5	4,976	11
Administrative cost allowance			13,420	1
			18,396	2
College Work-Study Program:				
Student wages	84.033A		77,886	8
Supplemental Educational Opportunity Grant Program:				
Student grants	84.007A		97,392	11
Pell Grant Program:				
Student grants	84.063P		761,264	7
Guaranteed Student Loans	84.032		-	
U.S. Department of Health and Human Services:				
Nursing Student Loan:				
Student loans advanced			-	
Total federal assistance		5	954,938	10

See accompanying notes to Schedule of Federal Awards.

Direct Loan Volume . . . . . N/A \$8,4

Chairman GOODLING. Thank you.

A couple of quickies that I have. You mentioned SPRE. You have to understand that I was to speak to the higher education people the day after the Speaker spoke to them. The Speaker unfortunately, without saying anything to me, told you that he agreed with you that we should get rid of SPRE. And the next day, I arrived there. And I said well, you have already heard it, and that is not what I was going to say to start with. Nevertheless, we took care of it in the Careers Act. The Careers Act, of course, as we got closer to the election, all of a sudden, the conference agreement fell apart, even though it had tremendous bipartisan support. So we will go back and take another look at SPREs.

I want to focus on two areas. One, as I indicated earlier, was the issue of cost. Because we really have to deal with that issue. And the second, and I do not even know that we have a role in this, and thank goodness, that all of the institutions in my district are not part of this, but I get so upset with the role models that we are producing at some colleges and universities.

Because if we are going to fall from within, and that is where we will fall if we fall, we need those role models to be different. So when I am watching all of these games on January 1 and 2, and so on, I want to cheer for this team. I cannot cheer for that team, because a little girl sat in front of our committee indicating how she was raped, and the school did nothing about these two star athletes.

And I was going to cheer for this team, and that coach who I had great respect for was going to save this one individual, which did not work, of course, and set a terrible example for everybody else.

I had to wait until Penn State played, and then I could find a team that I could get behind. Fortunately, we do not have the tail wagging the dog in the 19th District institutions of higher education. And I do not know whether we have a role in that. But it seems to me somehow or other that we have to give strength to the backbone of college presidents and others, who get bombarded by those who contribute to the athletic efforts.

The worse one recently happened, not the worst one, where the coach finally took action. I do not remember, it was Idaho or someplace. Here was this magnificent athletic committee, I think that they were called. And they overruled the coach, so that the star could play in the next night's big basketball contest that they were having. What a tragedy. But again, I do not know what our role is in that, but maybe it should be something.

Another area to comment on. My hope was that the President would not make these big announcements tomorrow until we had as a committee an opportunity to sit down and review all of them.

As you know during the campaign, every stop that anybody made, they talked about education. I am hoping that our committee can sit down just in an informal setting and talk about what works and what does not work.

I wrote to the President last week and said if you have a free hour sometime, I would love to sit down with you and talk about education.

Hope is a concern that we are going to have. Again, we have to be very, very careful with our limited resources how far we try to

spread this kind of help. It would be ideal if we had the resources to spread it.

I also have some real concerns about a B average, and who makes that determination. Does that encourage more B averages? You would hope not, but does that encourage more B averages than are really out there. And a B average in the freshman year is probably the most difficult time as these kids are trying to adjust.

These are some of the things that I hope as a committee that we can sit down, as I said, in an informal session, and just talk about all of the different issues. If we spent \$150 billion on readiness programs and remedial programs, but we do not have them ready to read at the end of third grade, do we not have to look and see where we went wrong with all of those programs that we already put \$150 billion into?

Those are just some thoughts I had, not questions. I had to laugh, I suppose. I was sitting at a dinner not too long ago. And I said to the gentleman sitting to my right, "Well, maybe we should be thinking not in terms of default rate, but maybe we should just be thinking in terms of how many graduated, how many got jobs in their field, and how many still had those jobs six months later."

Well, apparently, that message was passed around. Because Sally and others got all sorts of telephone calls saying what are you doing, what are you doing, what are you doing. Apparently, there is a difference of opinion out there as to whether default rate is the big issue, or what the child or the student has gotten is the big issue. But we will be visiting that also as far as proprietary schools are concerned.

That is just a couple of comments that I wanted to make rather than questions that I wanted to ask. I appreciate the fact that the two of you presented together, and gave us a lot of good suggestions, all in one paper. Although someone may say hey, that is not competitive there. They are joining together.

I think that we were accusing the Ivy League of a little of that, it seems to me, just a couple of years ago. Maybe we are still investigating it, as a matter of fact.

Mr. FRITSCHLER. It is the only thing that we have ever done together.

Chairman GOODLING. Mr. Fattah.

Mr. FATAH. Thank you, Mr. Chairman.

Let me visit this issue of the regulatory burden, as it relates to cost increases. We have heard from a couple of different people. If I could just dig into it for a minute. Maybe I will ask Dr. Waldner.

At your school, you said that the regular increase has been held to what, over the last five years?

Mr. WALDNER. I said that the tuition fees and room and board is just under \$10,000.

Mr. FATAH. But the increase.

Mr. WALDNER. It has varied widely. It has been very low in dollar terms, of course, because our base is low to begin with. But it has probably been in the 5 to 6 percent area.

Mr. FATAH. And do you attribute any of that to regulatory compliance issues?

Mr. WALDNER. Some of it. I singled out four things which I think are a burden.

Mr. FATTAH. A significant part of it, or an insignificant part of it?

Mr. WALDNER. I would not be able to quantify it.

Mr. FATTAH. Could you maybe help the committee? One of the things that is happening with private independent colleges is that a larger share of the institution's resources have been going to financial aid. You are competing for students, students who are shopping around.

Has that been your experience at your school?

Mr. WALDNER. We are spending more money on financial aid for students. Because, basically, a lot of students who do not show need end up in the public sector these days, because they can get non-need-based subsidization through the State system that they cannot get in the private system.

Mr. FATTAH. I am trying to understand the numbers at your school.

Mr. WALDNER. Yes.

Mr. FATTAH. Could you tell us 10 years ago, five years ago and now, in terms of dollars, or a percentage increase, how much of your institution's own dollars you shifted to financial aid?

Mr. WALDNER. We probably doubled our institutional financial aid expenditures in the last five years.

Mr. FATTAH. Doubled?

Mr. WALDNER. Yes.

Mr. FATTAH. We can see that across many of the private institutions.

Mr. WALDNER. I believe that is true. I think that it is a national trend.

Mr. FATTAH. Now, President Ceddia, it is good to see you again.

Mr. CEDDIA. It is good to see you again.

Mr. FATTAH. You talked a little bit about the fact that you think that we should have this differential application of regulations based on how well a school is doing. I think that makes a lot of sense. And hopefully, we can find a way of dealing with that.

You are at a public university here in the State. And one of the issues that is going to come up, I think as we go through this issue on higher education, is whether or not a devolution of the regulatory process should impact on some of these Federal aid programs: that is to say take some of these dollars and give them to the State, give them to PHEAA for instance to administer, rather than the Federal Government being involved.

Now that would seem to raise a number of issues. But I would be interested. Nobody commented on it at all, and it is kind of out there. The President obviously is moving in a different direction. He has announced today that he wants to increase the Pell Grant. And I know that you mentioned that in your testimony. That suggestion is going to be laid out in his budget next week, a \$3,000 maximum, not \$4,000. But anyway, I would be interested in this whole issue of Federal versus the State block grant approach.

Mr. CEDDIA. Well, I think first of all that I was really a fan of the Pell legislation when it was first initiated. Having spent several years earlier some time in financial aid way back when, the Pell Grant seemed to me, if it were fully funded, would allow for

the differentiation of student needs to be recognized in a much more consistent and realistic way.

If, for example, you were not to fully fund the Pell and provide State grants to agencies like PHEAA, on one hand, I would be very supportive. Because Mr. Hershock and his staff do a wonderful job of meeting the needs of the student in the Commonwealth. And also students at Shippensburg University.

Mr. FATTAH. But what if they changed the Pell Grant, the process to be more in line with PHEAA?

Mr. CEDDIA. I was going to get to that. That was my second point. On the one hand, I would be delighted. On the other hand, I would be concerned about what the criteria would be in association to those grants. If they were similar to the PHEAA distribution model that is currently used now, it might still be a hardship for some of the students in our sector.

Because the way that the distribution is now, our grants are less per student than in the private sector. And that has an impact, I think, on those students who have great need.

I am very concerned, regardless of what we do. I do not think that this is an issue of public versus private higher education, quite frankly, with all due respect. I think that it is an issue of our society. And that is what kind of a net do we provide, or what kind of a platform do we provide, for access to students regardless of income.

And I am terribly concerned about those students who are from situations where there are less dollars available, because that continues to be a significant barrier. Compounding that is more often or not they come from families who have not had experience with higher education, and that is really kind of the double whammy. So somehow we have to come up with a system that will provide for that.

Mr. FATTAH. I understand your concern. And I agree with you that there are issues within this that we have to be concerned about.

In relationship to access, the more we deal with choice and affordability issues, we may be allowing students who would have gone to one institution to go to another. But we may not be doing enough to bring students into the system who may not have those options available.

I want to ask one last question, Mr. Chairman, if I could, to Dr. Haaland.

Mr. HAALAND. Yes.

Mr. FATTAH. Your institution, could you respond to my questions around your increase in institutional aid for students over the last half of five years?

Mr. HAALAND. We have gone from \$3 to \$4 million to in excess of \$12 million that we return to students. Our increase in room and board and tuition in the last several years has been around 3.5 to 4 percent. Roughly a percent and a half of that goes directly into student financial aid.

Mr. FATTAH. So one of the big factors in the increased cost of higher education is the fact that in higher education that institutions have started to have to take more of their own dollars and provide it to aid students?

Mr. HAALAND. Absolutely. Beginning in the early 1980s, there was a much larger Federal and State presence, particularly Federal presence. Since those dollars were fixed in the Federal programs, as they were in those days, institutions have greatly increased the dollar amounts. We have, as I say, more than tripled ours.

Mr. FATTAH. I want to really make a couple of points. One is that I am sure that there is some burden for complying with regulations. I know we passed the law that requires schools to tell parents about the campus. There are a number of different issues that come up from time to time. But one of the reasons why costs are brought up is that schools are putting their money where their mouth is. If you know that students need help, and you are essentially shifting costs within the institution to help fortify students financially to be able to afford to be there.

Mr. HAALAND. You are exactly right.

Mr. FATTAH. Thank you very much.

Thank you, Mr. Chairman.

Chairman GOODLING. But I do not want you to just get off the hook with that last statement. Because, as we tell some of them in the ivory tower, get them out of the ivory towers and into the classroom, and that will reduce the cost. And again, that probably does not have much to do with schools in the 19th Congressional District. But in some schools, it does.

I did want, before everybody gets too happy about how rapidly we increase Pell Grants, to bring us all back to reality. Every time you increase the Pell Grant by \$100, you ask the taxpayers for 300 million additional dollars. So we know that it is not just so easy. We increased Pell grants for the first time last year in a long, long time, but it is a significant cost. I just want everybody to remain in a realistic world, and not get too carried away.

Mr. HAALAND. If I might, Mr. Chairman, make one comment.

Chairman GOODLING. Yes.

Mr. HAALAND. We find that we are able to help the neediest more easily than we can help those with only some need. And I know that this committee has been interested and concerned about that. Whether it is through taxation breaks or various things, I would encourage the committee to continue to look at that. Pell is not the simple answer to that question. There is a range of opportunities that we want to provide our Nation, in fact.

I think that the committee's concern over the so-called middle income folks or the lower middle income is a very important concern for all of us, as well.

Chairman GOODLING. Thank you.

Mr. Peterson had to be at the State College at about 3 p.m. I did not see this note until just now, so I did not get an opportunity to say thank you for coming. That is one less that I will invite to go to lunch, though. Mr. Petri

Mr. PETRI. Yes. Just one comment on some of the previous comments. I think this previous Congress under your leadership actually with a lot of bumps along the road ended up making more increases in real dollars than a lot of these programs were even requested by the administration, or had been improved by previous Congresses. That is sort of opposite to the public image.



But it is to your credit. I think that it is your quiet and effective leadership that hundreds of thousands of young people have access today that did not two years ago as a result of actions taken back in September of last year where we significantly increased funding for Pell Grant and work-study and particularly science.

It has not been heralded at all. It allayed a lot of fears before them. And it shows that when decisions were finally made, they were made in the direction that you have been pushing, Mr. Chairman.

Chairman GOODLING. Unfortunately, we have a Budget Committee and an Appropriations Committee who believe that they should be involved in policy. Then we have our committee who believes we are the policy committee. If we had the policy only in our area, I think that we could have less confusion for the public. I am working on that, but it is difficult.

Mr. PETRI. But I wanted to thank all of you, Dr. Fritschler especially for your comments on how to try to focus regulation to save both regulatory costs and regulated costs. Any specific ideas that you or your associations could have as this process moves forward for us and our staff and how we can do that, maybe we can end up with a small bill again instead of adding more pages. That would send a good signal as well.

I wonder if I could just spend a minute or two exploring with you, it has been talked about by Mr. Greenwood, and that is rising costs in education. Some deny it. But most public observers seem to feel that at least posted rates of tuition have been increasing faster than inflation.

We are trying to get a handle on that, and whether we are contributing to that, or if we are part of the problem. Or if there is some way that we can be part of the solution.

I was listening and listening to some of the factors that I think you and others have mentioned. Inflation is a reason that costs go up for everyone in this society. But secondly, our regulatory burden. Whether that is adding to the costs or not seems to be at issue.

Certainly, education tends to be more labor intensive than most things. I mean orchestras are going to cost more. Labor costs tend to go up a little faster. You cannot squeeze out in education and in say the performing arts labor the way you can in long distance telephone calls where you do not have operators anymore.

So relative costs will go up in labor intensive areas. And that may be a factor in education. Although in business where they do a lot of education of their work forces, they seem to use more technology than they do in traditional education.

Anyway I am interested in that or any other comments. One last thing. I have a sense that a lot of universities are raising the posted rate of tuition, that the actual sort of money yield from the whole student body is not going up nearly that much. Probably to game the system.

You get a certain percentage of tuition as paid by other people, scholarships or other things, so you can squeeze more money out of third parties in effect, if you have a higher posted rate of tuition. And probably cost shifting to the upper middle class, if you will, from the lower middle class.



So maybe real costs have not gone up, and maybe real tuitions have not gone up. But the posted rate of tuition has gone up faster than inflation.

How much is that a factor? And any other comments, I would appreciate it.

Mr. HAALAND. Sure. I would like the chance to take the first crack at that. To your latter question, it is the case in fact that we have returned to the students themselves some of that financial aid increase, or any increase that we have.

At Gettysburg, we spent roughly the amount of money that we collect. But, in fact, that is because we have other sources such as endowments and things that actually contribute mightily to providing that support. So even a student who pays full tuition is in fact getting those dollars worth.

But we have been much more conscious in the last half dozen years about that rate of increase. That rate of increase is partly driven, because we are in a research and development organization. Now let me say quickly that that is not that we are supporting the research actively, which we do have a lot of faculty members who are not in the classroom.

But our job for you and for the Nation is to make sure that our students graduate with an understanding of the whole set of issues. And let me just take technology briefly.

At Gettysburg, our students can connect their computers within their room to gain access to the Worldwide Web. We were on it before people knew what WWW stood for. It becomes an educational tool. No student should leave our institution without having use of a computer. Because that is what is demanded in this day and age for all of these people.

The amount of dollars that we invest in putting into the infrastructure of that local network, as well as keeping up with the network as well as the teaching of all of these things, is extremely expensive. And it is beyond the rate of the sorts of things that you can do in large classrooms with traditional distance learning.

It is not very useful to our students either if, for example, we are only dealing with computers that are four or five generations old. Because when they go out into the work place, or as a graduate of professional schools, that is not what they are going to be seeing.

So just on the technology side, our commitment, for example, to provide access to libraries. We have merged our library and our computer service organizations, because we think that they are in the same business.

What does that mean for us? As we listen to the Library of Congress talk about digitizing all of their materials, it becomes less sensible for us to own a book, but it becomes highly important that we have access to it. Which means the computer infrastructure, the technology, the intelligence network.

So they are very much a part of our costs driven by that notion. As we train future doctors, for example, they have to come out of college with an understanding of electron microscopy. These are not cheap instruments, and they do change because of the nature of these kinds of things.

So we are concerned about it. The Federal Government increases have not increased our costs. We do not just take those dollars and

willy-nilly raise our costs. They are related to the things that we cannot control, which are the technical changes, the technology growth, the increase if you look at the increase in the costs of a library of books or journals.

That would make our cost increases look pretty puny over the years. And yet, we have got to maintain some access to that. Why? You expect that the graduates of our institution to be on top of their discipline as an undergraduate. Regardless of what they do, these people need to be ready for that, ready for that extra training.

And to do that is a very costly enterprise. And it really has contributed to the cost increases over the last decade of our institution.

Chairman GOODLING. Dr. Fritschler.

Mr. FRITSCHLER. I would like to pick up on that. We are very similar sort of institutions, and we do actually corroborate on several things. I think that one of the greatest disappointments that I have seen in the last 10 years or more is the fact that technology has not decreased our costs. It really has increased them.

For example, in 10 years, we have dewatered our campus at least three times with the most of the state of the art stuff. And I believe that the total bill is \$6 to \$7 million. It is not trivial. We have each dorm room hooked up to the library, e-mail, and the Internet.

And what we find that as students get more and more information, that they need more and more instruction on how to use it and how to evaluate it, what is significant and what is not. And that is very important education.

Gordon and I, along with F&M, have a very interesting experiment going. We received I think it was \$400,000 from the Mellon Foundation to link our campuses together in very a high tech way, so that we could eliminate replacing faculty members. In other words, have one Japanese instructor, for example, on one campus, and let the course be offered over the electronic network that we have established.

What we are finding is that for our style of education that it does not work very well. It is very disappointing. First of all, it is expensive to do it, very expensive. And secondly, we really have not and the technologists have not found a way to get around the fact that best learning really occurs when human beings interact. Removing them from the room, you can teach certain things, but you also lose an awful lot in the educational process by doing that.

So technology is very important. We all need to use it, and we all need to know about it. That is one of the reasons that we spend so much money on it. But there is very little evidence that it saves us a dime.

Chairman GOODLING. Mr. Petri, you are not going to ask Mr. Hershock anything or take issue? I thought that you would be the one. Mr. Hershock, I want you to totally educate Mr. Petri.

Mr. Greenwood.

Mr. GREENWOOD. Thank you, Mr. Chairman.

I do not want to beat this question of cost to the ground, but obviously it is a paramount concern to us. I had my staff do some work. By the way, Dr. Fritschler, in my first year in Congress three

of my young staff people were all Dickinson graduates. I had one of them do some research for me before this hearing.

When I started at Dickinson in 1969, if these numbers are correct, the tuition was about \$2,000, and the room and board was \$1,100, for a total of \$3,100 a year. I had some scholarship money to go against that. I think that when I graduated after four years that I had borrowed the great sum of \$500 toward my education. I worked in the kitchen washing dishes. The total cost of four years was something like \$12,000.

Today, based on 1996 figures, I think that the tuition, if I am correct, is about \$20,000 per year, and the room and board is \$5,600, totaling \$26,000 a year. So opposed to four years of education at \$12,400, it is now \$105,400.

Mr. Petri talked about the posted tuition versus what it actually costs to go there. But during the time that since I started at Dickinson until now, the cost of living index has gone up about 325 percent. Whereas the cost of going to Dickinson has gone up about twice that.

That sort of contradicts at least what you said about the last seven or eight years when you have been able to keep the cost within CPI or something like that, the faculty salaries within inflation. I am curious to know. You just talked a lot about the cost of technology, but I am sure that is only a part of it.

Let me ask a very specific question about faculty. The staff made some comments in a briefing paper that said that in order to remain competitive in the job, professors are spending far more time researching and publishing, and far less time in the classroom. Which would make me think that if they need to do that, it must be a buyer's market, if they need to be competitive.

Yet at the same time in the same paragraph, we are told that schools are finding that they must increasingly outbid the competition if they are to maintain the quality of their program, and continue to attract students.

So is it a buyer's or seller's market in the faculty business right now?

Mr. FRITSCHLER. There are a lot of questions there. Let me back up to the first part of it. I guess if it were our students that did this data analysis, it has to be correct. But just off the top of my head, at an inflation rate of about 5 percent, I believe this is correct, every seven years, your costs will double.

So you have been out I do not know how many seven-year periods, but you have got to figure it in that way. And I am not sure that that works out the same as 320 percent.

I also would say that when you graduated that you could buy a Ford Fairlane or whatever its equivalent was for about \$2,000, and today you would pay about \$20,000 for it.

So inflation has played a big role in this. But also quality improvements have played a very big role. This Ford that you are going to buy is going to be a lot better than the one you would have bought when you graduated in 1969.

Also, if you look at the time period carefully, I think that it is fair to say that for several years in the 1960s and early 1970s that colleges like ours simply did not raise their tuition. We did some catch-up in the 1970s and 1980s. So there are some bumps.

But if you go back to, say, World War II, you could pick your time period, but I think you will see that it is a lot more even than it was. And also, faculty salaries have risen substantially. I went to a college in Upstate New York, and I graduated in 1959.

I can remember in the 1950s that the trustees would bring in their used clothing and put it in a box outside of the faculty lounge, and faculty members would take that clothing home if it fit them. The idea of well-paid faculty is really fairly recent in this country.

The only other point I could make on this really does relate to the technology argument. And that is simply that we have done one heck of a lot in improving the quality of the institution and its resources in the last 25 years.

And we are not alone in that. I mentioned earlier our overseas programs. We actually have six overseas campuses. Our students can study abroad at the same price that they study in Carlisle, and we pay their round trip transportation to these campuses. It is a very high quality and I think important program for higher education in general.

There is so much to be said on this. I am bopping around here. But I did take a look at our room and board figure. We provide full room and board for 222 days a year. That \$6,000 or \$7,000 figure amounts to less than \$25 a day for a decent place to live, and three meals which are quite good, we think, in unlimited quantities.

So the \$6,000 or \$7,000 sounds awful. On the other hand, I am not sure that you could keep a kid at home for much less than that.

The tuition increase, however, I believe is explained by these other things.

Mr. GREENWOOD. Let me just ask one other quick question, if I may, with the Chairman's indulgence. And that is if we look at the way in which we subsidize the lowest income members of our society to try to get them into equal opportunity for education.

Once the middle class kid and the lower income kid has completed the four years and graduated, and now theoretically has a much more equal opportunity to succeed in the work force, is there a difference between what they are carrying in terms of debt, do we know much about this, does anyone know whether the relatively unsubsidized middle class kid is walking out the door after four years with more or less debt than the lower income kid with a greater subsidy?

Mr. FRITSCHLER. I think you are probably correct.

Mr. HAALAND. I would not know the national statistics. But the way that we administer aid, the relationship of loan to grant is somewhat means tested. So the wealthier or more prosperous families would have a higher percentage of loan. Those people with greater personal need might have a higher percentage of grants and loans.

Mr. GREENWOOD. I just think that is sort of interesting. Because most kids walk out that door with that on their backs and not on mom's and dad's backs.

Mr. HAALAND. Right.

Chairman GOODLING. How do you manage that? Give me some help.

Mr. FATTAH. I am with you, Mr. Chairman.

Chairman GOODLING. Since you talked about the difference in graduates in your office. As I think back over a couple of years, I can remember two Gettysburg, one York College, one Dickinson, one Messiah, and three Penn State.

Mr. FRITSCHLER. This is why you are Chairman.

Chairman GOODLING. Are there any other burning questions that anyone has?

Mr. FATTAH. If I could, Mr. Chairman, I wanted to thank Mike Hershock for his work as president of PHEAA. It is obvious that it is an outstanding agency. I say that not knowing the workings of the agency. But nonetheless, there were comments earlier on about using private sector vehicles as perhaps implementers of some degree or another of Federal will in terms of higher education.

I think that PHEAA is an excellent example of where you really do not have to have one or the other. I mean PHEAA is a public entity. But since its inception, the notion of entrepreneurial management at its heart. I mean there are I think tricks of the trade that PHEAA brings to this question, where still the public interest is guarded, but that efficiency is not lost. And it is a very business-like approach.

I would take note that it is a legislatively run agency. That is to say that it is not an executive agency. It is an agency unique in the sense that the majority of its board is made up of State senators and State house members, and they run the agency, obviously in cooperation with the executive branch. But the majority vote is made up of law makers. And so it is no wonder why it has been so successful. Thank you.

Chairman GOODLING. I might add that I guess that is why the advisor to one of the university presidents who was talking about going into direct lending, reminded him that he has to deal with the Pennsylvania State legislative constantly, and he better think about that twice before he does something of that nature.

Mr. FATTAH. Well, I think that that might have something to do with the 6 percent loan ratio here in Pennsylvania.

Chairman GOODLING. Well, we thank all of you very much for your testimony. Hopefully, we will do the right thing by the end of the year.

[Whereupon, at 12:54 p.m., the committee was adjourned.]

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