The State Commission in reviewing applications for Title I must consider total funding, therefore, loans under Title III of the Higher Education Facilities Act of 1963 represents an important part of the total project.

It is in this relationship that I review with concern Section 1102 of H.R. 15067. The change was originally proposed last year and was designed to:

1. Ease the demand on federal funds.
2. Encourage non-federal participation.
3. Provide the Commissioner with some degree of flexibility in determining the rate of interest.

During the last year, we have seen a rise in the rate of interest and drastic reductions in funds available under the Higher Education Facilities Act.

The result has been a very dangerous curtailment in college construction of facilities to be placed in use for the period beginning the decade of the 70's when enrollment in higher education will be significantly more than current levels by Office of Education projections.

The predictability and accuracy in forecasting the interest market in the years ahead is a major problem. The one observation that might be made concerning this is the fact that the record of the last few months shows the potential for major flunctuations and indicates that the interest rate is subject to sharp and drastic changes within a relatively short period of time.

The purpose of Title III was to record the interest of the government in assisting in the construction of vitally needed academic facilities. The result of tying the rate of interest paid by the college directly to the market rate would appear to result in the following difficulties for our colleges and universities:

1. A serious financial handicap for many colleges and universities.
2. The current interest rate fluctuations and future expectations of even greater fluctuations will result in confusion and delay in construction.
3. The fluctuations in the rate of interest and increased difficulty in estimating cost would be inconsistent with college planning and could be very injurious to our small public institutions and to our private institutions in America.

The foresight of this subcommittee and other responsible members of the Congress in passing the Higher Education Facilities Act stands as an example of our interest and involvement in assisting in the construction of the academic facilities for our institutions of higher educations.

The effect of Section 1102 will be to complicate the financing of facilities for the institutions without any corresponding benefits to the colleges and universities of America.

The real question for this subcommittee seems to be:

> Should a program that is generally understood and appreciated because of its simplicity and efficient administration by the Office of Education be modified by the change proposed in Section 1102?

I encourage you to eliminate Section 1102 from H.R. 15067 and restore the reductions made in funding for facilities programs.

Mr. Jones. Madam Chairman, we have certainly felt the reduced appropriations for title I in a very significant way in West Virginia. A number of our institutions had started projects and submitted supplemental applications.

In four of our private institutions this happened and the expectation of Federal funding to maintain the current level was, of course, disappointing to the institutions and almost disastrous.

In one of the private institutions it has mean a very serious problem because of the expectation of the level of funding as the assurance had been originally stated, and we have an August closing, and based on the objective figures we gave tentative assurance that money would be available.

When the reductions came there were some major problems. However, in reference to the total funding of a facilities project, the State commission must review title III applications in the sense that this is a part of the total funding aspect.