HIGHER EDUCATION AMENDMENTS OF 1968

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HEARINGS

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BEFORE THE

SPECIAL SUBCOMMITTEE ON EDUCATION

OF THE

COMMITTEE ON EDUCATION AND LABOR

HOUSE OF REPRESENTATIVES

NINETIETH CONGRESS

SECOND SESSION

ON

H.R. 15067

HEARINGS HELD IN WASHINGTON, D.C.
FEBRUARY 6, 7, 8, 9, 20, 26, 28, AND 29, 1968

PART 1

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HIGHER EDUCATION AMENDMENTS OF 1968

TUESDAY, FEBRUARY 6, 1968

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

The committee met at 10 a.m., pursuant to call, in room 2261, Rayburn House Office Building, Hon. Edith Green (chairman of the subcommittee) presiding.

Present: Representatives Green, Brademas, Gibbons, Carey, Hathaway, Burton, Scheuer, Quie, Reid, Erlenborn, and Esch.

Mrs. GREEN. The subcommittee will come to order.

STATEMENT OF HON. HAROLD HOWE II, U.S. COMMISSIONER OF EDUCATION; ACCOMPANIED BY PETER P. MUIRHEAD, ASSOCIATE COMMISSIONER FOR HIGHER EDUCATION; ALBERT L. ALFORD, ASSISTANT COMMISSIONER FOR LEGISLATION; JAMES W. MOORE, DIRECTOR, DIVISION OF STUDENT FINANCIAL AID, BUREAU OF HIGHER EDUCATION; AND MARK WEISS, SPECIAL ASSISTANT TO THE UNDER SECRETARY, DEPARTMENT OF TREASURY

Mrs. GREEN. The subcommittee will come to order for the consideration of the Higher Education Amendments of 1968. I think it is fair to say that, measured in almost every way, the legislation before us today is impressive. H.R. 15067 contains 12 titles, and my staff advises me that in draft form it contained 150 pages and weighed over one pound 2 ounces.

The bill proposes the extension and revision of 16 programs and suggests the creation of four new ones. In addition, there is proposed the consolidation of the four student aid programs into the Educational Opportunity Act of 1968.

In part, H.R. 15067 is identical to H.R. 6232 and in part it is similar. The subcommittee conducted 8 days of hearings on H.R. 6232 last year. Before us also are amendments to the guaranteed student loan program which are in part identical and in part similar to recommendations presented to the subcommittee last August. The subcommittee conducted 4 days of hearings on these recommendations.

H.R. 15067 suggests that certain questions, which have been asked before, need to be asked again.

For example, what is the rationale for forgiving an NDEA loan of a student who comes from a family with an income of $6,500, and for not forgiving a guaranteed student loan of a student from a family with an income of $7,500?

What is the comparable cost to the Federal Government of 100,000 student loans made under the NDEA and 100,000 student loans made under the guaranteed student loan program?

H.R. 15067 also raises new questions. Is it desirable to embark on new programs in a year in which the budget requests for title I of the Facilities Act represents approximately 10 percent of the authorization.

H.R. 15067 also, as I see it, poses many issues, some of which are related to matters discussed in the study of the U.S. Office of Education, and some of which are related to questions of pressing national concern. Of great concern to me is the impact of the present draft policy on graduate and undergraduate education.

Before we begin today, I should like to mention just one issue in greater detail and I think, Mr. Commissioner, you will agree with me it is the most important issue. I refer to the timing of this legislation. As I have mentioned, H.R. 15067 proposes the extension of 16 programs beyond their expiration date of June 30 of this year. Stated differently, there is no authorization for these programs beyond June 30 of this year and, thus, no authorization for the Appropriations Committee to recommend funds for fiscal year 1969.

I doubt if there is a person in this room who is not aware of the severe problems brought about by late authorizations and late funding. To avoid the problems detailed in the subcommittee report on the study at the U.S. Office and with the cooperation of that Office I think it is imperative that we in the Congress move as rapidly as we can on H.R. 15067. This is why I felt it absolutely essential we begin hearings today just 1 day after the introduction of H.R. 15067.

I would also ask for consideration on the part of my colleagues and consideration on the part of the Office of Education to the possibility or advisability of pulling out certain parts of the bill which would be noncontroversial in nature and moving those along faster in both the House and Senate if it seems that some of the other parts might take a little longer.

May I take this opportunity to express my deep appreciation to my colleagues on both sides for their understanding and cooperation as far as the speed with which we need to get to this legislation, and certainly great thanks to Commissioner Howe and his colleagues. May I also say thank you on behalf of the subcommittee for your cooperation and willingness to appear today just hours after the introduction of the legislation.

The subcommittee today and tomorrow will hear from the administration witnesses and there is a possibility if there is not a full committee meeting we will meet on Thursday morning to hear other administration people from Treasury and perhaps from the Civil Service Commission.

The subcommitte hearings will resume on February 19, immediately after the Lincoln Day recess, at which time administration witnesses on the Inter-Governmental Manpower Act will appear before us.

In the middle of that week we will turn our attention to the higher education amendments and the opportunity will be given for public witnesses. We will continue our hearings that week, during the week of February 26, and, if necessary, during the week of March 4.

With that brief introduction, Mr. Commissioner, may I ask you to proceed in any way you wish with the testimony which you have prepared for today in explanation of these recommendations.

Mr. HOWE. Thank you very much, Madam Chairman.

Let me first of all introduce my associates. I believe you know Dr. Alford of the Office of Legislation on my right, and Dr. Muirhead in charge of our Bureau of Higher Education, and Mr. James Moore, in charge of all of our programs of student aid. Also, from the Treasury Department, we have Mr. Snyder and Mr. Weiss, seated directly behind me, who are here for questions related to their interests in the student aid legislation.

If it meets with your approval, Madam Chairman, what I would like to do today is to present in the way of formal testimony the first 12 pages of the material we have submitted to you and then when we appear again tomorrow, take up the rest of the formal testimony at the introduction of that session.

In that way, we will be focusing today on the major package of student aid concerns in this legislation and picking up some of the renewals and new legislation in the materials tomorrow.

I am particularly grateful for your emphasis on the problems of timing connected with this whole legislative procedure. The colleges will benefit tremendously if the consideration of this legislation can be advanced. We would be happy to cooperate with you in any way that may seem wise as we move along with this process, if it does appear that we can meet timing deadlines better by making some change in the order of consideration of certain portions of the legislation.

Now, in presenting formal testimony, because you have so well summarized the first three pages of mine in your remarks, I would like to go directly to page 3 of my formal testimony, submitting those first three pages for the record, and start with the heading "Educational Opportunity Act of 1968."

This year marks the 10th anniversary of the National Defense Education Act of 1958 and the landmark student loan program contained therein. During that 10-year period, additional programs for student aid have been added to create a comprehensive, federally supported, package of student aid made up of loans, direct grants, and work-study grants.

In a 10-year span the number of participating institutions in these student aid programs has doubled, from 1,100 to 2,200. The dollar amount of funds provided to students has increased tenfold, from $59 million in loans in the first full year of the NDEA loan program to an estimated $510 million this year in the three parallel programs of NDEA loans, student employment, and educational opportunity grants. The number of students served by these programs has increased nearly sevenfold over the 115,000 borrowers in the first year of NDEA student loan activity.

Such developments should not be measured in terms of Federal dollars alone. These 2,200 institutions of higher education also administer a mix of institutional, State, and private student aid programs estimated at in excess of $550 million for the current year. When combined with the 1967–68 Federal programs, undergraduate student assistance alone exceeds $1 billion.

Of more recent establishment and in somewhat different context than the three college-administered programs is the guaranteed student loan program. The major objective here is to provide long-term deferred-payback commercial loans to assist middle-income families in offsetting the increasing cost of higher education. Administrative arrangements are centered on State loan guarantee agencies, with the Federal Government providing an interest subsidy for students whose adjusted family income is less than $15,000 per year.

The growth of this program has been equally phenomenal. The number of State guarantee agencies has increased from 17 in 1965 to 35 in 1967. Additionally, in five other States, work is now underway in both executive and legislative departments on the creation of State loan authorities, leaving only 10 in which action is yet to be taken. Despite rising costs of money and consequent upward pressures on interest rates, more than 700,000 loans at the 6-percent simple interest rate, totaling two-thirds of a billion dollars, have been made between November 1965 and December 1967.

Against this backdrop of growth and development, let me outline the direction and purpose of the administration's 1968 proposals for modification and consolidation of these programs into the Educational Opportunity Act:

First, to move effectively toward the overall goal of providing educational opportunities beyond secondary school to all our youth that desire such opportunities and can benefit from them. This is to be accomplished, at least in part, by providing substantial assistance to students so that no student of ability will be denied an opportunity to develop his talents because of financial inability to meet basic higher education costs.

Second, in the three college-based programs, to achieve a measure of consolidation and, in so doing, to achieve greater flexibility and convenience at the institutional administrative level.

Third, within this consolidated framework to retain the major objectives and program characteristics already established.

Fourth, in the guaranteed student loan program, to clarify the role of the State as the key administrative element and to indicate more clearly the State responsibility for continuing provision of part of the guarantee funds.

Fifth, in the context of the reinsurance proposals, to provide a second adjustment period to allow States an opportunity to modify existing legislation or, as the case may be, constitutional provisions in order to establish the reinsurance program.

Parenthetically, let me emphasize that the administration's position has been and continues to be that of supporting and maintaining the central role of the State guarantee agency in this program. The current utilization of direct Federal insurance in 17 States is simply an interim device until such time as the guarantee function can be established in the State itself.

Key recommendations for changes in the college-based program are as follows:

First. There would be a single appropriation item for Federal capital in the national defense student loan fund and for the college work-study program with a 90–10 Federal institutional matching ratio, and

a single appropriation for the educational opportunity grant program which would not require program matching funds.

Second. The fund distribution pattern would be altered from the three separate allotment formulas, which differ in each program, to a national pool funding basis with a limitation that no State could receive more than 12½ percent of any single appropriation.

Third. There would be a provision that during any year an institution may transfer not to exceed 20 percent of the Federal money allocated for any one program to another. At the Commissioner's discretion, this 20-percent level could be exceeded in an emergency situation. This would provide a much needed authority for institutions to rebalance their programs during the year.

Fourth. A $1,000 per annum maximum would be set on an educational opportunity grant award to any one student and the present $800 maximum and the mandatory $200 award for students in the upper half of the class in the prior year would be eliminated.

Fifth. The annual ceiling on NDEA loans to undergraduates would be elevated to $1,500 as a reflection of cost increases over the past 10 years.

Sixth. For all three programs, there would be a common requirement for continuation of institutional expenditures in institution's own student aid program, to replace the two different and separate authorities in the existing EOG and work-study programs.

Seventh. In place of the varied pattern of administrative overhead allowances presently contained in the loan and work-study programs, a common, maximum of 3 percent of the total Federal funds granted to an institution would be provided with an overall maximum of $125,000 per year to any single institution.

Eighth. An overall student financial aid advisory council is proposed to replace the four separate advisory committees contained in the present statutes.

Ninth. It is the intent of the administration to accomplish uniform forward financing of these programs beginning with fiscal year 1970.

The consolidation of these programs authorized under a single part A of title IV also allows us to request a program authorization extension of 5 years commencing in 1970. To cover the interim year, fiscal year 1969, single-year extensions are requested for title II, NDEA, and for titles IV–A and IV–C of the Higher Education Act of 1965.

This 6-year request, if granted, would for the first time provide the Nation's colleges and universities with a firm, permanent operating base and would eliminate the confusion and uncertainty which institutions are facing at the present.

The guaranteed loan program: The basic objectives for the guaranteed student loan program are—

To provide a program of long-term loan assistance to all post-secondary students, with Federal interest benefits provided for most of them.

To provide that the program should be operated by State agencies. The function of the Federal Government should be to assist the States to do a good job—through payment of a portion

of the interest on behalf of eligible students and through the use of Federal credit to help provide the necessary backing for the loans.

To provide the lenders with an adequate return so as to encourage their active participation.

To provide the lenders with maximum assistance—from the colleges, the States, and the Federal Government—through interchange of information, a minimum of paperwork, and the establishment of common procedures.

To see that colleges are involved to the extent of providing full and adequate information to the lenders.

Prior to the passage of the Higher Education Act, guaranteed loan programs were in operation in 17 States. Recognizing that legislation would likely be needed at the State level, the Congress provided a 2-year interim period and encouraged the development of adequate State programs by authorizing Federal advances of "seed money" to establish or help strengthen the reserve fund of the agencies. The act further provided that, if a State would not be able to establish such a program during any year, the Office of Education could contract with a nonprofit private agency to do the job. In the event that neither approach would provide students reasonable access to loans, the Congress authorized a standby program of Federal insurance.

Since November of 1965, guarantee agencies have been created in 18 additional States, bringing the total of State-based programs to 35. In the remainder of the country and in those States that did not provide for students attending college out of State, the Office of Education contracted with United Student Aid Funds, Inc., to administer the program. Twelve of the State agencies further contracted with U.S. Air Force to operate their programs.

However, the reserve funds of 17 States were not sufficient to enable continuation of their operation, and the Federal insured student loan program has been established on an interim basis in order to continue the loan guarantee function until such time as the States' reserves can be increased.

Madam Chairman, at this point, I will ask my colleagues to give you a brief visual presentation to clarify the picture I have just presented of the movement among the States in gradually adopting the program and the way the different methods of administration have developed over the past several years. I think this will help to clarify the picture, and it won't take us long.

Mrs. GREEN. Yes, please do.

Mr. MOORE. This first of four slides shows by virtue of color coding the development of the State agency-based guaranteed loan program in this country. You will notice first of all in the New England area, Louisiana, Tennessee, and Georgia, in this kind of brown color the pattern of State agencies which existed at the time the Higher Education Act of 1965 was passed.

The pink color in the Midwest and the West represents those States in which agencies have been created between 1965 and the present. Texas is its own color because it has a direct plan which simply does not fall into the same category as the other kinds of agencies.

In the Central Midwest, the color of Missouri and Kansas indicates the States at which at this very moment work is being done on the

development of State agencies. One of the sort of amusing things about this chart is that in some respects the development of these agencies is a little similar to the territorial development of the United States.

You begin here with the Thirteen Colonies, the Louisiana Purchase, and here the Oregon Territory, Mexican Cession, and so on.

Mr. GIBBONS. What are the white ones?

Mr. MOORE. Those States in which thus far no action has been taken to create a State guarantee agency. It does not mean there cannot be action later in spring or next year but at the moment the whole affair seems to be silent.

This next slide shows the pattern of actual appropriations of State funds over the roughly two and a half years since the Higher Education Act of 1965 was passed. This amount totals approximately $33 million of State appropriations which have all gone into guarantee funds. There is concentration in the New England area and to the South.

Third, this slide represents the status as of this morning of the direct Federal insurance program which is being used as a backup device to provide loan-insuring authority in those States in which the guarantee capability has been not sufficient. We had in Florida this week the first of a series of weeks, beginning at Tampa this morning with OE staff people, regional people, bankers, staff of colleges, financial aid officers, and others and this will continue throughout the week.

The program will be fully operative in Florida within the next few days.

Mr. GIBBONS. May I say I appreciate it; you are all doing a fine job, it certainly is badly needed.

Mr. MOORE. Thank you.

The final pattern is on this next slide. This again is showing growth and it shows the 18-month volume of loans by dollar amounts in millions and by number of loans made. This "J" out here is July of 1966 and the "D" on the far end is December of 1967. If you compare the July, August, and September bars in here with the matching ones for this past year, you will see that there has been at least in 2 or 3 of those months a doubling of the loan volume.

From what we can tell at the moment, the pattern in December, January, and February is going to follow along with about the same kind of peak as was the case a year ago, but probably with a higher volume.

This is a fairly complicated program. We thought perhaps these four brief sketches of what has happened in the past 2 years would be of help to the committee.

Mrs. GREEN. Thank you.

Mr. HOWE. Thank you very much, Mr. Moore.

I have already presented the different kinds of participation characterizing the several States.

In order to promote the continuation of existing State guarantee agencies and to encourage the development of adequate State programs where none now exist, we are proposing that the act be amended to provide for what has come to be called Federal "reinsurance" of loans guaranteed by State agencies.

Under this proposal, the Commissioner would be authorized to reimburse an agency for 80 percent of claims paid by that agency to the lender when a loan went into default. As the agency would be responsible for payment of only 20 cents on the dollar, this would have the effect of multiplying the guarantee capacity in the State's reserve fund by a factor of four. This would be consistent with current Federal fiscal policy of using Federal credit rather than dollars.

However, in order to involve the States further in sharing the funding requirements of such a program and in order to strengthen further the reserve funds of these agencies, we are proposing an additional $12.5 million in seed money, to be matched on an equal basis by State appropriations.

To make the program more attractive to the lenders and the guarantee agencies, especially with a view to increasing the return to the lenders and reducing the paperwork and complexity of the program to all concerned, we are recommending the following amendments:

1. A system of application fees, each fee not to exceed $35 per year, to be paid to the lender for each loan made, and a single conversion fee when all loans for a given student are converted to an installment basis. Lenders assure us that, at the present rate of 6 percent simple interest, these loans are a losing proposition and that they cannot continue on this basis in the long run.

2. Merger of the National Vocational Student Loan Insurance Act into the Higher Education Act. The present two acts have resulted in parallel paperwork and duplicate effort for all parties concerned. Merging the two acts will do much to streamline the program and provide readier access to students in vocational education.

3. At the option of the lender, the Commissioner may defer payment of Federal interest benefits until the loan is paid in full, at which time they will be paid in a lump sum with interest. This would further reduce the paperwork of the lender's billing the Office of Education throughout the life of the loan, as well as solve his problems of separating the 3 percent paid by the students from the 3 percent paid by the Federal Government.

Additional proposals include:

1. Encouraging the State agencies to defer repayment by students for periods of service in the military, Peace Corps, and VISTA or for students who have left school but return as full-time students. For such periods of deferment, the Government would pay the lenders the full 6-percent interest rate on behalf of the student.

2. Increasing available lending funds so that certain pension funds can be made eligible lenders under the program, and so that savings and loan associations can be permitted to make vocational loans, in the same way they can make guaranteed loans.

3. Making the program consistent whether the loans be State or privately guaranteed or federally insured. There are now differences with respect to maximum amounts of individual loans, assurances of installment obligations and minimum amounts of installment repayment.

4. Extending provision for Federal interest benefits for 5 years, through fiscal year 1973.

Finally, we propose that authorizations for the federally insured program be extended 2 years, through fiscal year 1970. Although there

are now 35 State agencies and although several new agencies are under consideration in the remaining States, it is certain that a State program will not be established in every State by June 30, 1968. Additional action needs to be taken by the legislatures in a number of States, some of which have no scheduled session until next year. Additional changes will probably be required in some existing State programs before the reinsurance system can be adopted or appropriations made for the matching requirement of additional seed money.

If the Federal program is permitted to lapse on June 30, as it would without the extension we propose, it is highly likely that loans will not be available for the next academic year for students in a number of States, some of which already have access to the Federal program. Although the reinsurance proposal may make it unnecessary to continue the Federal insurance, it may take a period of time before regulations and procedures can be established and the programs made operative.

In order that the administration of the program may continue through existing State agencies, even when it is the federally sponsored program, we propose a final change that would authorize the Federal Government to contract for the issuance of Federal insurance to an existing State agency.

In 4 of the 17 States—New Jersey, Hawaii, Indiana, and Vermont—where the Federal insurance is now operative, the majority of the paperwork and contact with lenders is being administered through the State agency, but with the final issuance of the insurance commitment being made by one of the nine Office of Education regional offices. The change we are requesting would enable a State official to perform this task.

Thus, these amendments to title IV of the Higher Education Act and title II of NDEA, covering as they do the four major student financial aid programs operated by the Federal Government, will provide a responsive and sensitive mechanism through which institutions of higher education, State agencies, and the Federal Government may jointly strive toward the day when no qualified student who desires a program beyond high school will be denied that opportunity because of economic disadvantage or family background.

Madam Chairman, that concludes my formal testimony on the matters we hope to discuss with you today. We will be glad to answer any questions you may have.

Mrs. GREEN. Thank you very much, Mr. Commissioner, for your fine presentation. I must say that the recommendations that you make on pages 6 and 7 make awfully good sense to me, at least on first reading, and I would think it would help a great deal if the colleges and universities try to work with the students.

At the present time, is there any requirement for matching in the economic opportunity grant program?

Mr. HOWE. No, there is no matching in EOG grants.

Mrs. GREEN. The work study?

Mr. HOWE. The matching requirement in work study is 85–15.

Mrs. GREEN. No; I mean is the work study used as matching for the purposes of fixing the amount of money in an "EOG"?

Mr. GIBBONS. It is not required.

Mrs. GREEN. Is there any change in this?

Mr. MOORE. No, at the moment, work study is excluded as the other half of the financial aid package. This proposal would, in effect, allow it to be used, because here we are simply saying to the institution, "Begin with the grant and then add the other components according to whatever happens."

Mrs. GREEN. But it can be for matching purposes?

Mr. MOORE. Yes.

Mrs. GREEN. In the NDEA loans, you mentioned a number of loans the first year and said it increased sevenfold. You gave a figure of 115,000 for the first year. Does this mean there are about 700,000 a year?

Mr. HOWE. I believe that is correct. We can get you the exact figure. Is this the student figure?

Mrs. GREEN. 700,000 students are given NDEA loans each year?

Mr. MOORE. No; 700,000 students, or approximately 700,000 this year who will be helped by all three programs as compared to the 115,000 helped by NDEA in 1959.

Mrs. GREEN. How many of those would be helped by NDEA?

Mr. MOORE. About 415,000, roughly.

Mrs. GREEN. How many NDEA loans are there outstanding?

Mr. HOWE. As of now?

Mrs. GREEN. Over the 10-year period?

Mr. HOWE. 2.4 million.

Mrs. GREEN. 2.4 million?

Mr. HOWE. This is the cumulative number that has been made.

Mrs. GREEN. How many students does this involve?

Mr. HOWE. About 1⅓ million students, all told.

Mrs. GREEN. Have any loans actually been made under the vocational educational loan program?

Mr. HOWE. Yes. It was late in beginning and there had been made roughly 11,000 or 12,000 loans at the end of last year. The number is now increasing. The program is operative in all but approximately one dozen States. Where the Federal direct program is in operation, the vocational seed money, which has been very small, has been exhausted, and we simply ran the program side by side with the guaranteed loan program. This is the case in California and will be the case in Florida.

Mrs. GREEN. I assume you considered the advisability of dropping the interest subsidy after graduation. You do not make recommendation for a change in that?

Mr. HOWE. In the guaranteed loan program?

Mrs. GREEN. In either one?

Mr. HOWE. No; we have not taken any different position on this.

Mrs. GREEN. I want to come back to cost in a minute, but I will turn to my colleague, Congressman Quie.

Mr. QUIE. First, Commissioner Howe, what will be the request for appropriation for the academic facilities and grants this time, both graduate and undergraduate?

Mr. HOWE. $75 million.

Mr. QUIE. $75 million. How does it compare with last year?

Mr. HOWE. Last year the request was $450 million. Excuse me, Mr. Quie, the current year you are talking about?

Mr. QUIE. That is right.

Mr. HOWE. Fiscal year 1968.

Mr. QUIE. Right.

Mr. HOWE. $450 million.

Mr. QUIE. $450 million and the authorization for fiscal year 1969, if I remember correctly is $1.056 billion. Is that correct?

Mr. HOWE. I haven't got the figure before me, but I assume it is approximately correct. We can check it.

Mr. QUIE. Now in the President's message he indicated that in 10 years we would have a 50-percent increase in enrollment in our colleges. The authorizing committee in the Congress indicated its feeling that the Federal Government would have to participate in the growth of facilities in order to provide them for this increasing enrollment. At the rate you are going, with the reduction of 50 million to 75 million, what are we going to do about planning academic facilities for the students and professors to conduct their work in years to come if we continue at this rate?

Mrs. GREEN. Could I interrupt here a minute? I think before you came in, Congressman Quie, the Commissioner asked if it would be agreeable if we turned our attention to the student aid parts of the bill. His testimony tomorrow will be on the facilities so after he responds to this question would it be agreeable to you to restrict our questions to the student aid proposals?

Mr. QUIE. Yes.

Mr. HOWE. I think there will be a negative effect on the academic facilities available as a result of slowing this appropriations action. The rate of construction in the current year and in the next year will continue at a considerably higher rate, because you are talking about a pipeline in which commitments are already made. You won't have an immediate effect on the rate of construction comparable to the effect that you would surmise from these appropriations. Ultimately the lower appropriations will, of course, have their effect.

I think you have to recognize that the President has taken the position in arranging this reduction in facilities expenditure that this is a tight budget year which calls for economy and a clear setting of priorities. He has set his priorities primarily on immediate services to people in schools and colleges, through programs that provide for more teachers, that provide direct student aid, that provide specialized services to disadvantaged pupils and a number of other categories of services. He has placed somewhat lower priority on buildings which will not be built before 3 or 4 years from now.

I think his budgetary decision is a clear response to the call of the Congress for exactly this kind of action, with hope that the Congress will act favorably on other programs to solve the fiscal problems of the country that he has before the Congress.

Mr. QUIE. Knowing that the President feels we ought to have lead-time and need to continue the program for the construction of the SST, I wonder why it is more important to get to Europe fast than it is to have facilities ready for the young people who will come into our colleges and universities?

It does not seem to me the priority is very wise.

Mr. HOWE. I will have to disqualify myself as an expert witness on that particular problem because I am certainly not an expert, but it is

a tough job to set all of the priorities in a total Federal budget. I have a good deal of confidence in the way the President has done this in relation to education.

I call to your attention that our authority to obligate funds in the Office of Education in fiscal year 1959, if the Congress meets this budget, will be more than $200 million above what it was in fiscal year 1968. We have a long list of very important programs in which there will be very considerable increase, not the least of them being the $52 million increase the President is requesting for the training of additional people to serve the schools and colleges. I think there has been a careful consideration of priorities, and I suspect that consideration of the item you mentioned has been part of that.

Mr. QUIE. Another decision was made in the education budget and it was that the Federal Government ought to pay 5 percent more on the work-study program than it is doing in this year, that is, go to a 90–10 matching for work-study rather than 85–15. Why do you feel that for the work-study program which not only benefits the student but also the institution as well, 15 percent is too high an amount for the institution to pay as matching and that 10 percent is the correct amount?

If you don't do this, we are going to go by steps to an 80–20 matching next year and 75–25 in the third year.

Mr. MUIRHEAD. Mr. Quie is referring to, of course, the proposal in the combination bill that would have the same matching for the NDEA loan program as for the college work-study program—90–10 matching. It was the administration's thought that we should move toward some concept of dealing with these programs in a regular, orderly manner and that the matching requirement for the NDEA loan program of 90–10 should be just as applicable to the work-study program.

Mr. QUIE. What is the institution's benefit from this loan program?

Mr. MUIRHEAD. You are quite right in pointing out there are benefits that accrue to the institution from a college work-study program that do not accrue from a student loan program. The policy decision here however, was based on the fact that it is becoming increasingly difficult for institutions to provide large amounts of matching money for Federal programs. If they move toward the goal of a student aid program—that is, to seek out, encourage, and induce additional numbers of disadvantaged youngsters to come on the college campus—that effort should not be thwarted by making it necessary for the institution to provide additional moneys of its own.

Mr. QUIE. You are thwarting their ability in the long run to provide the opportunity for these needy children by drastically cutting back the facilities program and when you have the inducement of 85–15, it seems to me, that is a substantial one to the institution. An institution benefits by more than the 15 percent it has to contribute in the kind of work that can be done around the facility. It seems to me the money you propose to spend at the Federal level which otherwise would have come locally, could be more wisely spent some other way.

Mr. MUIRHEAD. Well, if you put the question in that context, I think you have to weigh it against the judgment that the administration made, which the Commissioner explained a moment ago, that in a

year when it was necessary to cut back on the budget the reduction should be made on material things rather than in programs that apply to young people.

Any decision on the part of the administration within the context of the Educational Opportunity Act that would tend to discourage seeking out disadvantaged young people would in such measure thwart that objective.

Mr. QUIE. Do you have proof that the change this year from 90–10 to 85–15 has actually discouraged the institutions? Can you submit that proof to us?

Mr. MUIRHEAD. We have no clear-cut proof except that by and large I think it would be reasonable to assume that if we required the institution to put less of its own funds into the student-aid program that it could use that money for other purposes, presumably to strengthen the program at the institution.

Mr. HOWE. I think we could get you some clear evidence at some institutions that is a definite problem to them. It is increasingly common knowledge, I think, that the higher educational institutions across the United States have a severe financial problem. This is the reason the President in his message directed the Secretary of Health, Education, and Welfare to make a major study about the financial condition of higher education. I am quite sure we can get institutional evidence that even this small 5 percent does create a problem at some institutions.

Mr. QUIE. I don't know if I should take any more time if you want to go on to some others?

Mrs. GREEN. All right, Congressman Gibbons.

Mr. GIBBONS. Thank you, Madam Chairman, I will comment briefly on the subject that Mr. Quie raised, because I think it is a subject we see as a real problem because there is not enough money to meet the demands. It reminds me of the story told about the problem down in my part of the country where they said they didn't want any of this tainted money and now the song is "there just taint enough."

Now, I think this is the problem here, "there just taint enough" of this, the demand is so great, and the need is so great. I support most of the changes you recommend here on pages 6 and 7. I had some questions, though, about why do you recommend the change in item 4 on page 6 of eliminating reward for the student who performs better? Can you give me your arguments on that?

Mr. MUIRHEAD. That was not an easy decision to make, Mr. Gibbons. But, again, in a context of limited funds which must be stretched to accomplish a very large purpose, we felt that the practice of making an extra $200 available to students who stand in the upper half of their class—though on its own a very laudable thing to do—was not clearly in accord with the purposes of the student-aid program, which is to use the money that is available to seek out as many able but disadvantaged students as possible and get them into college. So that money, in our judgment, would be used to better advantage by providing grants for entrance of students.

Mr. GIBBONS. But has there been any trouble in administering this part that gives a slight advantage to a student who is performing at a little higher level? I don't know whose amendment it was; I remem-

ber it didn't come over in the administration bill in 1965 but it was something that came out of this committee: is that any problem?

Mr. MUIRHEAD. There is no problem in its administration, Mr. Gibbons. Our problem was whether or not it was in harmony with the basic purpose of the act. In making the grant to the student in the package concept, the college does all it can to use its funds to meet the financial need of each individual, and if they have done that then any additional money which the student would receive would be over and above the measure of need which the college had thought was adequate.

Mr. HOWE. Mr. Gibbons, I can see a possible administrative problem developing because some higher education institutions are beginning to loosen their system of measuring student achievement in ways which might make it difficult to establish who was in the top half of the class. For example, the institution I happened to attend, Yale University, recently dropped its marking system and now has a pass-fail system and not an exact numerical average. There is quite a movement in higher education along that line.

Mr. GIBBONS. Let me say on page 10 I support the merger idea of the two student loan programs, the student assistance programs, to cut down the paperwork and cut down the distinction between the types of institutions receiving the loans.

Am I correct in that in your item 1 on page 10 you can get $35 a year plus another $35 conversion fee or 8 times 35, about $300, in addition to the interest the lending institution could draw, that many contracts with that $300 or $35 award?

Mr. HOWE. I don't think this would come in a single year.

Mr. GIBBONS. For instance, a law student goes to school approximately 7 years so there would be 7 times 35 and then the eighth one on the end, so you would have about, on a $7,500 loan, as I recall, roughly, $800 Federal interest subsidy and then another $300 in addition to this. I doubt very seriously we need to reward the lending institutions that high to get their interest in the program.

Mr. HOWE. Let me make a comment and then ask our associates from the Treasury to comment. I think it is possible to pyramid the fee in the way you suggest, and for small loans I think you are raising a very reasonable point. It seems to me that the likelihood is that the loans here are going to be large enough so that there is, when these are added together over a period of years, a reasonable charge for the banking institution when you look at all of the paperwork the banking institution has to go through. I call to your attention also the fact that this is set as a maximum and an amount not to exceed. We would arrange to have this fee set at an appropriate level, perhaps not exactly $35, which would alleviate the situation you suggest to some degree.

Would one of you gentlemen like to comment?

Mr. WEISS. Mr. Gibbons, the problem we discovered in studying the cost elements in the program for banks and other lenders is that this is essentially a small loan operation for the lender. It is not a home mortgage with many thousands of dollars in one loan. It is a loan of $800 or $1,000 at a shot, repeated over several years. In that context, the costs to a lender are fairly high.

While further experience with this program may indicate that we will be able to cut down that fee or eliminate it, the best data we have been able to get thus far indicate that a fee within that range is needed to put the program on a reasonable basis for the lenders involved. I might point out that we are dealing here with a small loan at 6 percent. I am sure you are familiar with the fact that if you or I went in to get a small loan of $800 or $1,000 we quite likely would be charged more than a simple 6-percent interest rate.

Mr. GIBBONS. When you have a Federal guaranteed loan, they can dump anywhere they don't get 100 cents on the dollar; they can do that on your loan?

Mr. WEISS. That is quite correct; there is a minimum risk of loss of capital here.

Mr. GIBBONS. If they run into trouble collecting it, they could dump it, they could dump it and let the insurance fee, the quarter of 1 percent charged in advance, take care of that?

Mr. WEISS. I quite agree there is a minimum risk of loss of capital here. On the other hand, there is a lot of bookkeeping, and I think from a lender's point of view he is doing bookkeeping and tying up money that could be put to more profitable use in other kinds of small loans.

Mr. GIBBONS. I am trying to become conversant with all of the different kinds of programs we authorize under that section of the act in 1965, but would you explain, you have in the red colored States that were up on that slide, Mr. Moore, that is a direct Federal guarantee to the lender, is that right?

Mr. MOORE. No, sir; the red States as well as the brown ones are those in which there is a State guarantee, a State guarantee fund underneath the loan, usually on a 90–10 basis. This is an actual deposit usually on a $1 for 10, an actual deposit in the guarantee fund to cover loss. That really is the heart of the program. The Federal insurance operates a little bit differently in that it is simply an insurance certificate.

Mr. GIBBONS. Let me talk about the red colored States, those are the ones where the United Student Aid Fund is operating?

Mr. MOORE. It operates in a number of them as the administrating agency; yes, sir.

Mr. GIBBONS. All right, go ahead.

Mr. MOORE. Well, the law provides for the establishment of a guarantee fund in very State. As the map showed with the State appropriation pattern on it, about half of the States have appropriated money for deposit in the guarantee fund. In other words, the advance of Federal funds from 1966 to 1968 have become fully encumbered, and this is what happened to Florida. As you know, last month, the loan business just stopped, and the only way at the moment we have of continuing to provide loan accessibility is to run this interim program of direct Federal insurance into the States.

If there is a claim on the loan the bank will make the claim against the U.S. Government instead of the State guarantee agency.

Mr. GIBBONS. Let me ask you a question: On these red colored States we have up there, where we had the different State plans, is there uniformity or Federal guidelines? Let me demonstrate. Suppose I am a student first in Virginia and decide to go to school in Maryland,

and these are hypothetical examples, I wouldn't want to have to go into the details of each State plan but I talk about a student living in one State and going to a school in a State right next to it for any number of reasons that you can imagine, but do these red-colored States, or the ones that have the State plans, are they required to help that student that goes over into another State or does he just become a lost soul?

Mr. MOORE. I think you are talking about here State residency requirements?

Mr. GIBBONS. That is right.

Mr. MOORE. The law does provide certain minimal criteria which a State must observe in order to sign an agreement with the Commissioner: one, to secure the interest subsidy; and, two, to secure the deposit of seed money, maximum and minimum requirements on the loan, and so forth. Beyond that there are areas in which the State is perfectly free to set its own ground rules, and this matter of State residency is the most common one.

We have generally taken a position that if there are agencies in all 50 States, obviously everybody is covered because in theory at least everyone is a resident of at least one State. It is true in the Federal insurance program we don't have to concern ourselves with a lot of these local restrictions because there the student eligibility requirement is simply that he be a student in a college located either in the United States or approved list of countries.

This is one of the problems of dealing with a 50-State pattern, as one simply has to accept a certain number of reasonable local restrictions. But I think, overall, once an agency is established in every one of the 50 States one can say that virtually everybody is covered.

Mr. MUIRHEAD. If I may, I would like to develop that point a little more because I think it is quite crucial to the operation of the guaranteed loan program. He was quite correct in pointing out that—whether the State has created a new agency or whether it has contracted with USAF to do the job—the State agencies that are in place have a variety of practices, and that variety is permitted under the law.

You used a very good example, Mr. Gibbons, in taking up the State of Virginia. In Virginia, the State agency sets up a requirement that the resident must attend a public institution within the State. Many of the restrictions the State agency sets up are quite understandable because they have not enough guarantee funds to cover all of the eligible students, so they set priorities as to how they will use the funds.

It is our hope that as a result of these amendments we are suggesting to you—principally, the reinsurance amendment which would, in effect, multiply by four the State's capacity to guarantee funds—that the need for those restrictions will evaporate and that the States then will make the program available to all eligible students and permit the student freedom of choice as to which institution he might attend.

As the Commissioner indicated in his testimony, in the long run what we would like to see in place here would be 50 State-operated programs making these loans available to all eligible students to study where they wanted to study.

Mr. GIBBONS. I bet you $100 if you do it you are going to have, instead of a rather large bureaucracy in Washington, you will have 50 medium-sized bureaucracies and nobody will figure what is going on and Members of Congress will constantly be answering mail trying to explain to 50 different agencies. It seems more reasonable for us to pick out a good, thorough, simple way we can do it and not force these States to have to hire a lot of bureaucrats to administer the programs when your federally insured programs are the simplest, most direct, and probably the least expensive programs we have.

I don't know why we are trying to balance out all of these competing forces at the expense of the Federal treasury. I may be accusing you of something that is not true, but it seems to me we have the State programs, USAF programs, and we have the federally insured programs and it seems to me we are taking a little bit of every one to make everybody happy and what is going to happen is we build up so many little bureaucracies, public and private, nobody is able to make any sense of any of them.

The Chairman is getting ready to gavel me down, so I will retire on that.

Mrs. GREEN. Congressman Reid.

Mr. REID. Thank you, Madam Chairman, and it is good to welcome you here this morning, Commissioner, and your colleagues.

I would like to pursue one question that Congressman Quie started with in a little broader context and I think all of us on the committee are not unmindful of the fact that Congress clearly needs serious research on goals and priorities. If you take the three areas that your statement is concerned with, could you give us some rough idea of what the shortage of facilities is around United States that are relatively essential?

Mrs. GREEN. Will you yield?

Mr. REID. Yes.

Mrs. GREEN. I think also before you came in there was an agreement that we would discuss facilities tomorrow.

Mr. REID. All right, then; could I get to the second part of this, which is what is the shortage in terms of students who have the ability to go to college and the qualifications but lack the means. How close to meeting the need do you think these four programs will come? Madam Chairman, do you want to get the graduate side this morning?

Mrs. GREEN. Yes.

Mr. REID. Could I ask, then, to what extent do you think the improvements in the various student programs will meet the need? How many students do we have annually that want to go to college but are denied that because of financial reasons of one kind or another and how close to meeting the objective that any American may go to college irrespective of financial means will these several programs take us?

Mr. HOWE. Let me make some general comments and perhaps Mr. Muirhead can make some. Perhaps we can submit for the record some material that will in detail in numerical terms really answer your question. First of all, it is very clear that college attendance or attendance beyond the secondary level in the United States is very,

very heavily weighted in favor of those who come from middle- and upper-income brackets, as compared with those who come from lower-income brackets.

That fact, and we can document that with a good many numbers, would indicate that there is a real problem of financial support for those from lower-income brackets in getting the opportunity to go to college. If you refine that fact further and look at those from lower, income brackets who have the ability to go to college, it is still true that the percentage of those with the ability—that is, from the upper quarter of graduating classes but coming from lower-income brackets—find themselves in college in substantially lower proportion than they should in accordance with their ability, again probably because primarily financial need.

There are motivational factors in here as well that complicate the picture.

Third, you have a clear record of college dropouts which again is weighted very much in the direction of those who come from lower income families. You can't ascribe all of these college dropouts to financial need, but you can ascribe a considerable proportion of them to financial need. I would say in a general way we have a very large problem to solve here. We are not going to solve it completely by the legislation and the funding we are suggesting to be put in being this year, but the legislation will put into place the proper authorizations to reach for a solution to this problem over a 5-year period. We could submit to you some numbers which would show the kinds of options that would have to be faced in funding over that 5-year period to solve the problems of, let's say, students from families of less than $5,000 adjusted gross income, or $6,000 or $7,000, whichever level it is.

Mr. REID. Let me ask just two quick statistical questions:

What is the total number of our graduating high school seniors in the United States at this time?

Mr. HOWE. 2.7 million.

Mr. REID. 2.7, and what is it, around 50 percent that are now going on?

Mr. HOWE. Around 50 percent are going on to some form of post-high school education.

Mr. REID. And this would provide how much of an increase over last year? You used a figure of about 700,000 in the guaranteed student loan program and mentioned NDEA figures.

Mr. HOWE. Those figures, of course, reflect the students in all 4 years of college.

Mr. REID. Well, how many did we help go to college in this current fiscal year or the last year?

Mr. HOWE. You mean new starts in September?

Mr. REID. Yes; that would not have otherwise been able to do it? What is the annualized figure approximately?

Mr. MUIRHEAD. If we talk about the opportunity grant program——

Mr. REID. No, I am thinking about overall, all of these programs.

Mr. MUIRHEAD. Well, in the present year, about one and a quarter million students are being assisted through the several student aid programs.

Mr. REID. Do you divide it by four?

Mr. MUIRHEAD. And probably about 30 percent of those are freshmen. I think, Congressman Reid, it is necessary to analyze that figure a little because it includes the guaranteed loan program. As we have all said many times, the guaranteed loan program does not have the same sharp mission as the opportunity grants and the work-study and the NDEA loan programs. Those programs are directed at the financially needy.

Mr. REID. Assuming you are reaching, say, 30 percent, and I am just trying to get the parameters of the problem, and only 50 percent are going to college, what will the increase be this year with the program when it becomes operative?

Mr. MUIRHEAD. In round numbers, the increase this year will move to about one and a half million next year over the one and a quarter million of the current year.

Mr. REID. It is an increase of 250,000 and you divide by four; what you are talking about is a program of about 60,000?

Mr. HOWE. Probably 75,000 freshmen, that would probably be larger.

Mr. REID. And the probable need, if we looked at it, is perhaps to reach 1 million on an annualized basis?

Mr. MUIRHEAD. Within the context of the 5-year objective that we are talking about, where every youngster who has ability will not be prevented from going to college for financial reasons, we would need to raise the number of students who receive assistance from the present level of about 700,000 to 750,000, to a level of perhaps 2 million. We can present some figures to the committee to document that, but, basically, the aim of this legislation would be to raise the opportunity for young people from low-income families to the same level that is now enjoyed by youngsters from middle-income families. The sad situation at the moment is that students coming from families earning $10,000 and above who have ability for a college education—those in the upper half of the graduating classes—have about 8 out of 10 chances to go to college. In contrast, the opportunity presented to equally able young people from the $3,000 to $4,000 family income level and below is only about 2 out of 10. The objective of our 5-year plan is to raise that opportunity to the same level as the middle-income group.

Mr. REID. Could I ask a quick question?

Mrs. GREEN. If it is quick and the answer equally quick.

Mr. REID. My one final question is what about the middle-income family which is slightly above the $15,000 level but has three or four children, all of whom want to go to college at the same time?

Do you want to exclude them?

Mr. HOWE. There are two points here: first, the guaranteed loan program is available to the family but at an interest rate that is not subsidized by Federal Government; and, secondly, there are, of course, in place opportunities for students' support from private and State sources outside of the federally sponsored program about equal in size to the Federal programs and that family has some chance there.

Mrs. GREEN. Congressman Brademas.

Mr. BRADEMAS. Thank you, Madam Chairman, I want to follow some of the questions that have just been asked. I was much impressed by what you said, Mr. Howe, about college attendance in the United

States being heavily weighted toward middle- and upper-income families, and I think you said that the real problem is with lower-income students even if they have ability.

I find that in my home district there is great interest in the tax credit proposal, and we already have the guaranteed loan program. Both of these programs are essentially aimed at helping middle- and upper-income students. Having said that, I would like to ask you a couple of questions.

First, could you give me, if not now, at some other time, a breakdown of who benefits, and by who, I mean both in terms of family income and ability, from which student aid programs, Federal, State, and private? This information would give us some basis on which to make judgments as to what we ought to be doing. Do you have any general comment on that observation?

Mr. HOWE. We can give you some profiles which will show perhaps in graph form where the major focus of family income is for each of the several major programs of the Federal Government. Whether we can do this for all private programs I would doubt, because there is a broad spectrum of private programs. I think you will find that on the Federal side of the educational opportunity grant program and the work-study program are providing a major focus for the needs of the really low-income youngsters. I think that the solution, the ultimate solution, to the problem of the low-income youngster is vastly greater funding of the grant program and the work-study program.

While the loan programs ought to be picking up as you move away from the lower incomes, the pattern of funding where have a maximum of direct grants and work-study opportunities in the lower income is where we ought to reach.

(The information follows:)

Question: What are profiles of family incomes for students served in these programs?

Answer: For the 1966–67 college year, gross family income percent distribution is shown in the table below. Note the résumé of total awards as compared to the actual number of students; the overlap is due to award "packaging."

[In percent]

Annual gross family incomes	NDEA loans	College work-study	EOG	GLP
Less than $3,000	23.6	31.2	28.5	11.5
$3,001 to $6,000	28.9	36.5	42.4	20.2
$6,001 to $7,500	16.5	15.2	16.6	26.4
$7,501 to $9,000	12.7	8.1	8.7 }	25
$9,001 to $12,000	12.4	6.5	3.8 }	
$12,001 and over	5.9	2.5		16.9
Total awards	394,359	289,476	123,058	

Unduplicated number of students college program, 610,300.

Mr. BRADEMAS. I happen to share your feeling, but to what extent is the State loan and scholarship program really making a dent in the problem of providing aid for low-income students?

Mr. HOWE. Of course, most State programs for loans are now becoming affiliated with and a part of the guaranteed loan program. We will try to give you the profile you suggest about the income level groups involved in those.

Would you comment on this, Mr. Muirhead?

Mr. MUIRHEAD. Yes, the State loan programs, as the Commissioner said, are more or less becoming part of the very large guarantee program supported by the Federal Government. The State scholarship programs for the most part do include a financial means test in order to determine the stipend. In some instances, however, the State loan or scholarship programs include a test of ability which, in many instances, eliminates some of the collegeable students who are not of the highest ranking.

So the State scholarship programs are not wholly comparable with the student aid programs that we are discussing here, because we have no test of a youngster's ability. He need only show that he has the potential to succeed in college.

Mr. HOWE. And get himself admitted.

Mr. BRADEMAS. There is this additional fact, that the State may have a program but not much money in it—it is on the statute books but it does not amount to much. What about the role of the guaranteed loan program? As I understand it, 35 State programs are involved. How effective have these programs been?

Once again, they are on the books. Are the States providing some pretty good leadership and are there some States we can point to that are models for other States?

Mr. MUIRHEAD. Yes, there are certainly some examples of leadership. New York State is a fine example of that. Indiana also, my good friend, Mr. Moore, states.

Mr. BRADEMAS. I am glad to hear that. That was not a solicited testimonial.

Mr. MUIRHEAD. Yes, I think the guaranteed loan program has to be measured within the context of the circumstances under which it was launched. Against that background the guaranteed loan program has made rather significant strides forward.

Mr. BRADEMAS. To turn to the other side of that coin, if I may, how effective have the bankers been in providing leadership? My memory tells me that, when we had hearings at the Northwestern University on the Office of Education study, the bankers of Illinois conducted an extremely impressive drive in encouraging their constituents to get active in the program. Are you finding that the bankers are responding with real leadership across the country, or are they holding their breath for us to give them conversion fees proposed in the bill before us?

Mr. HOWE. Mr. Brademas, I think the answer is both. They have provided real leadership. Particularly the national association has been deeply involved and has urged its members to take part. It has done all sorts of promotional work on its own initiative and has cooperated with us in analyzing the problems of the program. Indeed, the State subdivisions have done this kind of thing, at least in some States.

I think the bankers have submitted evidence to us, which has been analyzed by the Treasury, that there are very legitimate problems of cost in this kind of loan which are not fully met by the program. It is through looking at these matters with them that we arrive at some of these suggestions for an added fee for making these loans.

Mr. BRADEMAS. I want to make one final comment, Madam Chairman, to Commissioner Howe. I was struck in the President's message by his statement last fall that more than 50 percent of our high school graduates went on to college and by 1976, only 8 years from now, he hoped we would increase that number to two-thirds. That is putting a very great challenge before us, it seems to me, and I hope that the programs you have suggested are up to it.

Mrs. GREEN. Congressman Esch.

Mr. ESCH. Thank you very much, Madam Chairman.

I would like to express my appreciation at your being here and discussing this problem. I was struck by the parameters of the problem which we face from the previous testimony. I hope that the profile will also include projections over the next 5 years as to what funds might be needed in the various programs to meet the goal. Your suggestion is that the current program will only meet from 6 to 7 percent of the real problem as it exists today. Have you projected those figures on a percentage basis?

Mr. HOWE. I am not sure how you arrived at the figure. We have not any comparable figure of meeting 6 or 7 percent of the goal, I don't believe. Perhaps we could formulate a 1975 objective and then assess what our present performance is in percentage, but I would suspect it would be higher than that.

Mr. ESCH. I would like to see it on the basis of the 75,000 more students which you indicated these programs might maximally include. I think it comes out roughly to 6 or 7 percent. I think it is very important for us, as a Congress, to assess what kind of need we are facing and how much of that need we are meeting. I think it is very good for us to present broad-range programs and make broad-range statements, but I would like to see just exactly and specifically what we intend to do this year about meeting the problem.

I think it is minimal.

Now, let me interject, if I might, and look forward to tomorrow. How inconsistent it seems to have a long-range program leading to 1975 and yet minimize the facilities need which we are aware is tremendous. I hope tomorrow you will present the projected facilities needs based on the great increase in student enrollment in the early 1970's and the larger increase that will result from an end to the Vietnam conflict. I hope you will be able to indicate to me how these two programs, the facilities needs, and the needs in terms of scholarships, might parallel or not parallel.

If we could turn specifically to the student loan provisions, in the long range, is your Federal reinsurance proposal a move toward nationalizing the entire student loan program operation? Do you look at nationalization as a goal?

Mr. HOWE. Let me comment on one aspect and Mr. Muirhead can comment in more detail.

Our whole objective in this entire program, as far as the guaranteed loans are concerned, is to reach for effective State participation, State administration, and indeed State provision of State funds for backing up a portion of the program. The reinsurance feature is simply a feature that makes those State funds go further. Would you comment further on this?

Mr. MUIRHEAD. I think you said it very effectively, Mr. Commissioner. Our objective, our clear-cut objective in the guarantee loan program, is to look toward a State operation of these programs, endorsing what this committee has endorsed many times: the whole concept of creative federalism. We should do all that we can to carry out that concept and to have the States support it.

Mr. ESCH. Let us get into this.

Approximately how much do you anticipate being loaned through this reinsurance eventually. Is it $1 or $1.5 billion?

Mr. MOORE. With the guaranteed funds that are in place at the present time, with the addition of another $25 million in seed money, this reinsurance proposal should create a total guarantee capability of, in all 50 States, of something in the neighborhood of $3.6 billion over the next how many years it operates.

Mr. ESCH. Could we talk about what has been the history and experience on the defaults? What has been the default record in either NDEA or through USAF? Has it not approached 3 to 4 percent?

Mr. MUIRHEAD. We have no record as yet on defaults under the guaranteed loan program. It is an infant program and there have been just a few loans that have gone into repayment status. We have rather extensive reports which we will be glad to provide to the committee on the collection rate and the default rate under the NDEA student loan program.

(The following was submitted for the record:)

REPORT ON COLLECTIONS OF NATIONAL DEFENSE STUDENT LOANS

From the beginning of the National Defense Student Loan Program in 1959, through June 30, 1967, over 2 million loans, totaling more than $1 billion, have been made to students in 1,738 institutions.[1]

The Student Loan Program was established primarily for the purpose of providing financial assistance to young people who were in need of such assistance in order to enter or continue study beyond the secondary school level. The Program was designed to help students who were unable to obtain financial assistance from other sources and who were willing to assume responsibility for repaying the funds made available to them during the time they were unable to help themselves. Of the approximately 610,000 students receiving financial aid from the National Defense Student Loan Program, the Educational Opportunity Grants Program, and/or the College Work Study Program, during Fiscal Year 1967, 66 percent were recipients of NDSL loans.

An analysis of these borrowers, about 394,000 in FY 1967, reveals that 92,967, or 24 percent came from families with annual incomes of less than $3,000; 114,114, or 29 percent of the borrowers came from families with annual incomes of less than $6,000; and 65,117, or 16 percent came from families with annual incomes of less than $7,500. In other words, 272,198 borrowers, representing 69 percent of all students who borrowed under the Student Loan Program in Fiscal Year 1967 were from families which earned $7,500 or less a year. From this analysis, it can be readily seen that the students assisted generally came from an economic group that normally, by commercial standards, would have been unable to obtain loans from other sources and, therefore, would have perhaps resulted in a loss to the Nation of the increased talent now made available to the Nation's total skilled manpower needs.

During the last several years, there has been a growing recognition of the fact that as the total loans made under the National Defense Student Loan Program increased in numbers and amounts, and as more borrowers reached the point at which repayments were to begin, the magnitude of the collection problem was likely to increase proportionately. Looking at the situation at the

[1] Figures based on hand tabulations of FY 1966 and FY 1967 reports.

close of Fiscal 1966, tabulations show that of the 1,639,280 loans made, 77,087, or 4.7 of these appeared to be delinquent; in terms of the amounts involved, of the $823,928,223 loaned to all students, an estimated $7,836,210 was delinquent as of June 30, 1966. If one were to derive the percentage of accounts past due by computing the amount of money due but uncollected as a percent of the total amount due, both collected and uncollected, the delinquency rate for FY 1966 would be reported as 19.6 percent. This was the method employed by the Student Loan Program at the time the first report on delinquent accounts was published in June, 1966. However, commercial loan establishments report loan delinquency percentages as the amount due but uncollected as a ratio of the total outstanding loan indebtedness. Employing this latter method—i.e., taking the amount past due ($7,836,210) as a percentage of the total in loans outstanding ($739,523,000)—the rate of delinquency in this program would be 1.0596 percent. Insofar as comparability with non-Government establishments is concerned, the latter method provides a far more meaningful figure.

Although the collection problem is recognized, the overall collection picture is not as dismal as it at first appears. In view of our recognition of the magnitude of the collection problem, action was taken to review carefully all aspects of the Program so as to identify the major problem areas in order that corrective action could be initiated promptly.

To this end, we believe we have been reasonably successful. In previous reports, there have been reported a number of factors which unfavorably influenced the prompt and full collection of many of the loans made under the Program. It is, therefore, our belief that it is not necessary to repeat those factors again in this report. Some of the factors previously enumerated were considered by the Congress which passed legislation designed to minimize the effect of those unfavorable factors. The effect of the legislation passed appears to have had an impact on the Program and some degree of stabilization has been achieved in slowing the pace at which student loan repayments were being neglected.

Perhaps, the most promising and encouraging activity undertaken in this regard is a special effort which we in-house rather affectionately call "Project 100".

"PROJECT 100

"Project 100" was conceived in the early Fall of 1966 as a means of exerting a concentrated and continuous effort to improve the administration and financial management of the National Defense Student Loan Program in a selected group of institutions. Because of the large number of institutions in the Program and because of our limited professional staff, it was realized early that in order to do an effective job, the colleges and universities included would of necessity have to be restricted to a manageable number. It was our considered judgment that by careful scheduling, we would be capable of working on an intensive basis with approximately 100 institutions throughout the Nation. The name, "Project 100" was derived from this decision.

PURPOSE

More specifically, the purpose of "Project 100" is:

(A) to effect a substantial reduction in the number, percentage, and amount of past due loans;

(B) to correct such identifiable weaknesses in the administration of the Program as may contribute to the development of poor collections and audit exceptions; and

(C) to evaluate the effectiveness of such efforts.

SELECTION INSTITUTIONS FOR INCLUSION

The institutions included on the preliminary roster of the project were selected from the total list of participants in the Program on the basis of a summary and comparison of the FY 1965 and 1966 Repayments' Reports. The preliminary selection took into consideration the *number*, *amount*, and *percentage*[2] of past-due loans. Also considered was the history of past performance, the frequency

[2] Computed by taking the amount of money due but uncollected as a percent of the total due, both collected and uncollected. Using this basis, these schools represented a total delinquency rate of 47.6 percent, in Fiscal 1966, as compared with the national total of 19.6 for the same reporting period.

and recency of program reviews and audits, and the weaknesses identified by such examinations. The preliminary roster thus formulated contained 210 institutions. Subsequent improvements at various institutions have resulted in effecting a reduction of the original 210 schools to the present roster of 198 for Fiscal 1968.

PROJECT OUTLINE

At the time of its implementation the project outlined certain basic actions to be taken:

A. Each OE regional office, in cooperation with Office of Education headquarters, was to schedule and conduct, promptly, at each institution selected within its region, an intensive program review covering all administrative aspects of the program. The review, designed to provide substantive evidence of existing weaknesses and the current status of the institution's program, included:

(1) the identification of the number and amount of delinquent accounts, as defined;

(2) the extent to which procedures were established for billing on a regular basis;

(3) the reasons for the weaknesses identified;

(4) the extent to which procedures were established to insure that borrowers were fully informed of their loan repayments' obligations, at the time the borrower left eligible student status; and

(5) whether the institution took serious and positive steps to implement previous recommendations made as a result of earlier audits or program reviews.

B. The chief administrative officer of each institution in the project, (and such other official(s) as he wished to accompany him) was invited to a post-review conference during which the results of the intensive review were frankly discussed with him. During the conference he was to be informed that:

(1) the records indicated the need for immediate, strenuous, and continuing action in improving the administration of the National Defense Student Loan Program;

(2) the failure to institute recommended actions would result in the discontinuance of allocating additional Federal funds to the institution; and

(3) a specific period of time would be allowed, depending upon the circumstances, for the institution to establish satisfactory compliance.

C. All institutions in the project were to be notified that future allocations would be approved only after taking into consideration their record of administration and collections; that future allocations might be denied on the basis of their records of administration and collections.

D. Institutions were to be encouraged to use College-Work-Study students to supplement or augment inadequate personnel in the billing and follow-up procedures. This would not create too great a problem or raise too serious objections since student borrowers in collection status would not be presently enrolled students.

E. Assistance was to be offered and encouragement given to institutions in establising cooperative collection efforts. This would be primarily for institutions that experienced difficulty in obtaining adequate and competent staff to administer the program.

RESULTS

The Regions exerted a tremendous effort to remedy the problems of repayment at their "100" schools. In Region IV, for example, *56* program reviews and *20* audits were conducted during the past year at the *48* institutions currently in the "Project 100" category; in Regions VI and VII, all "Project 100" schools (53) had program reviews. Region I had meetings with 27 different schools which had evidenced difficulty in maintaining a good collections' program.

Such efforts as briefly described above, were not without results. Between Fiscal Year 1966 and Fiscal Year 1967, 101, or 51 percent of these 198 schools showed an improvement in repayment. This is most significant because of a four-month change in reporting periods betwen the two fiscal years.

Prior to the FY 1967 Report of Repayments, institutions were permitted to reflect teacher cancellations received between the end of the fiscal year and October 31; as of the last report, no payments received subsequent to June 30 could be shown on the report. The point to be noted is that the most recent reporting period (Fiscal 1967) denied the institutions the four-month advantage of applying late teacher cancellations to those borrowers considered past due, as of June 30, the consequence of which was to increase the number and amount of delinquencies.

FOLLOW-UP

By the Fall of 1967, certain trends became apparent: (1) not all Regions had been able to approach this problem of delinquency with the same diligence; (2) staff limitations, and the implementation of the Federally Insured Loan Program, created severe problems in some of the Regions; (3) more support for some Regions from the Washington Office was needed in solving these national problems; and (4) we had no national data regarding the universe of "Project 100" schools.

Consequently, in December of 1967, the Washington Office notified each of the 198 institutions of the situation and requested a detailed analysis of those accounts the institution had reported past due on its FY 1967 NDSL Annual Report of Repayments.

ANALYSIS OF SPECIAL REPORTS

Although the Loans Branch currently is in the throes of analyzing these reports and of responding to the institutions, interesting results are becoming apparent:

A. One Regional Director states that he expects the most dramatic improvement to be shown by June 1968 as a result of more effective collection procedures and, perhaps even more significantly because of the concern evidenced by the Presidents of these institutions over the problem of loan repayment.

B. In Texas, an institution reduced its rate of delinquency from 64.6 percent in 1965 to 25.9 percent in 1967; currently, its delinquency stands at about 15 percent. The Regional Office states that this school now is assisting nine other institutions to rectify their problems.

C. Seven of ten institutions reporting from Massachusetts indicate there will be an increase in their financial aid staffs next year.

D. Approximately 50 percent of the "Project 100" institutions upon having to provide a detailed analyses of their delinquent accounts, found they had made errors on their Fiscal Year 1967 Reports of Repayments.

E. A sample of the reports which have been analyzed indicates that the percent of delinquent borrowers who are *one year* or *less* past due ranges from 4 to 92 percent, with a median of 50 percent.

F. Preliminary analysis of these same reports (item E) further indicates that the median percent of delinquent borrowers who terminated prior to graduation is 35.

G. At the present it is impossible to determine the exact number or distribution of Project 100 institutions using a billing service but the following, albeit incomplete, list indicates that the number is increasing substantially.[3]

1. California: of the eleven (11) institutional reports reviewed, three (3) of the schools either belong to, or are considering the use of, a billing service;

2. Louisiana: two (2) of the four (4) institutions listed are considering a billing service;

3. Massachusetts: of the twelve (12) institutions analyzed, none belongs to, or is considering the use of, a billing service;

4. Pennsylvania: of the twelve (12) institutions analyzed, *all* are considering the use of a billing service;

5. Tennessee: of the seven (7) institutions analyzed, *all* either belong to, or are considering the use of a billing service.

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[3] Perhaps the best indication of the trend toward the use of a billing service can be found in Wachovia Services, Inc., North Carolina. A survey conducted in October 1967 indicated that Wachovia was handling NDSL billings for *twenty-three* (23) institutions. Currently, it has *sixty* schools under contract and is negotiating with several others.

THE PROBLEM

In responding to the request for an analysis of their delinquent accounts, the 198 Project 100 institutions were asked to inform us as to what they considered to be the most serious impediment they encountered in the proper operation of their loan programs. Again certain trends become apparent; the majority of problems fell within five (5) categories. Rather than list these, actual quotations from our correspondence should provide a more meaningful picture of these problems.

1. Please be considerate of my in-experience with the program; and, I would also call attention to the *difficulty in finding capable personnel to manage the program.*

2. A lack of incentive to pay because of the *absence, in the early years of the Program, of any penalties* for non-payment or tardy responses. . . .

3. Many of our *delinquent borrowers are teachers* who fail to request postponement of installments in anticipation of cancellation.

4. A major *source of delinquent repayments may be found in the drop-out cases;*[4] student borrowers who get away from school without an Exit Interview.

5. The chief problem which we have encountered in the administration of the Student Loan Program has been its *rapid growth.* It became a major problem at a time when we were *not sufficiently well staffed to handle it adequately.*

CONCLUSION

The problems manifested by the 198 "Project 100" institutions are the same problems encountered by the majority of all schools in the Student Loan Program; how quickly they are recognized and resolved determines whether or not an institution will be able to administer its Loan Program in a suitable manner. Through the special study of these "select" schools, one item has become increasingly apparent, both to this office and to the Regional Offices: the more frequent the personal contact with these institutions, the less likelihood there is of their developing problems.

In spite of the restriction on travel funds and the severe shortage of personnel in our Regional Offices, close contact was maintained with these problem schools, often to the detriment of other important duties. Program reviews, meetings, visits, telephone communication, and letters were utilized in an effort to assist the schools to resolve their delinquency problems; as noted earlier, 51 percent of the schools showed some improvement during the past year. Increasing demands on the Region, however, and the undeniable fact that some duties had to be ignored in order that they be able to devote as much time to their problem schools as they did, will preclude the maintenance of such effort in the future.

Only if the Regional Offices have sufficient staff to enable them to maintain frequent and personal contact with their schools can future problems be precluded. Nothing provides greater evidence of this than the situation in Region VIII; the ratio of staff is such that each school is visited at least *every* year. Consequently, when the original "Project 100" institutions were called from the universe of NDSLP participants, *not one* institution qualified. And, since that time, problems have been recognized before they could become serious enough to place an institution in the "Project 100" category.

Mr. ESCH. The information I have received is that it was right around 3 to 4 percent from the existing, without the reinsurance. Taking it at this rate, with $3.5 billion, with 80 percent guaranteed, we are talking about approximately $90 to $100 million a year in defaults.

Mr. MUIRHEAD. I think that is quite proper, Mr. Congressman, to indicate that we have no basis for measuring the collection or default rate under the guaranteed loan program. It would not be wholly

[4] Preliminary analysis indicates that approximately one-third of delinquent borrowers are drop-outs.

appropriate for us to use the record of other guaranteed loan program agencies such as USAF because there will be different mechanisms for collection in this program.

Mr. ESCH. We do have this experience base that this has been the default rate today. I would like to see the figures.

Mr. HOWE. Not on guaranteed loans.

Mr. ESCH. No; but on comparable situations. Now, I wonder, too, if we could just turn to the vocational educational aspect. It has been indicated that all of the seed money was utilized immediately. Are you recommending a massive new program and a great deal more funding this year to emphasize the need for technical and vocational training? What proportion of seed money will be given to vocational and technical?

Mr. MUIRHEAD. One of the recommendations included in the bill would provide reinsurance, which in effect would broaden the capability of the States to provide guarantees. Another recommendation is to merge the two programs together so that the guarantee fund would be available both to the college-related program and to the postsecondary vocational program.

Mr. ESCH. You are not, really. You are putting in $12.5 million more of seed money but in effect that is for the total seed money, so what you are doing is not really emphasizing to any extent the extension of vocational loan programs.

Mr. MUIRHEAD. Yes. Well, I think it has to be developed just a little bit, Mr. Congressman. The additional $12.5 million of seed money is intended to help those States which have no guarantee funds that can be reinsured. The overall effect of the reinsurance will be to make available four times the amount of guarantee funds that are now in place.

Mr. HOWE. For all kinds of loans, vocational included.

Mr. ESCH. I am very much concerned with setting priorities but also not being shortsighted in the priorities we set. I am very much concerned that we have not given any attention or any priority to the vocational and technical training area and I think the proposals that you present have not done this either.

We have done nothing and you have recommended nothing to meet the need in terms of technical training. Surely, if we are talking about giving opportunity to those who need it most, perhaps the best place to look is the technical training area. I yield to my colleague.

Mr. HOWE. Perhaps I should comment briefly on your last remarks and I might make two points. In broad policy concerns, we are introducing a whole new partnership for a learning and earning proposal which will come for hearings of committees here in Congress in mid-February and which will be addressed to a variety of vocational and technical training programs. Secondly, I believe you will find that students engaged in postsecondary vocational and technical education under the proposals suggested in this legislation will have a more flexible and larger volume opportunity for getting loans for that kind of training. I would not entirely agree with your earlier comment.

Mr. ESCH. Mr. Howe, if we look carefully at how much money you are going to recommend for the technical and vocational programs we see that on one hand you are usurping the money from NDEA programs and, on the other hand, not really providing additional funds of any consequence at all in terms of new technical programs. While we have talked of how much and how great a need there is for the vocational and technical training, neither this administration or Congress has provided the real leadership to fund it adequately and meet the problem. I think we are not realistic and honest with ourselves.

Mr. HOWE. I am not sure whether you are talking about programs or loans to students, but it is clear to me from this legislation that the reinsurance feature and the eligibility of vocational students for the regular loan programs will open up loan opportunities that vocational and technical students have not had before.

Mr. ESCH. To about 6 percent of the need as evidenced by your statistics.

Mr. HOWE. I think to a much larger eligibility.

Mr. ESCH. Well, I would like to see your figures.

Mr. HOWE. We will certainly examine it with you.

Mr. QUIE. Will you yield for one question?

Did the Advisory Council on Vocational Education have anything to say about the insured loan program or financial assistance for students in vocational education?

Mr. HOWE. I can't recall if it was one of their recommendations or not. Their report will be sent to Congress in the next day or two, if not today; it is in the process of coming up here. They have a large number of recommendations, but I don't remember if this is one.

Mr. QUIE. Is this the same report made to the Secretary on January 1?

Mr. HOWE. It was submitted shortly after that.

Mr. QUIE. It won't be doctored or changed, but will be the same report that was submitted to the Secretary?

Mr. HOWE. No, sir; no doctoring or changing.

Mrs. GREEN. Congressman Carey.

Mr. CAREY. Thank you, Madam Chairman.

Commissioner, first, would you provide us with some additional information at a later date so that I can be informed on something which is a carryover from the last presentation and at that time we had a tabulation of States showing degree under which they participated in the guaranteed loan program and my reading shows that my State, New York, led all of the rest; in fact, had borrowed about $66 million or more and was greater than the total of all of the next 12 States combined.

Can we have tabulation brought up to date? I want to find out if New Yorkers are still borrowing more than their sister States and whether we are getting "hock" happy or whether the other States are catching up. I am mindful the States farthest removed, Hawaii and California, are moving into tuition programs, and I want to see if California is beginning to borrow money the way New York has for years.

(The requested information follows:)

LOAN VOLUME BY STATES

No.		Fiscal year 1967		Fiscal year 1968 through Dec. 31, 1967	
		Number	Amount	Number	Amount
	Totals	330,088	$248,494,327	355,150	
10	Alabama	1,377	829,069	3,622	
11	Alaska	73	108,510	121	
12	Arizona	1,641	701,500	1,552	
13	Arkansas	1,835	863,279	1,862	
14	California	5,899	3,846,129	12,163	
15	Colorado	2,591	1,896,627	4,725	
16	Connecticut	10,611	11,429,000	12,009	
17	Delaware	437	239,361	924	
18	District of Columbia	50	44,292	40	
19	Florida	2,300	1,548,131	3,852	
20	Georgia	3,946	3,430,347	4,123	
21	Hawaii	822	649,507	1,513	
22	Idaho	1,004	619,798	583	
23	Illinois	13,182	12,891,996	18,953	
24	Indiana	3,932	3,222,550	4,726	
25	Iowa	3,538	2,480,644	8,192	
26	Kansas	2,719	1,560,548	2,478	
27	Kentucky	2,873	1,773,067	3,562	
28	Louisiana	4,564	2,887,550	4,324	
29	Maine	3,872	2,895,186	1,640	
30	Maryland	2,775	2,291,232	2,559	
31	Massachusetts	14,001	10,907,772	13,285	
32	Michigan	5,383	3,951,329	6,525	
33	Minnesota	3,436	2,207,931	7,273	
34	Mississippi	2,225	1,324,706	1,525	
35	Missouri	2,923	1,792,710	3,153	
36	Montana	664	405,774	1,508	
37	Nebraska	1,082	672,607	1,784	
38	Nevada	315	171,579	353	
39	New Hampshire	1,294	1,117,552	1,544	
40	New Jersey	16,093	15,797,400	20,162	
41	New Mexico	1,881	1,128,272	1,754	
42	New York	77,961	66,448,013	81,585	
43	North Carolina	1,953	1,068,036	2,137	
44	North Dakota	1,045	634,175	3,885	
45	Ohio	7,536	6,844,471	6,063	
46	Oklahoma	1,856	1,227,697	2,169	
47	Oregon	2,090	1,155,846	2,732	
48	Pennsylvania	25,930	22,520,845	27,969	
49	Rhode Island	1,842	1,570,605	2,867	
50	South Carolina	1,027	543,508	1,299	
51	South Dakota	1,705	831,368	2,360	
52	Tennessee	2,870	2,092,925	3,720	
53	Texas	20,976	9,168,344	18,181	
54	Utah	1,376	754,349	2,006	
55	Vermont	759	611,783	1,477	
56	Virginia	5,735	4,357,691	6,488	
57	Washington	1,667	1,199,765	2,443	
58	West Virginia	1,245	744,176	2,023	
59	Wisconsin	5,764	2,909,653	5,606	
60	Wyoming	449	323,554	598	
61	U.S. Air Force Reserve program	43,835	26,656,554	23,939	
62	----do				
63	----do				
64	Puerto Rico	3,130	1,144,714	3,214	
66	Virgin Islands				

Mr. CAREY. Secondly, I am interested in sort of a movement toward a uniform basis for student assistance among all students on equal terms. In this connection, we have not developed the effect of the 1967 recently passed GI grant system, GI bill benefit system, versus the ongoing systems under NDEA. If we examine the two plans of assistance, is it not true if a returning veteran with a family enters an institution, either graduate or undergraduate, he will get lesser benefit than an NDEA eligible recipient? Isn't the scale of benefits better for the returning GI?

I am not interested, or it may be a good idea to look at it, in any kind of preference among the available GI's but I think they should not come back and have a second-class-student form of assistance.

Mr. HOWE. We will examine it for you. I would point out that GI arrangements constitute direct benefits, whereas NDEA loans are to be repaid.

Mr. CAREY. I am interested in not just the loans but the fellowships and stipends.

Mr. HOWE. Educational opportunity grants and work study opportunities?

Mr. CAREY. Yes. I don't want to see one student sitting in one seat who has not, for one reason or another, been in service to this country, getting more financial aid than the coming-back "GI." I am aware this can happen under this system.

Mr. GIBBONS. Fellowships or graduate work?

Mr. CAREY. Well, GI's coming back for graduate work.

Mr. GIBBONS. The Commissioner is not responsible for fellowships.

Mr. CAREY. I want to see a comparison of those so we can adjust it some way.

Mr. HOWE. We will give it to you.

(The information requested follows:)

The educational benefits available to a veteran were outlined in the Veterans Pension and Readjustment Assistance Act of 1967. This legislation provided a schedule of monthly allowances available to a veteran and specified other forms of Federal assistance for which he may or may not be eligible while receiving benefits under the "G.I. Bill." The Act made specific reference to three college based programs sponsored by the Office of Education, Division of Student Financial Aid: the Educational Opportunity Grants Program, the College Work-Study Program, and the National Defense Student Loan Program. The Act states that a veteran may not receive assistance under the Educational Opportunity Grants Program, but, that he may receive assistance under the other two programs.

For comparative purposes, it might be valuable to illustrate the situation in which a veteran and a non-veteran might find himself while enrolled as a full-time student.

In both cases, maximum awards under the programs are assumed.

Veteran

GI bill: $130 per month × 9 months (academic year)	$1,170
CWSP: $1,600 (net earnings after taxes, from summer and part-time work)	1,600
NDSL: $1,000 (legal maximum for undergraduates)	1,000
Total	3,770

Nonveteran

EOG: $800 (legal maximum) plus $200 (available to a student who ranks in the upper half of his class for the previous year)	1,000
CWSP: $1,600 (net earnings after taxes, from summer and part-time work)	1,600
NDSL: $1,000 (legal maximum)	1,000
Total	3,600

Both students would be working for their CWSP funds; NDSL loans would have to be repaid. The only difference is in terms of an outright grant of funds. In that case, the veteran fares better than the nonveteran, $1,170 to $1,000.

Mr. QUIE. Will you yield? What happens in a graduate program if a person is under the "GI bill"? Can't there be a blending of the

fellowship program which he has added to the GI bill to bring it up to this level?

Mr. CAREY. This is a nice idea, but this is what I am tending toward. You are giving birth to the Quie-Carey amendment before we get it framed.

Are you attempting to simplify the student loan process in any way? I have had occasion to study the student loan application forms. The State has a voluminous requirement for supply of a means test, data on the means of the parent, to determine eligibility for interest forgiveness, and so forth, or interest for admission, and in many cases the student in order to get the tax returns of his father and mother or other employed person together with State application and then the requirement that the States also make him submit the Federal application whether he wants a State loan or Federal loan, places such a burden upon the student to submit data, my information is the student begins seeking help, say, in June, July, or August, he gets a financial counselor in the institution to declare him eligible by reason of his admission and in many cases he already made two tuition payments which the father or mother probably had to go to Household Finance to get before his student loan money comes through and isn't this a real condition?

Mr. HOWE. I don't know the extent to which it is a real condition. We are attempting to simplify administration of the program both for students and institutions. You find within the proposals here a major effort to simplify them for the higher education institutions which in turn, I think, will reflect on simplification for the student.

Do you have any details, Mr. Moore?

Mr. MOORE. Mr. Carey has put his finger again on a kind of a problem which can be generated within a State as a matter of local requirements for information. We are working diligently with the Council of State Loan Directors on this matter to attempt to achieve some degree of uniformity among the various States' programs to indicate where various kinds of information can be deleted from a local application form without damaging the program, but it is a process of education.

Mr. CAREY. When you get around to redrafting this form, if you are going to redraft our own form as well as to try to make it a uniform form with the States, can you explain to me why on the Federal student loan application as you begin to fill up the application, you first come into category 1, which is the low-income student and the first eligibility line and then you come to the second one, and in the second one the student is told to insert whether the family's adjusted gross income is above $15,000, and then it says at this point: "If you are above $15,000 you are not eligible for Federal interest benefits."

Now, isn't it true that local bank employees handling it, once they get to this part of the form, sometimes inform the student: "You are not eligible for a loan"?

This has happened, and they say, "At this point if you are above $15,000, continue making up the form," but actually where it says, "You are not eligible for interest benefits," they interpret this as a mission to tell the student, "You are not eligible," and it has happened, I believe.

Mr. HOWE. I am sure it has. I think this reflects the fact that credit is short and that the banks are placing their priorities on students who

have the greatest need. They judge that those who are not eligible for interest forgiveness probably don't have quite as great a need as those who are, so they may be creating at their own option a cutting-off point.

Mr. CAREY. So the banks are picking and choosing on students on a means-test basis. Many banks have combined into cooperative evaluation under, for instance, the New York State Higher Education Assistance Corp., where the determination is made not by banks but Higher Education Assistance Corp. for application eligibility.

On many campuses across the country there are experiments in dispensing with grading. Are you aware that in making loans that the Higher Education Assistance Corp. looks upon the students' grades and standing on campus and in some cases advises the student, "We will make this loan, but until you improve your standing in X, Y, and Z, you may not get another one," and are the higher educational assistance corporations and student loan eligibility measuring people getting into the business of evaluating students?

Mr. HOWE. They should not be. The Federal programs are directed entirely to providing support for students who are in good standing at the colleges. As long as the college has the student enrolled and certifies this, I don't see that the banks ought to get into the business of discriminating between A's, B's, or C's, or other student marks.

Mr. CAREY. These are not the banks but the banks have deferred to evaluation machinery on a combined basis, on a syndicated, joint basis which they call the Higher Education Assistance Corporation Evaluation Team or some such thing, and, as you use the United Student Aid Funds and they make a determination that "your standing is not such we consider you a good risk," I think this is something we should look into because it most adversely affects the lower-income students who find it difficult to carry the first-year program in many institutions and their grades are not outstanding, let's face it, but as they pick up the climate of college life and study habits, they improve in the second year, and I wonder if some students are declared ineligible for second-year loans because of first-year standing by these institutions.

Mr. HOWE. I think you raise a good point, and I think we ought to look into it. Maybe you have a comment on this.

Mr. MOORE. If this is in fact happening in the area in which the interest benefits are being applied, we need to talk with the New York people immediately, because the pattern, or, as we call it, "the laundry list" of requirements that a State may establish does not include this matter of grade-point evaluation.

Mr. CAREY. One last question. Why do you base the eligibility for interest benefits on the gross income of the parent and not on the net taxable income? In other words if a family had a gross income, adjusted gross income, after deducting dependents, of $15,000, they are ineligible for interest benefits; however, if the family had catastrophic illness or loss of home or big expenses in connection with a business reverse or something they may have available a net tax deduction of $5,000 but you don't take it into consideration?

Mr. MUIRHEAD. We take into consideration the adjustment of family income, and if the family income is $15,000 adjusted income, so it is

possible and indeed quite common for families earning in excess of $15,000, as high as $20,000, depending on number of children in college to be eligible for subsidy.

Mr. CAREY. Why don't you put on the form the adjusted gross income after deductions, including the allowed deductions for interest on mortgages and local taxes and all of these things so the real figure available to family income appears on the form and not the income after simple deduction?

Mr. MUIRHEAD. Well, we had great difficulty in finally arriving at a rather straightforward way for the banks to determine whether or not this family income was eligible. We did not want to put the banks though the business of having to go through the income tax form and all of its various ramifications. Instead we took the rather simple procedure of saying that adjusted family income is that income that remains after the regular dependency allotments.

Mr. CAREY. That is illusory and you know it, because it is not the real money available for student education, and the real money is that money left to the family after it paid the mortgage on the house, the interest on the car loan, the other expenses the family may have undertaken in terms of illness and all of the other things which the Internal Revenue are agreeable as to legal deductions, and why should the education people be competing with the Internal Revenue people?

Mr. MUIRHEAD. Let me ask Mr. Weiss to comment.

Mr. WEISS. This is a problem we worked on with the Office of Education, and I might offer just two points about it: First, the problem goes both ways. That is, if you go directly to the taxable income, you benefit people who perhaps you don't want to benefit with interest subsidies, people who have substantial tax-exempt interest income, for example.

The second point is: The problem that had arisen in connection with making all of these adjustments relates to the question you raised a little while ago; that is, the administrative burden for the student, the lender, and the State, private or Federal guarantee agency. If you are going to make all of these adjustments, which had originally been attempted, the form becomes long and the information is fairly burdensome to accumulate and check.

Mrs. GREEN. Congressman Hathaway.

Mr. HATHAWAY. Thank you, Madam Chairman. I haven't had a chance to examine all of the statistics. I am in agreement with most of the statements, except I take strong objection to the $35-a-year application fee. I wasn't persuaded last year by the bankers' testimony they had considered all of the benefits of such student loans.

Furthermore, the bankers I have talked to in my own State, although they would like the extra money, don't feel they actually need the extra money, they are happy to participate in the program because it is doing some good and they know it is a longrun benefit to them.

In the third place, even the bankers admitted there are more institutions participating in the program every year so why should we at this time, with no indication of slack-off—in fact it is increasing—give them extra money to keep them in the program?

Mr. HOWE. I think you realize here we have tried to make a factual study of the situation the banks confront in cooperation with them.

Perhaps Mr. Weiss could comment. I believe you were involved in the comments on that study in the Treasury.

Mr. WEISS. We were. The best figures we could get indicated that lenders relatively were losing money on these loans. I believe the committee has received a review of that study from the Comptroller General which indicates, if I understand correctly, that it is at least in the right ball park, although this is a matter of making findings on relatively limited data.

The other point I might mention, Mr. Hathaway, is that we have also heard from quite a number of lenders that they are willing to make some of these loans, even if they are a loss operation, as a matter of public service or community relations. But they do indicate that if they are doing it on that basis it is in effect an item in their advertising budget and they are not willing to put much money into it. If we want to see the program expand to the extent that the Office of Education has projected it needs to expand, then we would assume we have to put it on the basis of at least a break-even or reasonable return for the lenders.

Mr. HATHAWAY. Isn't it true, though, that the number of institutions participating in the program, is still increasing since the program was originally conceived?

Mr. WEISS. Yes.

Mr. HATHAWAY. Why shouldn't we wait until it becomes a matter of fact that institutions are not participating in the program rather than what they say is going to happen before we give extra money? They may say, "I don't think we can keep it up much longer," but as a matter of fact they do keep it up much longer. We are going to give them money just for what they say they may do.

Mr. HOWE. If we waited, we would be accused of bad planning.

Mrs. GREEN. Off the record.

(Discussion off the record.)

Mr. HATHAWAY. I don't think we could be accused of asking for improper planning, because if we see that the institutions are falling off, actually falling off, not just saying they are not going to participate, I don't think it would be much of a problem to get a placement fee through Congress for this and in time to save the program. What do you think of that?

Mr. HOWE. Judging by our current efforts to get something through Congress, it might be difficult.

Mr. HATHAWAY. Just on this one item.

Mr. GIBBONS. I think you are right.

Mrs. GREEN. Is that all?

Mr. HATHAWAY. That is all. Thank you.

Mrs. GREEN. I didn't use my 10 minutes, so I will exercise a chairman's prerogative before I yield to you, Mr. Scheuer.

I wanted to go back to cost of students' loans with the Commissioner or representatives from the Treasury.

I will refer to a letter which I have from the Under Secretary of the Treasury dated October 30, 1967. I had asked for a comparison of the costs of student loans under the NDEA and under the guaranteed student loan program. Do you have copies of that available to you there?

If we eliminate the cancellation feature and do not consider that a cost in either NDEA or the guaranteed loans, the Under Secretary advises that, if we have 500 students borrowing $4,000 each with 10-year repayment cycles, that the cost to the Federal Government for the NDEA loans for this 10-year period, would be $464,394, that the cost under GSLP would be $579,407, or a difference of $115,000 for 500 students borrowing 4,000 each over a 10-year period.

Now, at the beginning I asked the number of NDEA loans. I think it is fair to assume we could figure on a million over the 10-year period. This has been about the amount, is that right, Mr. Moore?

Mr. MOORE. A million accounts, yes.

Mrs. GREEN. All right, and more than that in loans?

Mr. MOORE. Yes.

Mrs. GREEN. So a million would be a conservative figure?

Mr. MOORE. Yes.

Mrs. GREEN. Then if the additional cost for 500 students is $115,000, if my old math is accurate, the increased cost to the Federal Government is $230 million over this 10-year period if we use the guaranteed student loan program instead of the NDEA?

Mr. GIBBONS. Will you yield?

Mrs. GREEN. Yes.

Mr. GIBBONS. I want to make sure I understand the basis of your argument, and I wish you could put that letter also in the record. Your argument is based on the fact that in NDEA you knock out all of the forgiveness feature?

Mrs. GREEN. The forgiveness feature is not considered in the projections.

Mr. GIBBONS. Or interest subsidy?

Mrs. GREEN. We consider interest subsidy in both.

Mr. GIBBONS. In that program under an interest subsidy, the Federal Government has no expense involved in the program.

Mrs. GREEN. The interest paid on behalf of the borrower is $517,000, and the insurance reserve matching seed money is $5,942, and the placement and conversion fees is $56,338.

Mr. GIBBONS. Obviously that seed money is just a gift. I think we would be foolish in putting it out and I hope we don't put out the other 12 million.

Mrs. GREEN. All I am asking: Is there agreement on the part of Office of Education that there is an additional cost over a 10-year period if we go to a guaranteed student loan program instead of the NDEA?

Mr. HOWE. Mrs. Green, I have not had a chance to examine that letter. We would like to do so. I am sure it is a responsible study. We would like to see what qualifications and judgments have been made in the course of it and give you a response on this question, but we currently don't have a copy of this.

Mrs. GREEN. I will make one available. I presumed you had one.

Mr. QUIE. Will you yield?

Mrs. GREEN. Yes.

Mr. QUIE. I would say my recollection of the U.S. Office's response in the last Congress was similar to this of the additional cost of the guaranteed subsidized loan program being over and above the NDEA guaranteed loan program.

Mrs. GREEN. I assume the figures are right. Let me ask this question: If they are right—and I will make this available to you—is it your considered judgment that this is the direction in which we should go with the cost of over $230 million additional in a 10-year period when we have a shortage of dollars for higher education?

Couldn't that money perhaps be spent more wisely in the field of higher education?

Mr. HOWE. This is a difficult question because one of the components of it is, certainly, whether you are going to delay some opportunities for young people to attend college now, in order to get the kind of appropriations that would be required to move into NDEA funding of this volume of students and to do it immediately.

It would represent a direct budget charge which would, in all probability, not be forthcoming. Therefore to some extent, in considering this question, we are bargaining immediate opportunities against dollars, and that is a very difficult thing to do.

I think we need a balance of programs. I think we need to keep an NDEA program in being; I think we need a bank-supported, State-administered credit program of the kind that the guaranteed loan program is, a program which opens doors that funding under direct appropriations for NDEA probably won't be available to open.

Mr. GIBBONS. Could I come in here, because I think this is an important point because if the figures are correct—and I doubt these are correct, and I don't think he is making a valid comparison, this is something the committee ought to go into. Let me ask a question to try to clarify in my own mind the difference between the two loan programs—the difference primarily in NDEA is the forgiveness and we are washing it out theoretically from the argument, and the second is the interest subsidy in the guaranteed loan program.

Now, other than that, in the guaranted loan program, the Federal Government is not putting up any money at all, it won't have any expense, and the losses sustained are paid for by the borrower or the borrower insurance pool that the borrower puts up.

In effect, as I understand the guaranteed loan program, it is a whole, self-supporting type of operation where the Federal Government won't have any investment. Am I correct in that?

Mr. MUIRHEAD. You are quite correct, Congressman Gibbons; and, of course, the Chair is quite correct, too, in saying that the net cost to the Government of the guaranteed loan program would be higher than that of the NDEA loan program, for the obvious reason that the interest rate subsidized under the guaranteed loan program is a higher interest rate than that which is subsidized under NDEA.

But we must put it against the background of the fact that the loan appropriation for all practical purposes is a charge against the Government. We often think—and I am sure you do, too—that a loan is a loan is a loan; but for all practical purposes, all of the Federal capital contributions which have been made since the program started in 1958 remain charged against the Government and remain in the colleges and the collections from the loans are returned to the college. They do not return to the Government.

Theoretically, if the loan program should come to an end, then the collections would come back to the Government; but I don't see a situation like that coming about.

Mr. QUIE. Will you yield right there? With reference to the return to colleges, that reduces the outlay of the year from the Congress; if the return had gone to the Government, then the outlay would have been increased to that extent?

Mr. MUIRHEAD. Yes, I think you are quite right; for example, in 1968, there will be a total of about $40 million in collections coming back to the colleges. The implication of your question is that ultimately the program would be self-supporting, but that will take a long, long time. Our projections indicate it will not reach the level of self-support until well into the late eighties.

Mrs. GREEN. Dr. Muirhead, if we did not have the forgiveness feature, how soon would it become self-supporting; how soon would the colleges and universities have a sufficient revolving fund? Have you made a study?

Mr. MUIRHEAD. I can't answer precisely, but obviously it would come sooner. The loan forgiveness feature in dollars as compared with the size of the program is really not very significant when you consider the fact that 10 percent of the loan is forgiven each year. It takes a long time for that to have an impact.

I think, as the Commissioner said a moment ago, we are dealing with two different types of programs with different objectives. The guaranteed loan program is intended to reach almost every young person that desires to get the advantage of a long-term loan. Some of them will get a subsidized loan, and we are talking about 2, 3, and perhaps as many as 4 million students participating in that program. I can't see a situation that would ever come about where we would be able to provide, through the appropriations route, enough money to support that type of loan capability.

Mrs. GREEN. If you are correct there, it is going to go up to what you said—4 million?

Mr. MUIRHEAD. I am saying that, in terms of the students who are eligible by virtue of the law, it could reach that point.

Mrs. GREEN. Four million. All right. The estimate I gave was based on 1 million?

Then what you are saying is, if it goes up to that amount of students, we will be talking about almost a billion dollars over a 10-year period that will be an additional cost to the Government if we go the route of the guaranteed student loan program, and this would be a judgment, then, that Congress would have to make, whether or not they are willing to appropriate the money that is needed or whether they are going to say that they are willing to pay that high a cost for a guaranteed loan program. But I think these figures do need to be looked at and need to be weighed very carefully.

I would ask unanimous consent to place in the record the letter from the Under Secretary dated October 30, 1967, the letter from the Comptroller General of the United States, dated November 27, 1967, and a letter from Under Secretary dated December 4, 1967, with attached enclosures, and then I would ask to have somebody on the staff to make copies of these three available to each member of the subcommittee this afternoon, and I am sure that you would have available from the Treasury Department their documents, and we will supply a copy of the documents from the Comptroller General; and then if we could agree to take this up the first thing tomorrow morning, if that would be agreeable to my colleagues, and to go into it in more detail.

(The following information was submitted for the record:)

DECEMBER 4, 1967.

ESTIMATED FEDERAL COST OF TEACHER CANCELLATIONS UNDER THE GUARANTEED STUDENT LOAN PROGRAM

On the basis of information supplied by the Office of Education, the estimated present value, discounted at 5⅛%, of the future cost of teacher cancellations per borrower under the Guaranteed Student Loan Program would be $190.95. The cost of teacher cancellations under a GSLP financing 500,000 student borrowers (the expected number of new loans to be guaranteed in 1968) would be $95,474,000. These figures were computed by calculating the actuarial costs of teacher cancellations associated with one through five loans per borrower and weighting these costs with an estimate of the probability that they will occur.[1]

It should be pointed out that the net increase in Federal costs under the NDEA and GSLP student loan programs combined may be much smaller, if the addition of the cancellation privilege to GSLP results in a shift of potential teachers from NDEA, and does not result in a substantial net increase in teachers. It is not known to what extent the addition of cancellation provisions to the GSLP will stimulate a net increase in teachers.

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ASSUMPTIONS

1. Average loan size: $810.
2. Repayment over ten years after a 9 month grace period.
3. Federal payment of interest at 3% during repayment period.
4. Cancellations made at annual rates of 10% and 15% of principal, and all interest accruing during cancellation years. 25% of all borrowers have loans canceled: 19% at 10% rate, 6% at 15% rate.
5. Federal payment to insurance reserve is 1% of amount of loans disbursed; repaid as loan is repaid.
6. Probabilities of taking 1 to 5 loans based on Office of Education new survey information on NDEA loan program are estimated to be:

for 1 loan	0.535914
for 2 loans	.25486304
for 3 loans	.12763747
for 4 loans	.07681341
for 5 loans	.00477207

7. 500,000 loans are expected to be guaranteed.

THE UNDER SECRETARY OF THE TREASURY,
Washington, D.C., October 30, 1967.

Hon. EDITH GREEN,
Chairman, Special Subcommittee on Education,
House of Representatives, Washington, D.C.

DEAR MADAM CHAIRMAN: This letter responds to the request you made for certain comparisons between the insured loan program under the Higher Education Act of 1965 and the direct loan program under the National Defense Education Act.

First, you requested a comparison of the total long-range costs to the Federal government of loans made under these two loan programs to a hypothetical group of 500 students, each of whom borrows $1,000 a year for four college years and takes the full ten-year period of time permitted for repayment.

I am enclosing a table showing these comparative costs. In accordance with our usual practice, this analysis represents the marginal cost to the government, including the cost of borrowing by the Treasury, discounted to arrive at present dollar-value totals.

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[1] A higher discount rate would produce a lower cost because the value of a future payment declines as the discount rate increases. For example, at 5¾%, which is the current comparable Treasury borrowing rate, the 500,000 student borrower expected cost of cancellations under GSLP would be $92,084,000. The 5⅛% rate is used here for comparability with the student loan program cost analysis done in September 1967.

In this model, the cost under the existing NDEA program would be somewhat higher than the cost under the insured loan program with the placement and conversion fees that have been recommended by the Administration. If the "teacher cancellation" feature of the present NDEA program were eliminated, the cost under NDEA would be slightly less than under the insured loan program.

Although in the *long-run* such a direct loan program would be slightly less costly to the Federal Government than an insured loan program with comparable terms, the direct loan approach involves substantially higher *immediate* expenditures by the Federal Government. It is clear that, in light of the extraordinary demands on the Federal budget, it would not be possible, as a practical matter, to achieve the same volume of student loans through a direct loan approach as we can achieve through the insured loan approach.

Also, we believe that continuation of the insured loan program is very much warranted in light of the fact that we are moving into a novel area in which it should be beneficial to obtain further experience with alternative approaches to the important problem of financing student education expenses.

You also requested a comparison between the provisions for reimbursement of administrative expenses under the NDEA program and the Administration's proposal for payment of placement and conversion fees under the insured loan program. I am enclosing a memorandum that sets forth such a comparison.

It is important to recognize that the two arrangements serve somewhat different functions. The NDEA plan provides the sole Federal funding for the administrative costs incurred by the colleges in operating the loan program. The proposed placement and conversion fees, on the other hand, merely would make up the difference between lenders' interest income and their total costs, in which administrative costs are only one element. If other costs, such as the cost of money to the lenders, should decline, the interest income would be more adequate to cover lender costs, and the placement and conversion fees would be reduced or eliminated. I am enclosing a table showing the varying placement and conversion fees at various levels of the cost of money.

I hope that this information will be helpful to the Subcommittee.

Sincerely yours,

JOSEPH W. BARR.

ATTACHMENT A

COMPARISON OF RELATIVE FEDERAL GOVERNMENT COSTS FOR NDEA AND GUARANTEED STUDENT LOAN PROGRAMS, PRESENT VALUES IN DOLLARS [1]

	NDEA	GSLP
Federal capital contribution	$534,808	
Interest receipts, deduct	−185,478	
Payment for institutions' administrative cost	115,064	
Cancellations, 10 percent and 15 percent	249,300	
Interest paid on behalf of borrowers		$517,127
Insurance reserve matching seed money		[2] 5,942
Placement and conversion fees		56,338
Total cost	[3] 713,694	[3] 579,407

[1] Based on costs incurred by Federal Government for 500 students borrowing $4,000 each with 10 year repayment cycle, 5⅛ percent discount rate. Present value is the standard method used for comparing 2 or more streams of receipts and payments which have different time patterns. It is based on the concept that a dollar at some time in the future is worth less than a dollar today. Neither calculation includes the cost of any defaults.

[2] With proposed reinsurance plan; under present funding of insurance reserves, with 50–50 matching and no reinsurance, the Federal insurance reserve cost would be $29,710.

[3] Elimination of the cancellation feature would reduce the NDEA total cost to $464,394. Addition of a comparable cancellation feature to GSLP would increase the GSLP total cost to $828,972.

ATTACHMENT B

COMPARISON OF DIRECT COST ALLOWANCES IN NATIONAL DEFENSE AND GUARANTEED STUDENT LOAN PROGRAMS

I. NDEA STUDENT LOAN PROGRAM

The statutory ceiling on the amount a college may withdraw from the Loan Fund to cover administrative costs is 1 percent of the aggregate loan volume out-

standing at the end of each fiscal year, or one-half of reasonable administrative costs, whichever is the lesser.

For 1965–66, half of the institutions operated under the 1 percent outstanding balance rule, and the remainder one-half of reasonable cost. The amount of administrative payment *per loan made* during the year averages at $26 per loan in the 1 percent category and $13 per loan in the one-half of reasonable cost category.

II. GUARANTEED STUDENT LOAN PROGRAM

The proposal now before the Congress is to provide fee payments to lenders at the time each annual loan is placed on the books and at the time the "in-school" notes are consolidated and converted to installment payout notes.

The amount of the fee in any given year would range from $0 to $35, depending upon the cost of money or the net return on alternative investments. At present, the fee is estimated at $25 for both placement and conversion.

The fees, when payable, generally would constitute only a portion of the revenue available to lenders to cover administrative expenses; so long as the cost of money is less than the 6 percent interest received by lenders, some portion of the interest income can be applied toward administrative expenses. The $25 fee used in the following comparison assumes a cost of money of approximately 5½ percent, leaving ½ percent to cover a portion of administrative expenses.

It should be noted, however, that although this ½ percent is revenue to the lender, it is not a cost to the Federal government except in the case of students qualifying for interest subsidies; in other cases, the cost is borne by the student. (Under the NDEA program, all of the administrative payments are cost to the Federal government.)

III. COMPARISON

Since NDEA cost data is available only for FY 1966, and the Guaranteed Loan fees are only in the proposal stage, there is no effective experience base for direct comparison. However, it is possible to use the actual average loan in each program to show parity of treatment.

For calculation of NDEA administrative expense, 10.5 percent of the face of the note will equal the amount of overhead earned by the loan over a 15-year period.

In the guaranteed loan program, each loan earns a placement fee and, assuming each student makes at least two loans, one-half of the conversion fee. In addition, one-half percent per annum from interest payments on the reducing balance is available to cover the lender's costs.

The following examples are based on actual average annual loans of $600 in the NDEA program and $800 in the Guaranteed Loan Program. Each loan is held over a four-year in-college period and a year of grace, and is repaid over a ten-year period.

A. NDEA loan

A $600 NDEA loan will yield $63 in administrative support to the college (10.5 percent of $600).

The same loan, under the Guaranteed Loan Program will yield $69 in administrative support for the lender:

Placement fee	$25.00
½ of the conversion fee	12.50
½ percent interest on balance *	31.50
Total	69.00

B. Guaranteed student loan

An $800 loan will yield $79.50 in administrative support for the lender:

Placement fee	$25.00
½ of the conversion fee	12.50
½ percent interest on balance *	42.00
Total	79.50

*Paid by the Federal government only if the student qualifies for interest subsidies.

The same loan, made by a college under NDEA, will yield $84 in administrative support.

ATTACHMENT C

Cost of Money and Fees

Based upon current estimates of lender costs other than the cost of money, and the proposal for equal fees (*a*) each year that a loan is put on the lender's books and (*b*) for each conversion of a borrower's loan(s) to repayment status:

If the cost of money to lenders or net return on alternative investments is:

	The amount of each fee would be:
4.66 percent or less	0
4.81	$5
4.96	10
5.11	15
5.27	20
5.42	25
5.58	30
5.74 or more	35

Comptroller General of the United States,
Washington, D.C., November 27, 1967.

Hon. Edith Green,
Chairman, Special Subcommittee on Education,
Committee on Education and Labor,
House of Representatives.

Dear Madam Chairman: In response to your request of August 28, 1967, we have reviewed the basis of the Treasury Department's justification for the placement fees and conversion fees in the proposed amendment to section 428 of the Higher Education Act of 1965 (20 U.S.C. 1078) herein referred to as the guaranteed student loan program.

The proposed amendment authorizes the Commissioner of Education, Department of Health, Education, and Welfare, to make payment to lending institutions of a loan placement fee not to exceed $35 for the processing of each student loan and a conversion fee not to exceed $35 for the consolidation of each student's loans to a repayment status when the student graduates. These fees would be paid to lenders in addition to the 6 percent interest per annum on loans.

Students participating in this program are granted loans for 1 school year; subsequent loans must be obtained separately for each additional school year. For example, a student in a 4-year college program could receive four loans and the Government could pay the lending institution placement fees of $140 on the four loans and a conversion fee of $35 for consolidating the loans to a repayment status. The Treasury Department estimated that a placement fee of $25 for each loan and a conversion fee of $25 for each student would cost the Government about $22 million in fiscal year 1968.

Mr. Joseph W. Barr, the Under Secretary of the Treasury, in his statement of August 16, 1967, justifying the proposed amendment before your Subcommittee, stated that the guaranteed student loan program had not been as successful as contemplated because lenders were not fully participating in the program. Mr. Barr has attributed this lack of participation to burdensome paper work and administrative costs involved in the program and the current cost of money, which results in a rate of return to the lenders that is not competitive with other income sources.

Mr. Barr stated also that lending institutions were currently realizing a net return of 4.66[1] percent, exclusive of cost of money, on student loans, whereas the net return on other guaranteed loans, such as the 6-percent Federal Housing Administration and Veterans Administration housing loans, is 5½ percent. For Federal Housing Administration and Veterans Administration loans, points are generally paid to the lenders and a total of four points increases the return on these loans to about 6 percent.

Mr. Barr concluded that increased participation in the program by all types of lenders could be accomplished by reducing the burdensome paper work and

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[1] Computed on an actuarial basis based on an average loan of $810.

administrative costs involved in the program and by providing assurance to lenders that they would not have to make these loans at an out-of-pocket loss.

The proposed amendment to the Higher Education Act of 1965 was developed as a result of a study by the Interagency Committee to Study The Guaranteed Student Loan Program (Committee). The Committee included representatives from the Treasury Department, Department of Health, Education, and Welfare, and the Bureau of the Budget. Mr. Barr in his statement before your Subcommittee on August 16, 1967, used the study in justifying the proposed amendment.

SUPPORT FOR THE PROPOSED AMENDMENT

Since the Treasury's position was based principally on the results of the study made by the Committee, our review was directed primarily to evaluating the data in the Committee's study that were used to support the proposed fees for placing and converting loans under the guaranteed student loan program. We found that the support for the fees was based on cost estimates obtained without verification from the American Bankers Association (ABA) and other sources.

We contacted ABA and were advised that the cost estimates furnished to the Committee were obtained from 19 banks during a 2-week period in December 1966. ABA acknowledged that the information submitted by many of the banks probably was based upon judgments since not all banks have developed a cost-based information system. The survey showed that the estimated average cost of placing a loan ranged from $20 to $54. We were advised also that responses from two banks were eliminated because their estimated costs were way out of line. ABA concluded from this survey that $35 was a reasonable estimate of the cost incurred by lending institutions in placing and converting students loans under this program.

We asked ABA representatives whether they had any additional support for their $35 cost estimate for placing and converting loans. The representatives stated that they had no additional data but offered the following reasons for a higher cost estimate than that used by the Committee in its study. Guaranteed students loans are more costly to process than other installment loans because (1) more time is required to interview applicants, (2) more paper work is involved, and (3) more parties are involved in each transaction, such as the student, his parents, the university, the State guarantee agency, and the Office of Education, Department of Health, Education, and Welfare.

ABA representatives stated further that one of the reasons that other installment loans are less costly to process than student loans is that the vendors who make sales on the installment basis handle much of the paper work and thereby reduce the banks' costs considerably. Installment auto loans were cited as an illustration of installment loans on which interest earned is higher than the 6 percent simple interest earned on student loans.

During our review, we obtained the pertinent data used by the Committee in its study regarding estimates of costs incurred by lending institutions in the student loan program. These data generally showed that the lending institutions did incur costs in placing and converting loans to a repayment status but that there was a wide diversion of opinion on the cost estimates. We are not aware of any verifications of the cost estimates having been made by the Committee or the Treasury. The data are summarized below.

	Estimated cost of money (percent)	Estimated cost of—	
		Loan placement	Conversion of loans
Committee and Treasury Department	[1] 4.50	$25.00	$25
Federal Reserve System (1965 time deposits)	4.08	21.51	
ABA (January 1967)	5.50	35.00	35
Range of costs		20–54.00	
New York bank		23.00	
National Association of Mutual Savings Banks		21.97	20
U.S. Savings and Loan League, (March 1967)	4.55		
Credit union current dividends (February 1967)	4.50		
Federal Deposit Insurance Corporation (interest on time and savings deposits, 1966)	4.04		

[1] Treasury advised us that the average rate during early 1967 was about 4.5 percent.

ABA advised us that the New York bank shown above had considerable experience with the New York State student loan program and had established a separate unit to administer this program. The representative of the bank indicated that the costs of the guaranteed student loan program would be comparable to the costs of the New York State student loan program.

During our review of the basis for support for the Treasury's justification for the placement and conversion fees, we noted the following areas where additional consideration might be given in cost determination.

1. The cost estimates are based on the assumption that the same costs as those incurred by lending institutions in placing the initial loan to a student will be incurred in all subsequent loans to him. It appears to us that a lender's cost of placing each subsequent loan would be less than the cost of placing the initial loan inasmuch as the student's case history and credit investigations would be on file and subsequent loan requests would probably require only an updating of the file.

2. The Office of Education, Department of Health, Education, and Welfare, is currently reviewing its loan procedures, with the objective of eliminating any unnecessary paper work. Any reduction in paper work may result in reducing a lender's cost of administering student loans.

3. We are not aware of any cost experience in the conversion of student loans to a repayment status since the guaranteed student loan program is relatively new. ABA advised us that the principal factor contributing to this cost would be the locating of students after graduation so that loan repayment schedules might be set up. In view of the fact that the program was initiated in 1966 and that relatively few repeat loans were made in fiscal year 1967, it appears that there is not sufficient experience on which to base a cost determination.

DIFFERENCES BETWEEN ESTIMATED FINANCIAL RESULTS

Both Mr. Barr and ABA in their statements before the Subcommittee pointed out that most lenders have been incurring out-of-pocket losses in the student loan program for the past year. ABA in its statement submitted eight hypothetical examples of loans showing the income and related costs of the loans for each example, based on estimated placement and conversion costs of $35 each and on a cost of money at a rate of 5.5 percent. All the examples show estimated net losses—varying from $71.50 on one $750 loan to a student to $149.50 on four $750 loans to a student.

We recomputed the estimated results under each of the examples submitted by ABA, using the Committee's placement and conversion cost estimates of $25 and the Treasury's estimate of 4.5 percent for cost of money. Our computations show an estimated net gain in seven of the examples—varying from $2.50 on one loan of $1,000 to a student to a total of $235 on four $1,000 loans to a student. A loss results only in the case of a single loan of $750 to a student. The results of the eight examples of loans as computed by the ABA and as recomputed by us using the cost estimates developed by the Committee and the Treasury are shown below:

Number of loans and amount of each loan to same borrower	Repayment time	Total interest income	Loss (—) computed by ABA	Gain or loss (—) based on Treasury cost estimates
1 loan:				
$750	2 years	$270.00	—$71.50	—$12.50
$1,000	3 years	390.00	—73.50	2.50
2 loans:				
$750	do	540.00	—96.00	15.00
$1,000	5 years	840.00	—95.00	60.00
3 loans:				
$750	do	877.50	—127.37	44.37
$1,000	8 years	1,440.00	—116.00	140.00
4 loans:				
$750	6 years	1,170.00	—149.50	77.50
$1,000	10 years	2,040.00	—125.00	235.00

Presented below is the detailed comparison of the estimated results in one of the examples of a loan of $750 to a student during each of his freshman, sophomore, and junior years and repayment of the loans over a 5-year period, starting 1 year after his graduation.

	ABA estimates		Based on Treasury estimates	
	Basis	Amounts	Basis	Amounts
Costs:				
Acquisition (placement)	$35 per loan	$105.00	$25 per loan	$75.00
Cost of money:				
Before repayment	5.5 percent	495.00	4.5 percent	405.00
During repayment	5.5 percent	309.87	4.5 percent	253.13
Conversion	$35	35.00	$25	25.00
Collection	$1 a month	60.00	$1.25 a month	75.00
Total		1,004.87		833.13
Income (6 percent simple interest):				
Interest before repayment		540.00		540.00
Interest during repayment		337.50		337.50
Total		877.50		877.50
Estimated gain or loss (—) to lender		—127.37		44.37

The principal reason for the difference between ABA's and the Treasury's estimated results is the cost of money. ABA used a marginal rate of 5.5 percent, whereas, as Treasury advised us, the average rate during early 1967 was about 4.5 percent. The marginal cost of money was defined by ABA to be the highest current cost of money to be obtained from outside sources. As shown on page 4, the Treasury's use of the 4.5 percent rate is supported by the Federal Deposit Insurance Corporation and the United States Savings and Loan League. Thus it appears that a 4.5 percent rate was a reasonable indication of the cost of money in early 1967.

The difference between ABA's and the Treasury's estimated costs of placement and of conversion of student loans also accounts for part of the difference between the estimated results. ABA based its computations on an estimated cost of $35, whereas the Treasury's estimated cost was $25. Our computations show that repeat loans made to the same students should not result in an out-of-pocket loss to the lending institutions. The Committee, in projecting the activity under the guaranteed student loan program, anticipates a significant increase in the number of repeat borrowers, as shown in the following tabulation.

Fiscal year	Number of loans		Percentage of repeat borrowers
	Total	Repeat borrowers	
1966	105,000		0
1967	480,000	78,750	16
1968	750,558	360,001	48
1969	1,270,073	573,573	45
1970	1,682,724	960,224	57
1971	1,935,107	1,177,707	61
1972	2,197,247	1,400,947	64

On the basis of cost data used to compute the costs shown in the examples, the anticipated increase in the number of repeat borrowers will result in a significant increase in the return to the lending institutions participating in the program, and, on the basis of the Committee's projections, fiscal year 1968 will be the first year for any appreciable increase. In our opinion, any proposals for loan placement and conversion fees should give recognition to the characteristics of the program as they will be after the program has become fully operational. It is our view also that unit costs of processing student loans will decrease as experience in the loan program is gained and as the volume of loans increase.

CONCLUSION

The Treasury and ABA have stated that lenders, particularly commercial banks, are incurring out-of-pocket losses on loans made under the guaranteed student loan programs. This indicates that the interest rate of 6 percent per annum now being charged by lenders for student loans does not cover lenders'

administrative costs and cost of borrowing money. The Treasury and ABA contend that one of the reasons that the program has not been too successful is that it is not attractive to lenders because the yield on student loans is not comparable with the yield on other installment loans. The proposed fees to be paid by the Government would take the lenders out of a loss position and would result in a return which would be comparable to that on other installment-type loans.

The data developed by the Committee and used by the Treasury Department in support of its position on loan placement and conversion costs were not based on verified cost data but consisted of estimates obtained from the sources described in this report. Furthermore, the guaranteed student loan program is relatively new and lenders have made few repeat loans to the same students. Adequate experience data is therefore not available for determining the costs on which fee justifications can be based for second and subsequent loan, placements and for conversions of loans. Since the justifications for these fees are not based on actual cost experience, we are unable to express an opinion as to the reasonableness of the proposed maximum fee of $35 for placement of student loans and of $35 for conversion of the student's loans to a repayment status under the guaranteed student loan program.

You also requested our staff to evaluate the cost comparison study being performed by the Treasury Department on the cost to the Government for student loans under the National Defense Student Loan Program and the Guaranteed Student Loan Program. The study was recently completed by the Treasury Department, and we will report on our evaluation of the cost comparisons at a later date.

We plan to make no further distribution of this report unless copies are specifically requested, and then copies will be distributed only after your approval has been obtained or public announcement has been made by you concerning the contents of this letter.

Sincerely yours,

ELMER B. STAATS,
Comptroller General of the United States.

Mr. QUIE. Will you yield here?

Mrs. GREEN. Yes.

Mr. QUIE. I believe we are talking about really three different loan programs—the NDEA student loan program, the guaranteed subsidized interest program, and the guaranteed loan program.

Now, my feeling is that we ought to have a guaranteed loan program so that each lending institution would not have to check on the repayability of each student who asked for a loan and therefore the Federal guarantees their burden and, in effect, reduces the interest rate to the student no matter what the income level.

What I question is this: Mrs. Green says the guaranteed loan subsidized interest program and the reason for a difference in cost is that the institution of higher learning assumes responsibility today in case of NDEA loans and where the bank wants to be given back every bit of its cost in the guaranteed subsidized interest program. I doubt your contention that the Congress would be unwilling to increase the amount of money for the loans. It seems to me that the proof is in the fact that the Congress continued to increase the amount for NDEA student loan program until this guaranteed subsidized loan program came along and gave them the illusion that we are saving the Federal Government some money here and we actually weren't.

Mrs. GREEN. May I also ask for information tomorrow in writing, if we have time on the committee, of the following: Would you outline in detail how the institutions' allotment for student aid programs will be determined if we repeal, as you recommend in the legislation, the three States allocation formulas? How would you divide it?

As I understand, you only have a 12½-percent limitation per State. Would you also include in that what the allocation formula is for Puerto Rico and the Virgin Islands?

Second, under the new student aid program, may a student receive just a educational-opportunity grant or would the student also be required to have other forms of financial aid as is presently the case?

Third, if an institution wishes to transfer 20 percent of its EOG money for which there is no institutional matching, as you suggest, if they wanted to transfer the 20 percent to NDEA student loans, would the institution then be required to match on the 90–10 basis for that 20 percent transfer?

Then there appears to be a growing interest in having student-aid officers play a more significant role in the administration of the guaranteed loan program, and would you comment on whether the legislation should require that the student-aid officer provide to the bank an assessment of the student's financial need and to what degree this involvement should be?

Mr. QUIE. May I add several other requests? First, on page 7, item 7, you suggest the 3-percent administration cost with an overall maximum of $125,000 a year. I would like to know which institutions will be up against the maximum in that case.

(The information follows:)

INSTITUTIONS OF HIGHER EDUCATION WHOSE TOTAL FISCAL YEAR 1970 FUNDS FOR STUDENT FINANCIAL AID ACTIVITIES MAY EXCEED $4 MILLION

[$125,000 maximum = 3% of $4,167,000]

(A) Institutions at which $3 million or more was obligated in SFA programs for use during fiscal year 1968:

California:
University of California at Berkeley.
University of California at Los Angeles.
Indiana: Indiana University.
Michigan: Michigan State University.
Wisconsin: University of Wisconsin.

(B) Institutions at which $2–3 million was obligated in SFA programs for use during fiscal year 1968:

California: San Jose State College.
Massachusetts:
Boston University.
Northeastern University.
Michigan: University of Michigan.
Minnesota: University of Minnesota.
New York: SUNY at Buffalo.
Ohio: Ohio State University.

Second, on page 10, item 3, if the lender chooses to wait until the end of the period of payment, and so forth, how much interest would the Federal Government be paying on the money that has been accumulated?

Mr. HOWE. Interest on interest.

(The information follows:)

Question: How much interest would the Federal Government be paying on accumulated interest payments to the lender?

Answer: Reflected below are some examples showing the dollar amount of interest a lender would receive under the proposed "Accrual of Federal Interest Payment," under Section 427(a) of the Higher Education Amendments of 1968.

The assumptions used in the examples are: (1) Full term is used for repayment, (2) the average market yield on U.S. obligations is 5⅝%, and (3) all loans are for 6% simple interest, with the student paying 3%, and the Office of Education paying 3% after payment in full, plus interest compounded semi-annually on the amount accrued.

(1) Principal amount of loan, $1,000; term, 36 months:		
Interest paid by student		$46.91
Interest paid by OE	$46.91	
Plus, earnings on deferred interest	5.99	52.90
Total interest paid lender		99.81
(2) Principal amount of loan, $4,000; term, 60 months:		
Interest paid by student		312.46
Interest paid by OE	312.46	
Plus, earnings on deferred interest	55.12	367.58
Total interest paid lender		680.04
(3) Principal amount of loan, $7,500; term, 120 months:		
Interest paid by student		1,190.00
Interest paid by OE	1,190.00	
Plus, earnings on deferred interest	474.69	1,664.69
Total interest paid lender		2,854.69

Mrs. GREEN. Congressman Scheuer.

Mr. SCHEUER. Very briefly, Madam Chairman; I know the hour is late.

During our October hearings, I asked you and the Under Secretary whether it wouldn't be helpful to the Congress, in considering each of the individual loan and grant programs, if we had some kind of comprehensive survey of the programs—the loan programs, the grant programs, various tax programs as have been suggested—as well as a close, effective analysis of how these programs have operated in the past, particularly the GI bill of rights and the World War II GI bill and the Korean GI bill and cold war GI bill, to give us some indication of how all the proposals impacted the individual students, the family, the institution, and effects on society in general; and you both agreed that such a study would be constructively worthwhile.

I am more than ever convinced, after this discussion this morning, it would be helpful.

Has anything happened, has any progress been made in commencing such a survey?

Mr. HOWE. I don't think there has been any study as comprehensive as the one you are suggesting. We have had some examination of various student-aid efforts on the part of the Federal Government by the College Examination Board and we have a report from them.

Mr. Muirhead, perhaps you can tell Mr. Scheuer the comprehensiveness of that study.

Mr. MUIRHEAD. We have not carried out all of your suggestions, Congressman.

Mr. SCHEUER. I am not being a stickler for every last element, but for the concept of a comprehensive study of how these programs have functioned.

Mr. MUIRHEAD. We will be presenting to you, hopefully within the next week or so, a rather comprehensive study conducted by the College Entrance Examination Board. They had a study done independently that will analyze the workings of the guaranteed loan program up to this point, the reaction of the State agencies, and the reaction of the lenders. The study includes several recommendations as to how the program might be improved.

We have not, of course, had enough experience with the loan program to really make a comprehensive study as to its effect upon the students—whether or not it was a factor in keeping them in college. That remains to be done, but we do have what at this juncture is rather a comprehensive study of the guaranteed loan program.

We hope that as a result of legislation now before the Congress, that there will be resources made available in the Office of Education to do the type of thing you are suggesting should be done—and in my judgment it is overdue—concerning whether or not the programs are meeting the objectives that we say they are, and whether or not there should be changes.

Hopefully, if that request to the Appropriations Committee is successful, we will be mounting a number of significant studies next year, and we would be glad to put in the record for you what our plans are.

Mr. SCHEUER. I think that would be helpful.

Mr. HOWE. Let me add that in the President's message, there is a directive to HEW to take a look at the whole, broad problem of higher education. I am sure the President's intent is that it be such a broad study that it will include some of the elements of institutional support as well as elements of general student support.

(The information follows:)

THE PROGRAM EVALUATION PROJECTS IN PROCESS FOR FISCAL YEAR 1968 AND PROPOSED FOR FISCAL YEAR 1969

1. EVALUATION STUDIES IN OPERATION FOR FISCAL YEAR 1968

A. Study of The College Facilities Program
   1. Grantee: Associated Consultants in Education, Inc., Tallahassee, Florida
   2. Grant No.: OEC–1–7–070959–3491
   3. Amount of Grant: $40,581 (incl. supplemental of $700 for revised report)
   4. Final report due about April 1, 1968
   5. Objectives of the study
      (*a*) The effect of the academic facilities program on the availability and utilization of facilities to accommodate the increasing numbers of students qualifying for and desiring higher education.
      (*b*) The distribution of funds by type of institution, the accommodation of increasing enrollments, the effects on other institutional funds and on facility utilization and the effect that facility construction may have had on academic programs.

B. Study of Student Personnel Services for Disadvantaged Students
   1. Contractor: University of Michigan (ERIC Clearinghouse on Counseling and Guidance)
   2. Contract No.: OEC–0–8–080051–1885(010)
   3. Amount of Contract: $68,757
   4. Final report due about June 1, 1969
   5. Objective of the study—to identify, describe, and evaluate an optimal program of student personnel services for students from disadvantaged backgrounds.

C. Study of NDEA Title IV Fellowship Program
   1. Contractor: Bureau of Social Science Research, Inc., Washington, D.C.
   2. Contract No.: OEC–1–7–07–1052–2808
   3. Amount of Contract: $63,800
   4. Final report due about July 15, 1968
   5. Objectives of the study
      (*a*) Part 1—to compare characteristics of NDEA fellows with the characteristics of other groups of Ph. D.'s and Ph. D. candidates.
      (*b*) Part 2—to assess the effectiveness of the program in terms of program aims, viz., (1) to promote more rapid completion of doctoral programs, (2) to increase the number of students working toward a doctorate degree in preparation for undergraduate and graduate teaching, and (3) to increase the number entering the teaching profession.

D. Study of Student Financial Aid Programs (NDSL, EOG, & CWSP)
1. Contractor: Educational Testing Service, Princeton, New Jersey
2. Contract No.: OEC–1–7–071133–4423
3. Amount of Contract: $64,449
4. Final report due about June 30, 1968
5. Objectives of the study
(*a*) Part 1—to ascertain the amounts of grants, loans, and work-study funds from Federal sources distributed by American colleges and universities and to ascertain loan repayments under NDSLP, Title II, NDEA.
(*b*) Part 2—a precursor of a national study on financial aid resources and student characteristics. This part is intended to provide a method for developing data collection instruments and statistical analysis techniques before embarking on a more exhaustive study.

E. Study of Administration of Federally Assisted Student Loan Programs
1. Contractor: College Entrance Examination Board
2. Contract No.: OEC–3–7–002805–2805
3. Amount of Contract: $125,304
4. Final report due about mid-February 1968. Preliminary draft report received 1/29/68
5. Objectives of the study
(*a*) To review the legislation affecting six student loan programs in DHEW, the organization responsible for formulation of policies and procedures and regulations.
(*b*) To review administrative and operating policies and procedures at institutions and agencies as they affect students and parents.
(*c*) To collect data on legislative, organizations, and administrative problems of present programs.
(*d*) To collect informed opinion on strengths and weaknesses of present programs and alternative methods of removing weaknesses.
(*e*) To develop best set of plans with alternatives.

F. Study of Title III, HEA, Developing Institutions Program
1. Contractor: University of Michigan, Center for Higher Education
2. Contract No.: Contract *not* let
3. Amount of contract: $75,000
4. Final report due about December 31, 1968
5. Objectives of study
(*a*) To determine the degree of relationship between educational promise and such variables as level of funding, institutional characteristics, types of programs undertaken, and the character of relationship with external agencies such as cooperating institutions and USOE.
(*b*) To determine the degree of relationship between types of programs and educational promise. Types of programs might include curriculum improvement, faculty improvement, administrative improvement, student improvement, facilities improvement and interinstitutional cooperation.

II. EVALUATION STUDIES PROPOSED FOR FISCAL YEAR 1969

A. *Cohort Analysis of Student Financial Aid Programs Administered by the Bureau of Higher Education.*—A 5-year study. Purposes of this study are to determine: (1) the interaction of programs; (2) the contrast in characteristics of student aid recipients group vs. a comparison group of non-aided students; (3) the impact of Federal student aid programs on the need for student financial aid; (4) the impact of such programs on continuance or discontinuance of pursuit of higher education; and (5) the effectiveness of the Federal student aid programs. The estimated fiscal year 1969 cost is $429,000.

B. *Comprehensive Evaluation of Program Effectiveness of the Higher Education Facilities Act of 1963, Titles I, II, and III, and of Part A, Title VI of the Higher Education Act of 1965.*—The purpose of this study is to provide in-depth case studies of approved grants and completed facilities which will assess (1) the impact of the programs on various types of institutions, (2) the relationships

between results and program objectives, and (3) the problem and costs encountered by institutions in connection with their participation in the programs. This project will also evaluate the total current situation and the projected needs for all categories of facilities for various types of institutions and will put estimated price tags on future needs for higher education facilities. The estimated fiscal year 1969 cost is $388,000.

C. *Analysis of Recipient Characteristics under Educational Opportunity Grants, Part A, Title IV, HEA of 1965.*—The purpose of this study is to provide information concerning the characteristics and academic performance of socio-economically disadvantaged students receiving Educational Opportunity Grants. Dependent variables in this study are socio-economic background, educational achievement (before and during higher education pursuit), dropout rate, educational aspirations, and impact of program on student continuance in higher education. Data will be gathered by means of interviews of and questionnaires administered to a representatives sample of grant recipients and to personnel at various types of institutions participating in this Federal program. Estimated cost of this study is $175,000.

D. *Analysis of the Impact of the College Work-Study Program, HEA, Title IV–C on the Educational Experience of Aid Recipients.*—This study will examine the effect of work on students' progress, the extent of curriculum-related work available to students, the type of work and the number of hours worked, and their relationship to student performance, and the types of jobs available to students, including summer program activities, involvement with state and local governments, etc. The data, which will be collected from students and college personnel on a sample basis, will be analyzed in light of the socio-economic background of the student and of the type of institution which the student is attending. Estimated cost of this study is $75,000.

E. *Continuation of the Evaluation of the Developing Institutions Program, HEA–III.*—This study, which is to be initiated during fiscal year 1968, will gather statistical evidence and evaluate (1) the extent to which developing institutions can absorb funds and institute meaningful change; and (2) what areas of institutional organization are best suited to the investment of funds to effect improvement. Additional funds are requested for fiscal year 1969 to continue and, to some extent, enlarge the scope of this study. Estimated cost of this study is $50,000.

F. *Continuation of Contract to File the Graduate Records Examination Scores of New Fellows in the NDEA IV Program Data Bank.*—This data will be used to estimate the academic capabilities of the fellowship recipients in an analysis to determine the type of student being aided by the Graduate Fellowship Program. Estimated fiscal year 1969 cost is $4,000.

Total estimated cost for fiscal year 1969---------- $1,121,000

Mr. SCHEUER. I notice that on page 7, and that is one of the reasons I asked. I put in a bill that would create a commission to be appointed by the Secretary that would make exactly this kind of broad-scale evaluation and cost-benefit analysis of all of these programs and come up with a package program of an integrated, coordinated support of universal higher education which would include all of the elements that your office felt had been effective in the past.

Do you have any comment to make on this; are you familiar with it?

Mr. HOWE. I have a copy of it here, and certainly in terms of a directive to take a comprehensive look at a significant problem, I have no problem with it at all. It very clearly embraces all of the aspects of the problem.

Mr. SCHEUER. Thank you.

Mr. ESCH. Madam Chairman, may I ask one question?

In light of the present consideration—and I know the college board's study came in some time ago—is there any reason why we can't have it immediately?

Mr. MUIRHEAD. No reason at all. We have the study in its preliminary form now; the delay is that it is being printed.

Mr. MOORE. It will be here Monday.

Mr. ESCH. I wonder, Madam Chairman, if we couldn't get it.

Mrs. GREEN. Yes, if they could be made available.

Also, I believe last year you told us you were going to make a study of the effectiveness of the forgiveness feature in NDEA, and could we have it available?

Mr. HOWE. This is part of the study and we can report to you what the study has to say about it. I don't feel we have definitive answers on this as a result of it. Do you want to take it up now or tomorrow?

Mrs. GREEN. Tomorrow.

Then, the committee will be adjourned until 10 o'clock tomorrow. And for the interested groups in the room, there is a strong possibility that we will consider the effects of the draft on graduate education on Thursday of this week, either in the morning on the record or perhaps in the afternoon at an informal session.

(Whereupon, at 12:20 p.m., the subcommittee recessed, to reconvene at 10 a.m., Wednesday, February 7, 1968.)

HIGHER EDUCATION AMENDMENTS OF 1968

WEDNESDAY, FEBRUARY 7, 1968

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

The subcommittee met at 10 a.m., pursuant to recess, in room 2261, Rayburn House Office Building, Hon. Edith Green (chairman of the subcommittee) presiding.

Present: Representatives Green, Gibbons, Carey, Hathaway, Burton, Scheuer, Quie, Reid, and Erlenborn.

Mrs. GREEN. The subcommittee will come to order for the further consideration of the Higher Education Amendments of 1968.

We are delighted to welcome back to the committee the Commissioner and his colleagues and also the Under Secretary of Treasury, Mr. Barr, as we further consider the student assistance programs.

Mr. Commissioner, you suggested we start out this morning with some of the answers to the questions we posed as the meeting was coming to a close yesterday.

Could we, or do you want to respond to those questions or do you want Mr. Moore to answer?

STATEMENT OF HON. HAROLD HOWE II, U.S. COMMISSIONER OF EDUCATION; ACCOMPANIED BY PETER P. MUIRHEAD, ASSOCIATE COMMISSIONER FOR HIGHER EDUCATION; ALBERT L. ALFORD, ASSISTANT COMMISSIONER FOR LEGISLATION; JAMES W. MOORE, DIRECTOR, DIVISION OF STUDENT FINANCIAL AID, BUREAU OF HIGHER EDUCATION; JOSEPH W. BARR, UNDER SECRETARY OF THE TREASURY; AND MARK WEISS, SPECIAL ASSISTANT TO THE UNDER SECRETARY OF THE TREASURY

Mr. HOWE. Madam Chairman, I think we could do two things at once, if you approve. One would be to ask Mr. Moore to give you a quick response to the questions you raised at the end of the testimony and then to ask Secretary Barr to address himself to some of the issues that were raised yesterday, following Mr. Moore's presentation.

Mrs. GREEN. I suppose the other would take a longer period of time, and if we could have the other matters for the record.

Mr. GIBBONS. May I ask, when are we going to take up the rest of the Secretary's testimony? I am really traveling on a short schedule and I want to be here.

Mrs. GREEN. With the approval of my colleagues, I thought we could spend part of the time this morning finishing the students' financial

part and then turn to the testimony on the other parts of the Higher Education Act, the facilities and the new programs.

I would hope that we could finish up maybe setting a time of quarter to 11 and then turn to the others.

Mr. Moore.

Mr. MOORE. Mrs. Green, at the end of yesterday's session, you asked four questions, and let me take them briefly in order.

Number one, how will the new allotment system for the college student aid programs work and within it how will Puerto Rico and Virgin Islands be treated?

The proposed system substitutes a national pool funding pattern for the existing State allotments, recognizing institutions are more able to define precisely the needs of the students for financial assistance. Additionally, in our panel review process, we have a method of helping institutions to establish a reasonable and appropriate request. Therefore, all of the funds appropriated in a given year for a given program would be divided equitably among all 2,200 institutions, and when the appropriation equals the demand, of course, everyone will receive 100 percent support. When there is a shortage of appropriated funds, every institution would share proportionately in the shortage rather than the present difference we have with some States at 100 percent and some at 60 or 70 in such a program as NDEA student loans.

The colleges in Puerto Rico and Virgin Islands would receive the same treatment as any other institution in the country under this method.

Mrs. GREEN. Before you leave that, if the millennium has not arrived and there is a shortage of funds, could you tell us first what is the total amount requested in dollar value and how much money there is to meet such request?

Mr. MOORE. The best figures I have are for next year. Our outside request for funds for all three programs which we are, as a matter of fact, working on right now comes out to about $580 million. Now, against that we have slightly under $500 million. I would have to do some quick mathematics here to add the NDEA and work study.

Mr. QUIE. Are these authorizations or requests for appropriations?

Mr. MOORE. Actual appropriation requests, Mr. Quie. The authorizations are much higher. A point here is that if this pool funding system were, for instance, to be used in 1969, every institution would have its programs supported at five-sixths of its approved requests, but with the present allotment formulas, when we go into this matter of State distribution, first we wind up with widely varying differentials. The institutions in some States are supported at 100 percent and in other States at 50 or 60.

We feel that for programs of this size, this is an inequitable way to handle the distribution of funds, primarily because these requests are put together in terms of a specific number of students to be helped at a specific college. We feel that the system should be developed to get the money down to the student, wherever he is.

Mrs. GREEN. Are the colleges being realists in making applications for funds?

Let me give you a specific example. In the Portland area, one college which had a large student body told me they had pared down their

requests to their real needs, but that another college, of smaller enrollment, had requested a much larger figure, and then when the reductions had to be made, there was an across-the-board reduction for every college. This financial student-aid officer said, "This is the last time I am ever going to be honest; instead of sending in a realistic request, I am going to pad it and get the figure up as high as I can."

Mr. MOORE. This is the reason we use a set of nine regional panels across the country—to review the initial requests, because this has been a problem over the years between the bulk of the institutions who are straightforward and quite candid and those that assume there will be a reduction and consequently multiply the requests by two or three. The panel reviews each request and decides whether or not it is reasonable. If it feels it is not, before it comes to Washington, it is reduced and a figure at a more fair level, if you will, is negotiated with the institution.

It is to get at this very problem you mentioned. We have done this for 3 years in a row. Frankly, the panel people—and we used 110 of them this year—are all from colleges and universities, so it is a peer-group situation where people are sitting in judgment as far as their own college is concerned.

The second question: If grant funds allotted to an institution are placed in the work-study account or NDEA loan fund, must they be matched on a 9-to-1 ratio? The answer is "Yes," as would be the case with money going directly into the fund.

Third question is: Under the new proposal, may the student receive only a grant? The answer is "Yes," with some qualifications.

This would be at the option of the institution, provided that the grant amount plus, for example, the student's own summer earnings equal the annual cost. Generally this will happen only in a case, first of all, where the student has no help at all from his family, and secondly where the cost is $600, $700, or $800 a year.

The problem we are facing now with the required matching, especially in the junior colleges and community colleges, is that a student who requires grant support of $500 is required to take a $250 loan and a $250 grant. This proposal would allow more flexibility, according to the institution's desire to put this package together.

The last question: How should the college financial officer be brought into the guaranteed loan program?

Here, I think, as compared to NDEA, the financial-aid officer has three primary functions: First of all, he should define for the bank the true out-of-pocket costs for attending college for the year. Secondly, he should detail other kinds of financial assistance, if any, which had been provided to the student, although, by and large, people in the guaranteed loan program do not fall into the category subsumed by NDEA, work-study and the grants program. Third, he should establish the enrollment status of the student. If he had other information about him, he could put it on the application.

We think this guaranteed loan program is basically one of supplementing the cash outlay of the family in these middle- and upper-middle-income areas. Consequently the ultimate decision as to whether or not to make the loan and how much to lend should really stay with

the lender rather than be handled, as is the NDEA type of operation, on the college campus.

Mrs. GREEN. On the point that Mr. Carey raised yesterday, if that procedure is followed in other States, then you think this should be reviewed?

Mr. MOORE. Yes. First of all, I have not been able to talk with Mr. Hollister of New York because he was not in his office yesterday afternoon. But a State guarantee agency really should not be involved in making the grade average assessment.

Secondly, as is the case with virtually all of the Federal programs, the statute clearly talks about a qualified student as being one enrolled in college and making progress toward a degree.

I think, as we all know, one makes progress at various levels—C-pluses, A-minuses, B's, and so on. We have generally taken the position in all of these activities that as long as the student was in school and moving toward a degree or certificate objective, this satisfied the law, that there was no room in here for making discriminatory judgments as between cumulative grade-point average or what have you.

Certainly a State guarantee agency should not be in the question.

Mrs. GREEN. I have a question on the $580 million request.

Mr. MOORE. Yes.

Mrs. GREEN. Are there other applications to come in or are all of the applications in?

Mr. MOORE. They are all in—2,247.

Mrs. GREEN. Does this represent the amount of their original applications or after your panels pared them down?

Mr. MOORE. This is the approved requests for the country. The original request was on the order of $669 million, I believe, or $679 million, but there has been a reduction already applied by the review panel.

Mrs. GREEN. And a factor should be taken into consideration that most of them know the funds are short, so the $669 million would not necessarily represent what could actually be used?

Mr. MOORE. I think it does, because we always encourage institutions to state their requirements without regard to what a State allotment may be or what a funding level of a particular program may be, on the grounds this is really the only way we have of knowing what the total national requirement is.

Mrs. GREEN. Thank you. Are there other questions?

Mr. QUIE. Yes. Do you have a breakdown of the $580 million in the three programs; that is, how much you are going to put in or how much was requested for each one?

Mr. MOORE. I don't have those precise figures. They are being worked on in the office, but I can get them for the record. I can get the precise figures by program. We have just finished summarizing everything, as a matter of fact, over the weekend. I know they total to about $580 million, but I am not sure exactly what those components are.

Mr. QUIE. If you would do that, and then also break down the amount for each program under the budget request.

Mr. MOORE. Yes. I will be happy to do that.

Mr. QUIE. Both of those.

(The information requested follows:)

Question: How much will be allotted to institutions under each of the three programs in academic year 1968–1969?
Answer: See table below.

INSTITUTIONAL REQUESTS AND PROGRAM FUNDING, 1968-69 COLLEGE YEAR

Program	Gross institutional request	Regional panel approval	Estimated support levels
NDEA student loans	$266,113,453	$244,939,984	$190,000,000
Educational opportunity grants	172,354,552	157,077,328	[1] 133,027,000
College work-study	231,168,639	193,004,170	[2] 129,800,000
Total	669,636,644	595,021,482	452,827,000

[1] Fiscal year 1968 appropriation utilized in 1968–69.
[2] Composed of $74 million fiscal year 1968 funds and estimated $55 million of fiscal year 1969.

Now, you say your proposals changed the programs now so that a student, if he attended an institution where the cost was $600 or $700, would be able to get the entire amount in an educational-opportunity grant?

Mr. MOORE. Yes.

Mr. QUIE. Why do you feel it is necessary to do that? Why wouldn't it be possible for any student to secure some portion of a loan? A $250 loan does not seem to be too great to me for a student to handle for each year of school, judging from what would undoubtedly happen to him in development of job skills during that time.

Mr. MOORE. In the first place, I don't think we should assume, you know, that this would happen in all instances. It is quite fair to say that a number of these or most of these students, especially those receiving full support from the program, would be expected to bring some support from summer earnings whether on jobs secured by themselves or perhaps on the work-study program.

Really, what we are trying to get away from is the requirement as the law now reads that the institution put the support package together in a very precise way.

Second, this flexibility would be of more assistance to the community colleges, especially the new ones that are short on their own local financial aid money because they are new and usually have access only to the NDEA as the other part of the package.

In such a case a youngster is told that he must, if he wants the grant half, take the loan half along with it. In some instances this may be a good thing, but I would rather leave that decision to the people who are running the program in the college rather than prescribe it for every one of 100,000 or 150,000 students.

The other part of this is, that for the impoverished student whose family income is $3,000 or $4,000 a year, what we are trying to do is provide him enough grant support to move him to a level of support that is similar to that used, for instance, by the college board in its modest but adequate budget. A family with an income of $7,900 or $8,000 a year is expected to provide $800 out of income for the student to start school. This boy can go to a junior college because the support is there. The youngster from the impoverished situation can't, and the notion here is to introduce this sort of balance.

Mr. QUIE. If there were an adequate amount of money, wouldn't all of the institutions prefer to give a total grant to the student rather than

a loan; that is, a grant either with a work grant or else an educational-opportunity grant?

Mr. MOORE. It is very difficult to generalize on what institutions want to do with these programs, because each one has its own philosophy of putting packages together and applying different kinds of aids at different levels.

Some, for instance, want to make only grants to incoming freshmen and only loans to seniors. Others would always do the half-and-half business. Others require that everyone work before any sort of grant assistance is provided. It is this kind of open flexibility that we are attempting to stay with in this proposal.

Mr. QUIE. Yesterday, I asked two questions. First I wanted you to bring answers as to which institutions will be up against the maximum limit of $125,000 administration.

Mr. MOORE. This list I think has been prepared and is on its way up. We had to go back and add support levels from the various congressional announcements this year in order to come up with what we think might be the number of schools that would come up against this deal next year.

Mr. QUIE. What do you mean—"congressional announcements"?

Mr. MOORE. These are the documents we send to the Congress each time grants are made each year to colleges under these various programs, 70 or 80 pages long.

Mr. GIBBONS. Little yellow books?

Mr. MOORE. We use different colors for each program—yellow for work-study and green for NDEA, and so on. It is a ready source of combining funding support for the same schools that appear on all three lists.

Mr. QUIE. The second question is: What would be the interest that lending institutions could earn on the interest that the Federal Government was to pay if they didn't collect it until the end of the loan period?

Mr. MOORE. I have two of what I call actuaries figuring out a number of examples on this one, and we will have it for you.

Mrs. GREEN. Are there any other questions?

All right, then, may we turn to this other subject.

Mr. ERLENBORN. May I ask one question. This has to do with the work-study program. As you know, the law presently provides an 85–15 division of support to this program. Under the law we passed last year, it would go to 80–20 in fiscal year 1969, I believe, and then to 75–25 in fiscal year 1970.

Can you tell me, from your experience whether any schools are really hard-pressed to come up with their 15 percent this year, fiscal 1968?

Mr. MOORE. I can't name a specific school which has either withdrawn from the program or has been forced to cut back severely because of the shift to 15 percent. However, what I have from a number of institutions goes, I think, beyond this immediate 85–15 problem.

In looking down the road, the institution sees itself caught with two kinds of conflicting forces. One is the fact that the work-study dollar under this present matching arrangement becomes increasingly an institution dollar and less a Federal dollar on the one side. At the

same time, the minimum wage that must be paid college students is escalated so that by 1970 or 1971 it provides increased support for the same number of students, and will require not just a shift to 25–75 on the part of the institution but some figure really higher because of the minimum-wage business. That is why all that I have heard from colleges indicates that their real preference is to move to the 90–10 pattern and stay with it.

Mr. ERLENBORN. I am not surprised by that. As a matter of fact, when we passed the law last year, I predicted we would never get to 80–20. I presume, since we were under the gun at the time, we were able to pass the law, but I didn't think it would stay on the books.

What was the appropriation for work study?

Mr. MOORE. $139 million.

Mr. ERLENBORN. What will it be in 1969; what is your recommendation?

Mr. MOORE. $145 million.

Mr. ERLENBORN. Now, changing from 85 to 90 percent, would that use up most of the increased appropriations? Are we going to help more students or increase the Federal share?

Mr. MOORE. It will help a few more students. We still have the increase of the minimum wage to $1.30 next February right in the middle of the year to reckon with. I am afraid a large part of that increase is probably going to go into more pennies per hour because the minimum wage has the effect of changing the whole pay pattern in the institution.

Mr. ERLENBORN. The 5-percent increment of the Federal support plus the minimum wage apparently will use up all of the increased appropriation?

Mr. MOORE. It will, I am afraid, come fairly close to stabilizing the operation.

Mr. ERLENBORN. Thank you.

Mr. QUIE. Are we through with this? Do you plan to go on with the Secretary reading the statement?

Mrs. GREEN. Yes, on the guaranteed loan program, unless there are other points.

Mr. CAREY. One moment. Can we address questions to Secretary Barr?

Mrs. GREEN. On the guaranteed student loan?

Mr. CAREY. On the matter of availability to student loan funds.

Mrs. GREEN. We are going to turn to Mr. Barr to present any statements he wants, and then he will be available for questioning and you can take as long as you need.

Mr. Secretary, we are delighted to have our ex-colleague back here with us this morning, and we are interested in your comments.

Mr. BARR. Madam Chairman, I do not have a prepared statement this morning. I would like to make a few observations, and then Mr. Snyder and Mr. Weiss will be prepared to address themselves to any technical questions.

In the approximately 1 year that I have been involved in this program I have had an opportunity to look at it and I have profited from the discussions we have all had on the program. I have come to a few conclusions in this past year that I think are quite firm in my own mind. Let me list them for you.

First of all, I am convinced that the costs of a college education today, particularly in a private school, really must be looked at in a new light. I don't believe that the American families, unless they are in an income group above $20,000 or $30,000, can really expect to be able to save enough, or to pay out of income enough, to pay the cost of a child in college.

I speak from personal experience, Madam Chairman. I think the committee knows what the Government pays me, and my personal experience is that with three in school this is extremely difficult.

If it is not possible to treat these costs as a current expenditure, I am convinced, Madam Chairman, we must look at these costs as a financing operation, the same way we would look at the purchase of the house. Costs are now, in the private schools, in my own personal experience, in the range of $12,000 to $14,000 to educate a boy or girl. This puts it into a range where I think we must look at them not as an expenditure but as a capital investment that merits financing.

My second observation, Madam Chairman, is that there are not many routes available, practically available, at this time. A tax credit has been considered at various times by the Congress, but I believe that the position of the tax-writing committee, as expressed by the chairman of the House committee especially, is quite clear. There are so many tax-credit proposals currently facing the committee that he has slammed the door on all. He has indicated on the floor of the House that he will not tolerate attempts to relieve the burden on the American people through the tax-credit route; he insists that we go through the normal appropriation process of the Congress.

So I would say at the moment that, regardless of the merits and the debates on both sides, this tax-credit route for all practical purposes is closed off.

I would say, thirdly, that giving some help to the middle-income family would probably have to take a lower priority than some of the other problems that are confronting the country at this time, even in the areas of education and health. I think it would of necessity take a lower priority.

Fourthly, I say, Madam Chairman, as I look at the country in the past decade, there is one thing very, very apparent: The growth in our budgetary costs in the area of education, health, and welfare has been the one factor that has characterized all of our recent budgets. I know that a lot of attention has been focused on Vietnam and on the military spending, but if you look at the percentage increases in these areas of education, health, and welfare, I think you will find by far the largest increases in the past 4 to 5 years have been in this area.

I will venture to make a prediction today, Madam Chairman, that this particular segment of the budget—education, health, and welfare—will, in the next decade, grow even faster.

So, as you look at the posture that we find ourselves in, in this country today, as you try to look down the road, I am convinced if the committee wants to do something to assist these lower-middle-income and middle-income families to meet the costs of financing a college education, that some device such as this is the only practical device: to throw the weight of the burden on the financial community and try to induce the financial community to cooperate by subsidizing them, if you will, on the margin.

This is the only way that I frankly can see, Madam Chairman, we can (a) get it in the budget; (b) justify the priority; and (c) have a program that we can live with in the years ahead.

This is a general observation, but as I say, it has been formed after a year's look at this particular problem, trying to relate it to the totality of financial problems that we face in this country.

I would like to have just a few general comments, Madam Chairman, on the GAO report. I think it is a helpful report. I think as always the GAO was forthright, and I think their analysis was excellent. I have a couple of points of disagreement.

We used a cost of money in our table of 4½ percent as of this time last year. This question of the cost of money can be a tricky one. I can tell you what the cost of money is for one financial institution that borrows money, and that is the U.S. Treasury. The cost of money to us today—and we have a financing in the market at the moment—is 5⅝ percent for a 15-month note and 5¾ percent for a 7-year note.

That is the cost of money to us. This is what it costs us as we take money from people and relend it to other people. So I don't know whether 4½ percent was accurate. It was extremely conservative last year.

The cost of money to most corporations today is running from 6½ to 7 percent. Consequently, the 4½-percent figure may or may not have much meaning today.

Second, I don't believe, in my testimony before this committee last year I indicated I was concerned about financial institutions' losing money. On the contrary, I said that if we were to get to this lower-middle-income and middle-income group and give them help, the best way to do it was try to lend the support of the Federal Government to their credit and put them on a rough par with the best-rated financial business institutions in the country. I think I used General Motors rather facetiously as a example of one of the best credit ratings in the world.

That is our objective here, is to try to take these students and, by giving our own credit and assistance to the financial institutions, put them on a par with the best credit ratings in the world.

I personally have great hopes for this program. I think it can move. I think we are running at the moment around $500 million this year, and I think we can go to $750 million this year and $1 billion the following year and get up to a couple of billion dollars a year when it is fully implemented, with a marignal budget cost to the United States. I think personally this has great merit and can be of great value to the country.

Mrs. GREEN. Thank you, Mr. Secretary.

In order to accommodate Mr. Reid's schedule, I will yield to him for his 5 minutes at this point.

Mr. REID. Thank you, and I will be very brief.

Thank you very much, Mr. Secretary, for appearing and I appreciate what you have said. I think it is eminently true that the middle-income family today is largely the forgotten family in America, and I believe the principle is—and it was enunciated in the President's message to the Congress—that no American should be denied a college education, where qualified, because of lack of financial resources, and I take it that you agree with that broad principle?

Mr. BARR. I do, Mr. Reid.

Mr. REID. Mr. Secretary, I have just one question there for you. I believe that we do need to help the middle-income family but I am concerned over the eligibility requirements and in Commissioner Howe's statement yesterday on page 4 there is the following sentence: "Administrative arrangements are centered on State loan guarantee agencies with the Federal Government providing an interest subsidy for students whose adjusted family income is less than $15,000 per year."

My question is this, and I would state it as an affirmative proposition: I believe it would be desirable to remove the income limitation and have a statement that this program would be available without dollar limitation and based on the need of the student because if you take a $15,000 figure, you would exclude even with adjustments some of those you have just been discussing, and I think if the principle is clear that we are trying to reach all students who lack financial resources, shouldn't it be on that basis rather than on a dollar-limitation basis?

Mr. BARR. Mr. Reid, I am not try to duck your question, but I am really not competent to answer. I stand on my statement that I think this is designed for lower middle-income and middle-income families. As to whether or not the $15,000 limit for subsidies should be removed, there are people more knowledgeable in the area as to where the need really arises.

Mr. REID. What I am getting at is: Shouldn't we give consideration to the question of actual need?

Mr. BARR. I think so.

Mr. REID. Rather than necessarily trying to find a dollar limit which might or might not be relevant? If you have two or three children going to college at the same time in the $15,000 bracket, you can't afford it.

Mr. BARR. I think your point is well taken, but I want to disqualify myself as an expert.

Mr. HOWE. I agree here that the $15,000 limit is designed to be a gross measure of need, and you are speaking of really a more refined measure of need.

Mr. REID. That is correct. Now, all I am saying is, I hope we can give consideration to this and conceivably an amendment could be offered by the committee to the bill having a more refined basis, if you will, addressed to any student in need rather than trying to put an arbitrary figure on it.

Mr. BARR. I think your point is well taken. I have found the arbitrary cutoffs to be troublesome in most areas. While I want to repeat I am not an expert in this area, it is a troublesome point. If the committee can do better than this definition, I would personally support it. I can't speak for Mr. Howe, but I would support it.

Mr. QUIE. I think you remember there is no arbitrary cutoff in NDEA. It is left to the institution to work out this plan.

Mr. HOWE. If we were to suggest some system for the measurement of need, or some system more effective than this, the only stipulation I would want to make about it would be that the establishment of need probably has to reside in the higher education institution, in the scholarship offices involved. Many of them have developed an expertise in assessment of needs.

I think there is a problem in handing that matter over to the banks. We would certainly want to explore the additional administrative load this would place on the institutions and the problems of adjustment they would have, were such a system to be introduced.

But I must agree there are more accurate systems for measuring relative need than the one now embraced in this legislation. The question is whether, with the complexities of the administration of this legislation, it is desirable to introduce the concept of relative need.

Mr. REID. I can merely add—and this is all, Madam Chairman; I thank you for the time—I would merely add the expression and hope that we could make this program available to all students in the middle-income families.

Mr. BARR. May I add there is a precedent in an area which I am more qualified to speak: In the tax law there we do, of course, give additional relief as the family size increases—and this is one area of relief that now is incorporated in this loan program. If you wanted to go further, you could provide that if you had more than one child in school at a time there is more need for purposes of this program, and you can move in that direction.

Mr. REID. That is the kind of thought I had.

Mr. HOWE. I want to clarify one point I am sure you are aware of. The program is generally available above the $15,000 level, but the forgiveness features don't continue for the people above that level.

Mr. REID. I am also aware in New York and some other States the $20,000 figure has not been worked out and there are a number in New York that were denied loans despite this program and that is why I have doubts about an arbitrary figure and would feel with a little commonsense the question of need on a broader basis could be the criterion that would make more sense.

Mr. CAREY. Will my colleague from New York yield? I would not like the record to rest insofar as the prototype program for the country, as far as the New York Higher Education Assistance Corporation is concerned, I don't believe there is any set criteria in terms of dollar figure as to whether the student will obtain a loan.

The student on application may submit or the parent may submit in support of the student's application any special circumstances of a financial nature which make the arbitrary figure one that is not controlling. If there has been any kind of special burden, financial burden in the family in a given year, the student can develop it and make it available to the Higher Education Assistance Corporation and the dollar figure goes out the window. It is the real assets to support the student in college that they make the decision on.

Mr. REID. Just to support my colleague, I have a fair body of correspondence with the Commissioner and with the head of the Higher Education Assistance Corporation, and unfortunately New York has not worked out the full benefit program and it does exclude on the basis of certain dollar limitation, and I would be happy to show you you the correspondence and indeed negative correspondence saying why the board of regents cannot at this time take action.

Mr. CAREY. If my colleague would yield further, I can give him information on the application of my son which has just been approved, and it was done on the basis of extraordinary expense as a result of having to contest my seat against a Republican.

Mr. REID. I don't contest the gentleman's sophistication in these matters, but would be happy to show him the correspondence. My only point is, it should be on the basis of need and not arbitrary.

Mr. CAREY. The need is there, I assure you.

Mr. REID. I am sure the gentleman is in a position to know.

Mrs. GREEN. Mr. Secretary, did I understand you to say in considering the budget, this is a lower item?

Mr. BARR. Madam Chairman, as you look at the priorities that exist in the United States, first of all, I think you must recognize that we have limited dollars, and we have to put the highest priority on the people that obviously are not going to get an education under any circumstances without assistance. So I would say the highest priority would be making sure that the child out of the ghetto or some place else who had no chance without assistance would be the highest priority.

Mrs. GREEN. I was referring to your statement in terms of the money available for education and of having to go to the guaranteed student loan because of the current national budget picture.

Mr. BARR. I am sorry. What I meant was that this particular program designed for middle- and lower-middle-income people would have to take a lower priority than the programs designed for the child who has no chance—where it is not a question of the family sacrificing, but no chance at all without assistance.

No, indeed, I don't make any such assertion. I did, on the contrary, try to point out in the past 5 years the budget would indicate that the real explosion in our spending in percentage terms has been in the areas of education, health, and welfare.

I also venture to predict, Madam Chairman, in the next decade this trend will not level off; it will not slow down. If anything, I would bet that this trend for a larger and larger proportion of our budget dedicated to these three areas would continue and increase.

Mrs. GREEN. As I look at the budget, that has not been my impression when I review the space program expenditures, highway construction or defense.

Mr. BARR. Madam Chairman, I don't intend to argue about the budget today, but I would say that highway construction has been almost level for the past 4 or 5 years, running at the rate of $3½ to $4 billion a year. The space program has leveled off for the past 3 years to around $4 to $5 billion. Defense has gone up, because of the Vietnam cost, roughly 50 percent.

I think if you look at the budget and include all the funds that we have under the new unified budget, I think you will see that the real surge, percentagewise in the budget, is in these three areas, and I think it appropriate and I applaud it.

I am speaking not in absolute terms but in percentage terms. We started from a low base; for instance, in elementary and secondary education, it was zero.

Mrs. GREEN. You can increase it 500 percent and not have very much?

Mr. BARR. That is right, when you start with zero or a very low level. But all these areas, in percent terms, have gone up quite rapidly, and I predict this will continue. I would hope so.

Mrs. GREEN. I think we might, or this committee might, well take a look at national priorities. I was not impressed in terms of the amount of money that is recommended for education this year and the cuts that will be made in various programs. We may have only a few dollars involved, but in terms of the need, in terms of the crisis in the cities and in schools and in private colleges, it does not seem to me that we have an exceedingly high priority for education.

Mr. BARR. Madam Chairman, I would say, in defense of the total budget, that I know this particular area carried a very high priority in all of the considerations that went into the budget. In my opinion, the cities' problems and education and health were given top priority in the money available after the requirements for Vietnam and defense.

Mr. HOWE. Perhaps, just to get on the record the situation, it will be useful to try to come up with numbers. If you look strictly at the Office of Education budget, the round numbers are that we will obligate about $3.9 billion in fiscal year 1968 and $4.1 billion in fiscal year 1969. If you look at the total educational outlay of the Federal Government for all educational purposes, the figure for fiscal year 1968 will be $10.8 billion and for fiscal year 1969 it will be $11.6 billion. You have to say that there is a steady increase in commitments to education in a tight budget year, and I think you have to say also that the reallocation of priorities within these new commitments places the Federal Government in the position of following directly on the kind of priorities that Secretary Barr has been outlining—investments in people and particularly investments in disadvantaged people.

Mr. BARR. If it is any consolation, the figures will indicate the defense budget will rise this year about $3 billion, which is one twenty-fifth, or 4 percent, while the total education budget will rise 10 percent.

Mrs. GREEN. Again, we must consider the starting place.

Mr. BARR. Of course, but we are getting up to a place where, in $10 billion, you have a pretty good base point.

Mrs. GREEN. Is it fair to say the costs of Vietnam today are about $3 billion a month?

Mr. BARR. This is one of the most difficult figures to arrive at, because it involves some arbitrary assumptions. The latest figure Defense has, I think, is about $26 billion a year.

Mrs. GREEN. This is compared to what is actually the case?

Mr. BARR. I think one way of looking at it is that before we went into Vietnam, defense was running to about $50 billion a year and it is now up to $75 billion.

Mrs. GREEN. I think one of the most eloquent statements made on education was given in President Johnson's message on education, January 12, 1965:

> Nothing matters more to the future of our country: Not our military preparedness—for armed might is worthless if we lack the brain power to build a world of peace; not our productive economy—for we cannot sustain growth without manpower; not our democratic system of Government—for freedom is fragile if citizens are ignorant.

We obviously don't have the brainpower now to build a world of peace. We have a "brain drain" in the United States, and the wealthiest and most powerful country in the world can't train the number of

people we need to keep our own machinery running. Freedom is fragile if citizens are ignorant. We have to look at the Newarks and Detroits and Cambridges and a few other places to understand the full impact of this.

Then I have the Harris report, dated November 1967, indicating the American people would like to see increased Government spending in aid to schools. Forty-one percent indicate this as the highest priority.

Mr. BARR. That is correct.

Mrs. GREEN. And if we take all of the first, second, and third answers we find that the American people want it by 71 percent, that they would place aid to education in the first three categories. Aid to schools is recommended by 41 percent of the people. Only 5 percent of the American people would like to see increased spending for defense. Three percent want more for highways and 1 percent of the American people would like to see more spending for space.

It seems to me we are setting priorities that the Nation as a whole does not support. I am just wondering as we consider these programs if perhaps this committee ought to take as a major consideration the national priorities and where we are going?

Mr. BARR. Madam Chairman, I am the Undersecretary of the Treasury, and we pay the bills in this country or try to pay the bills as well as we can. I do recognize the squeeze we are in. My jurisdiction does not extend to the whole question of the military, diplomatic, educational, and welfare policies of this country.

The President did ask me to look at this one particular area of student loans. Because I know the squeeze we are in, I spent the time and I have been intrigued with this program, because it did seem possible that in this particular area we could bring some relief and some help to the American people with a marginal cost.

That is frankly my real interest in this area.

Mr. GREEN. Do you agree with the comments made yesterday that if we utilize the guaranteed student loan program the cost for a thousand students over a 10-year period, the actual costs to the Federal Government, would be $230 million more than if we utilize the National Defense Education Act?

Mr. BARR. Was this my letter to you?

Mrs. GREEN. Yes.

Mr. BARR. You asked about NDEA. I write a lot of letters.

Mrs. GREEN. And I am sure you sign some you don't write.

Mr. BARR. I sign a lot more I don't write. I think I did indicate to you that if we could establish an education bank we could probably do it cheaper in the long run.

Do you have a copy of the letter, Mr. Weiss?

Mr. WEISS. Yes.

Mr. BARR. We did our best to cost out these two alternatives. I stand by that letter. I think it is accurate. We do have some comparable data that is available in the operation of the farm credit agencies, the land banks, the other banks, and they are more comparable to something we had established here. The only thing I said, and I want to repeat this, Madam Chairman, is I just don't know where we would get that kind of money from this Congress or in the budget in the near future—to establish a program that would be lending roughly $750 million up to a few billions a year to meet the needs I see.

I just don't know where we can squeeze it in the budget as we look at it now, or practically how we could get it from the Congress.

Mrs. GREEN. Well, do I understand you to say that this is really the basis for the guaranteed student loan program, not that it is the best program?

Mr. BARR. That is correct.

Mrs. GREEN. You are suggesting this even though it will cost a billion dollars perhaps over a 10-year period?

Mr. BARR. I would like to supply for the record again my comment on that statement.

(The following was submitted for the record:)

On the same basis as the cost comparison presented in Attachment A to Under Secretary Barr's October 30, 1967 letter to Chairman Green, the cost for a 4 million student loan program under the National Defense Education Act and the Guaranteed Student Loan Program would be $5,710 million and $4,635 million, respectively. Elimination of the cancellation feature would reduce the NDEA total cost to $3,715 million. Addition of a comparable cancellation feature to GSLP would increase the GSLP total cost to $6,632 million.

THE UNDER SECRETARY OF THE TREASURY,
Washington, D.C., October 30, 1967.

Hon. EDITH GREEN,
Chairman, Special Subcommittee on Education, House of Representatives, Washington, D.C.

DEAR MADAM CHAIRMAN: This letter responds to the request you made for certain comparisons between the insured loan program under the Higher Education Act of 1965 and the direct loan program under the National Defense Education Act.

First, you requested a comparison of the total long-range costs to the Federal government of loans made under these two loan programs to a hypothetical group of 500 students, each of whom borrows $1,000 a year for four college years and takes the full ten-year period of time permitted for repayment.

I am enclosing a table showing these comparative costs. In accordance with our usual practice, this analysis represents the marginal cost to the government, including the cost of borrowing by the Treasury, discounted to arrive at present dollar-value totals.

In this model, the cost under the existing NDEA program would be somewhat higher than the cost under the insured loan program with the placement and conversion fees that have been recommended by the Administration. If the "teacher cancellation" feature of the present NDEA program were eliminated, the cost under NDEA would be slightly less than under the insured loan program.

Although in the *long-run* such a direct loan program would be slightly less costly to the Federal Government than an insured loan program with comparable terms, the direct loan approach involves substantially higher *immediate* expenditures by the Federal Government. It is clear that, in light of the extraordinary demands on the Federal budget, it would not be possible, as a practical matter, to achieve the same volume of student loans through a direct loan approach as we can achieve through the insured loan approach.

Also, we believe that continuation of the insured loan program is very much warranted in light of the fact that we are moving into a novel area in which it should be beneficial to obtain further experience with alternative approaches to the important problem of financing student education expenses.

You also requested a comparison between the provisions for reimbursement of administrative expenses under the NDEA program and the Administration's proposal for payment of placement and conversion fees under the insured loan program. I am enclosing a memorandum that sets forth such a comparison.

It is important to recognize that the two arrangements serve somewhat different functions. The NDEA plan provides the sole Federal funding for the administrative costs incurred by the colleges in operating the loan program. The proposed placement and conversion fees, on the other hand, merely would make up the difference between lenders' interest income and their total costs, in which administrative costs are only one element. If other costs, such as the

cost of money to the lenders, should decline, the interest income would be more adequate to cover lender costs, and the placement and conversion fees would be reduced or eliminated. I am enclosing a table showing the varying placement and conversion fees at various levels of the cost of money.

I hope that this information will be helpful to the Subcommittee.

Sincerely yours,

JOSEPH W. BARR,
Under Secretary of the Treasury.

Attachment A

COMPARISON OF RELATIVE FEDERAL GOVERNMENT COSTS FOR NDEA AND GUARANTEED STUDENT LOAN PROGRAMS

[Present values in dollars [1]]

	NDEA	GSLP
Federal capital contribution	$534,808	----------
Interest receipts, deduct	—185,478	----------
Payment for institutions' administrative cost	115,064	----------
Cancellations, 10 and 15 percent	249,300	----------
Interest paid on behalf of borrowers	----------	$517,127
Insurance reserve matching seed money	----------	[2] 5,942
Placement and conversion fees	----------	56,338
Total cost	[3] 713,694	[3] 579,407

[1] Based on costs incurred by Federal Government for 500 students borrowing $4,000 each with 10-year repayment cycle, 5⅛-percent discount rate. Present value is the standard method used for comparing 2 or more streams of receipts and payments which have different time patterns. It is based on the concept that a dollar at some time in the future is worth less than a dollar today. Neither calculation includes the cost of any defaults.

[2] With proposed reinsurance plan; under present funding of insurance reserves, with 50–50 matching and no reinsurance, the Federal insurance reserve cost would be $29,710.

[3] Elimination of the cancellation feature would reduce the NDEA total cost to $464,394. Addition of a comparable cancellation feature to GSLP would increase the GSLP total cost to $828,972.

ATTACHMENT B

COMPARISON OF DIRECT COST ALLOWANCES IN NATIONAL DEFENSE AND GUARANTEED STUDENT LOAN PROGRAMS

I. NDEA student loan program

The statutory ceiling on the amount a college may withdraw from the Loan Fund to cover administrative costs is 1 percent of the aggregate loan volume outstanding at the end of each fiscal year, or one-half of reasonable administrative costs, whichever is the lesser.

For 1965–66, half of the institutions operated under the 1 percent outstanding balance rule, and the remainder one-half of reasonable cost. The amount of administrative payment *per loan made* during the year averages at $26 per loan in the 1 percent category and $13 per loan in the one-half of reasonable cost category.

II. Guaranted student loan program

The proposal now before the Congress is to provide fee payments to lenders at the time each annual loan is placed on the books and at the time the "in-school" notes are consolidated and converted to installment payout notes.

The amount of the fee in any given year would range from $0 to $35, depending upon the cost of money or the net return on alternative investments. At present, the fee is estimated at $25 for both placement and conversion.

The fees, when payable, generally would constitute only a portion of the revenue available to lenders to cover administrative expenses; so long as the cost of money is less than the 6 percent interest received by lenders, some portion of the interest income can be applied toward administrative expenses. The $25 fee used in the following comparison assumes a cost of money of approximately 5½ percent, leaving ½ percent to cover a portion of administrative expenses.

It should be noted, however, that although this ½ percent is revenue to the lender, it is not a cost to the Federal government in the case of students qualifying for interest subsidies; in other cases, the cost is borne by the student. (Under the NDEA program, all of the administrative payments are costs to the Federal Government.)

III. Comparison

Since NDEA cost data is available only for FY 1966, and the Guaranteed Loan fees are only in the proposal stage, there is no effective experience base for direct comparison. However, it is possible to use the actual average loan in each program to show parity of treatment.

For calculation of NDEA administrative expense, 10.5 percent of the face of the note will equal the amount of overhead earned by the loan over a 15-year period.

In the guaranteed loan program, each loan earns a placement fee and, assuming each student makes at least two loans, one-half of the conversion fee. In addition, one-half percent per annum from interest payments on the reducing balance is available to cover the lender's costs.

The following examples are based on actual average annual loans of $600 in the NDEA program and $800 in the Guaranteed Loan Program. Each loan is held over a four-year in-college period and a year of grace, and is repaid over a ten-year period.

A. NDEA Loan

A $600 NDEA loan will yield $63 in administrative support to the college (10.5 percent of $600).

The same loan, under the Guaranteed Loan Program will yield $69 in administrative support for the lender:

Placement fee	$25.00
One-half of the conversion fee	12.50
One-half percent interest on balance *	31.50
Total	69.00

*Paid by the Federal Government only if the student qualifies for interest subsidies.

B. Guaranteed Student Loan

An $800 loan will yield $79.50 in administrative support for the lender:

Placement fee	$25.00
One-half of the conversion fee	12.50
One-half percent interest on balance*	42.00
Total	79.50

*Paid by the Federal Government only if the student qualifies for interest subsidies.

The same loan, made by a college under NDEA, will yield $84 in administrative support.

ATTACHMENT C

COST OF MONEY AND FEES

Based upon current estimates of lender costs other than the cost of money, and the proposal for equal fees (*a*) each year that a loan is put on the lender's books and (*b*) for each conversion of a borrower's loan(s) to repayment status:

If the cost of money to lenders or net return on alternative investments is:	The amount of each fee would be:
Percent	*Dollars*
4.66 or less	0
4.81	5
4.96	10
5.11	15
5.27	20
5.42	25
5.58	30
5.74 or more	35

I will say in my opinion it will be more costly, yes. I will say, frankly, that a Government bank would be cheaper in the long run. While saying that, however, I adhere to the conclusion that if this needs to be

done, we have to rely on the private sector even though it costs more money.

Mr. HOWE. Madam Chairman, it does seem to me, just as we made this point yesterday, it is important to bring out that the guaranteed loan program provides the way to get these funds into the hands of large numbers of young people now, and that there is very great value for the country as a whole in doing exactly that. Perhaps there is a value that is not entirely measurable in dollar terms, and perhaps the value—when you seek to measure it in dollar terms—has to include the factor of the added productivity and the added gross national product that will emerge from having a trained, educated population as opposed to one that is not.

It seems to me if we are thinking about substituting an expanded loan program for the guaranteed loan arrangements, we run the danger of training a lot fewer people in the immediate 5 years ahead, and that the added cost to us over the 10-year period may well turn out to be worth it. Indeed, the costs may have a dollar figure attached to them that, in the long run, would represent a saving.

Mr. BARR. Madam Chairman, may I comment there, too, I am speaking not just for now. The Commissioner spoke of the situation as it confronts us at the moment. I am looking on down the line. Even if we get out of Vietnam, I see billions in needs to be spent in our cities. This program is going to have to compete in the future not with defense, as it is at the moment, but I think it is going to have to compete in the future with the staggering problems of our cities and the staggering expenditures we have to put in our cities. I don't know how the priorities would come out here. I want to concur that this program will cost more than the Government doing it directly. I also want to observe, however, that this is designed for people who can make it, who could educate their children by virtue of heavy sacrifice.

Consequently, I think this program would have a lower priority than some other Federal programs, looking at it objectively. I come out with the conclusion that if the committee wants to extend this assistance to the lower-middle and middle-income people of the country, this is the best way to do it—now, and from anything I can see, in the future.

Mrs. GREEN. If my colleagues do not direct questions to these two points, would you in writing estimate the costs over a 10-year period if we have 4 million students obtaining loans?

Mr. BARR. Right.

Mrs. GREEN. Then would you respond to the Comptroller General's comment about the figures?

Mr. BARR. Yes, madam.

Mrs. GREEN. On pages 2 and 3?

Mr. BARR. Yes.

(The following was submitted for the record:

COMPTROLLER GENERAL'S REPORT[1] ON THE BARR COMMITTEE'S STUDY

The burden of the Comptroller General's report on the Barr Committee's Study is that the cost data were "obtained without verification from the American Bankers Association (ABA) and other sources."

[1] Report to the Honorable Edith Green, Chairman, Special Committee on Education, House of Representatives, B-114836, Nov. 27, 1967.

"The data developed by the Committee and used by the Treasury Department in support of its position on loan placement and conversion costs were not based on verified cost data but consisted of estimates obtained from the sources described in this report. Furthermore, the guaranteed student loan program is relatively new and lenders have made few repeat loans to the same students. Adequate experience data is therefore not available for determining the costs on which fee justifications can be based for second and subsequent loan placements and for conversions of loans. Since the justifications for these fees are not based on actual cost experience, we are unable to express an opinion as to the reasonableness of the proposed maximum fee of $35 for placement of student loans and of $35 for conversion of the student loan program."

The meaning of the term "verify" in the context of the Barr Committee's study and report is not clear. The Committee had no authority to audit the cost records of participating lenders or otherwise directly to "verify" their cost estimates. However, the Committee did not rely exclusively on the data reported by the 17 banks in the American Bankers Association sample. In fact, as indicated in the Committee report, the working cost estimates were based on a wide variety of data including—

(1) The ABA Instalment Credit Survey for 1965. This survey was undertaken not to justify any particular estimate of bank costs in making and servicing guaranteed student loans but to allow banks to determine whether their operating results in their consumer credit departments are more or less favorable than the operating results of other banks. The purpose of the Instalment Credit Survey, therefore, would have been totally negated if the results were deliberately biased to indicate either higher or lower costs than actual costs for instalment lending.

(2) A functional cost analysis prepared by the Federal Reserve System with comparative data for 61 banks reporting in both 1964 and 1965 and with data for 176 participating banks in eight Federal Reserve districts reporting in 1965. This analysis was also undertaken to provide member banks with benchmark data for evaluating their comparative operating results.

(3) An analysis furnished by the National Association of Mutual Savings Banks.

(4) An analysis supplied by the United States Savings and Loan League which also draws on the results of a doctoral dissertation at Ohio State University.

(5) Cost data and estimates provided by several credit unions at the request of CUNA International.

(6) A sample of 51 administrative cost reports (OE–1/25, Statement of Work Volume and Administrative Expenses, NDSL Program) submitted to the Office of Education by schools participating in the NDEA program.

(7) Data contained in the Report on Collection of National Defense Student Loans prepared for the Subcommittee on Education by the Office of Education.

The direct cost data were also supported inferentially by the generally accepted figures for costs in other lending areas and from experience with lending rates established in competitive markets where some of the features of the operations are analagous to those in the guaranteed student loan program. Although the Comptroller's report emphasizes the 17-bank study, the use of the data from these various sources was discussed at length with the GAO representatives.

The Comptroller's report also calls attention to the operating results reported by one New York bank. The two New York banks included in the ABA 17-bank survey both reported a cost per loan of $23 and a cost per month during repayment of 75¢. If these figures are accepted as representative, the actuarially calculated rate of return is 5.14 percent, compared with the Barr Committee's estimate of 4.66 percent, a difference of approximately ½ of 1 percent. Assuming that the current cost of money to banks is equal to the Treasury Department's current borrowing rate, approximately 5¾ percent based on the pricing of the 7-year note offered in February, the Barr Committee's analysis would indicate fees of $36 would currently be necessary if lenders were to cover their cost of money; the cost figures of the two New York banks would indicate fees of $20 would be necessary.

The following table contains factors necessary for calculating the actuarial rate of return on guaranteed student loans for various assumptions regarding lender costs.

Factors for calculating lender returns

	Percent
Gross return	6
Less:	
Placement cost of first loan $———×0.0086	———
Placement cost of subsequent loans $———×0.0143	———
Loan conversion cost $———×0.0073	———
Monthly servicing cost during repayment $———×0.449	———
Equals:	
Net lender return to cover cost of money	———

The following example, using hypothetical figures, is intended only to illustrate the use of the factors:

	Percent
Gross return	6
Less:	
Placement cost of first loan $25×0.0086	.215
Placement cost of subsequent loans $20×0.0143	.286
Loan conversion cost $15×0.0073	.110
Monthly servicing cost during repayment $1×0.4491	.449
Equals:	
Net lender return to cover cost of money	4.94

There is some question also regarding the statement in the Comptroller's report that the cost of money for lending institutions in early 1967 was in the vicinity of 4½ percent. The Comptroller's representatives were advised that market yields on Treasury obligations of comparable maturity in January-March 1967 averaged approximately 4½ percent. The connection between this rate and the cost of money for lending institutions, however, is somewhat tenuous. Also, the data presented in the Comptroller's report on average rates paid on time and savings deposits does not directly answer the question, since it does not take into account the noninterest costs incurred by the institutions in obtaining and maintaining deposit accounts.

The Committee recognized that lender operating costs can be reduced in the program if the guarantee procedures are simplified. It also stated that the "encouragement of efficiency in operations, therefore, should be a fundamental consideration in the method adopted to increase lender returns." Whether larger volume operations will also lead to additional economies may be more doubtful; even so, it can be necessary to provide an initial inducement for lenders to enter the program.

The Committee also recognized that the cost of placing subsequent loans may be less than the cost of placing the initial loan, and that as experience is developed under the program it should be possible to collect better cost data and to adjust the level of fees appropriately to achieve the desired level of lender participation. Thus, the Committee's report stated:

"To provide the flexibility needed to assure maximum lender participation under changing money market conditions, this [fee payment] authority should be broad enough to permit the fees to be varied with changes in lender costs and market rates of interest. It should also allow the placement fees to be reduced for the second and subsequent loans to the same student, since the costs of making later loans to a student should be less than the cost of making the first loan."

It is somewhat astonishing that the Comptrollers' report indicates lack of knowledge of conversion costs, since the names of specific institutions with such experience were furnished to the GAO representatives.

The record should also be corrected at this point to indicate that Mr. Barr did not testify that lenders were incurring out-of-pocket losses from the guaranteed student loan program.

The thrust of Mr. Barr's testimony has been that lenders will not willingly engage in volume operations in this program, which are necessary if it is to support higher education adequately, if their rate of return is very unfavorable relative to rates of return in other forms of investment. In this connection, it may be noted that VA and FHA mortgages bear a 6% interest rate, but the gross yield, taking into account points and prepayment experience, is in excess of 6¾%, substantially more than on guaranteed student loans.

The maximum fees recommended by the Barr Committee would increase gross lender returns on guaranteed student loans to approximately 7.05% computed

on the actuarial basis. A 7% maximum rate is already authorized by statute for Federally guaranteed loans when determined necessary by the Commissioner of Education. Thus, adoption of the Barr Committee's fee recommendations would simply provide flexibility for adjusting rates in accordance with changing circumstances for loans made with State or private guarantees as is already provided for Federally guaranteed loans. While the form in which the flexibility could be exercised would be changed and made more effective, it would be under the same control as in the Federal program. The central issue, therefore, is simply whether current lender returns in the program are sufficient to bring forth an adequate flow of funds for guaranteed student loans and not, as the Comptroller General's report suggests, the means for raising lender returns.

The Barr Committee looked upon the payment of placement and conversion fees as a means for adjusting lender returns in response to changes in money market conditions. It did not look at such fees, except incidentally, as a means for directly or exactly offsetting specific administrative costs incurred by lenders. In other words, whatever the cost of putting a loan on the books—say, $25—the placement fee for any semester or school year might be set at $10, $15, $35, or nothing, depending on market interest rates, to provide a net return to lenders required to bring out a sufficient supply of funds for guaranteed student loans.

There is no question that some lenders will participate in the program volume even without payment of fees. A number of commercial banks have been doing so. However, other commercial banks, savings and loan associations, mutual savings banks, credit unions, insurance companies, and pension funds, have not been willing to participate to any substantial degree and some of these institutions have established their own student loan programs in which the terms are much less favorable for the student borrower.

Mrs. GREEN. Congressman Quie.

Mr. QUIE. What is wrong with people who have the means to educate their children to suffer a little sacrifice or even hard sacrifice? Is there something wrong?

Mr. BARR. No, there is nothing wrong with that at all, Mr. Quie. As I said, however, the whole cost of education has arisen so sharply that I think you can no longer look at it purely as a current cost. I think it must be financed in some way or another. This is a Federal program designed to assist them to meet this changed situation, where you don't look at it as a cost now but as a capital expenditure, and a capital expenditure that is being financed.

Mr. QUIE. I strongly favor the guaranteed loan program. It is the subsidized interest about which I have reservations.

Mr. BARR. That is another question.

Mr. QUIE. To make certain they can secure the money now and are to have education.

Mr. BARR. If you don't have a subsidized interest rate, Mr. Quie, I think you would have to compare with it the VA and FHA programs which are costing, well, around 7 percent at the moment.

Mr. QUIE. If it is going to be utilized to pick up the slack of the NDEA program, which it can't meet, as I understand by testimony prior to yours, we are going to meet about five-sixteenths of the need, and undoubtedly we can pick up some of that. Then if the institution itself determined the need of the students who receive the guaranteed loan program for at least the subsidation of the interest rate phased up, that is all that is necessary, during that period of time when the student himself was not earning any money. This is the time before he, say, finished college, graduate school, the Peace Corps, and so, and so, military services, during that period?

Mr. BARR. Yes.

Mr. QUIE. If this is the case then, we could handle the subsidization some other way. Why is it necessary to put a limit on the interest rate that a bank can charge on a guaranteed loan program?

Mr. BARR. It is not necessary. The committee can remove that limit if it so desires. The Congress is removing limits on FHA and VA, or are requesting they be removed now. The rates at issue here would be high, I think if you went to the GAO Credit Union, and I assume they have a credit union, for a college loan, they would probably charge you 9 percent—I think they would have to at the moment.

Mr. QUIE. Well, wouldn't any institution have to charge more when the Federal Government would not act as the guarantor?

Mr. BARR. Yes.

Mr. QUIE. So I think it is an advantage to have the Federal Government behind the loan.

Mr. BARR. Yes, but I think the credit union, even with a guarantee, might well charge 8 or 9 percent at the moment for these small loans. This is what we are talking about, Mr. Quie. Even a nonprofit institution, a credit union, would have to get about that much.

If you like, we can do this.

(The following was submitted for the record:)

The Treasury credit union education loan plan described in the attached folder involves (1) a 9 percent interest rate (2) repayment while in school, (3) minimum annual payments of $348 for loans of $600 per year or $468 for loans of $800 per year, and (4) cosignatures of parents as well as student.

Educational Loan Plan



College costs are increasing at a rapid rate, faster even than the cost of living. The average student today pays almost $2,000 a year in fees and living costs. The importance of higher education is becoming more apparent each day and is being stressed constantly by government and education leaders. The late President, John F. Kennedy, stated — "Our twin goals must be: a new standard of excellence in education—and the availability of such excellence to all who are willing and able to pursue it." For these reasons your credit union has developed the Educational Loan Plan described herein which we hope will assist our members with credit they might need for the most provident of purposes—higher education.

TREASURY DEPARTMENT
FEDERAL CREDIT UNION

92-371—68—pt. 1——6

THE FOLLOWING QUESTIONS AND ANSWERS DESCRIBE MOST FEATURES OF THE EDUCATIONAL LOAN PLAN

Q. *Who is eligible for the Educational Loan Plan?*

A. Any member of the Treasury Department Federal Credit Union who will accept financial responsibility for the education of a family member or friend or for his own educational pursuits is eligible under the Educational Loan Plan.

Q. *What do you mean by education?*

A. A course of study pursued in any recognized educational institution.

Q. *What charges and costs may be included in an educational loan?*

A. Tuition, books, transportation, meals, room rent, clothing and all other incidental and miscellaneous costs *solely related to education*. Loans for automobiles may not be included as a part of educational loans.

Q. *What is the limit on funds I may borrow?*

A. The plan described herein lists up to $1,000 per semester or $8,000 for a 4 year total. It is felt that this will cover the average situation but of course higher amounts will be considered by the credit committee where needed. Where there are two or more students in the same family the credit committee will also work with the member to try to cover the needs.

Q. *What collateral will be required?*

A. Usually, the signatures of both parents and the student will be sufficient. Under certain circumstances the credit committee may accept the signature of one parent and the student. The student will be required to sign an acknowledgment that the loan is for his personal benefit. A letter or some other documentary evidence of the student's acceptance and attendance at college will be required within thirty (30) days after the start of the school semester. The credit committee may, however, ask for additional collateral where deemed necessary.

Q. *What is the interest rate?*

A. ¾ of 1% per month on the unpaid balance.

Q. *Are there any charges besides the monthly payment?*

A. No. Monthly payments include interest and principal.

Q. *Is prepayment permitted?*

A. Yes. As with any credit union loan the interest is charged against the unpaid balance so it is to your advantage to repay as soon as possible. Terms shown herein are the minimum terms and members are urged to repay faster whenever possible.

Q. *When are funds disbursed?*

A. Funds are disbursed to meet the tuition payment schedule as agreed upon at the time the loan is approved.

Q. *When are payments due?*

A. All educational loans will be due on the 10th of each month.

Q. *What happens if the student leaves school for any reason?*

A. The regular payment continues as before until all funds previously disbursed are fully repaid.

Q. *May I have an educational loan while I also have a regular loan from the credit union?*

A. Yes, provided the credit committee determines that you are able to repay all of your obligations.

Q. *How do I apply?*

A. Use the long form educational loan application. Each six months you will also complete an abbreviated form to report current information, at the time you receive the next disbursement of funds. The abbreviated form and a new signed note is required each six months following the original application. (Or each semester change in case of tri-semester or quarterly semester plans.)

Q. *Is this plan covered by life insurance?*

A. Yes, in the event the borrower dies or becomes permanently and totally disabled, the unpaid balance of the loan will be cancelled.

SAMPLE PLANS

PAY AS YOU GO

AMOUNT PER SEMESTER	AMOUNT PER YEAR	FOUR YEAR TOTAL	MINIMUM PAYMENTS* 8½ YEARS 102 PAYMENTS
$300.00	$600.00	$2,400.00	$29 per month
$400.00	$800.00	$3,200.00	$39 per month
$500.00	$1,000.00	$4,000.00	$49 per month
$600.00	$1,200.00	$4,800.00	$58 per month
$700.00	$1,400.00	$5,600.00	$68 per month
$800.00	$1,600.00	$6,400.00	$77 per month
$900.00	$1,800.00	$7,200.00	$87 per month
$1,000.00	$2,000.00	$8,000.00	$97 per month

* Payments of even dollars for your convenience, last payment will be less.

In the pay as you go plan loans are renewed and disbursed each six months, August and February, *after six payments have been remitted.* It will be necessary to make a loan payment each month, including that month in which the loan is renewed for another semester's tuition.

To show you exactly how the Educational Loan Plan works we have selected the $300 per semester or $2,400 4 year total plan and show below the detailed workings of such a loan. If at any point during the period of schooling the student leaves school you would continue with regular payments until the full unpaid balance at that time was repaid.

LOAN PROGRESSION CHART

PAY AS YOU GO

$300 per semester, $2,400 4 year total, $29 per month

BEGIN COLLEGE—				3rd YEAR—		
$300 disbursement		$300.00	AUGUST	$300 disbursement		$684.68
$2.25	$26.75	$273.25	SEPTEMBER	6.64	22.36	862.32
2.05	26.95	246.30	OCTOBER	6.47	22.53	839.79
1.85	27.15	219.15	NOVEMBER	6.31	22.69	817.10
1.65	27.35	191.80	DECEMBER	6.14	22.86	794.24
1.45	27.55	164.25	JANUARY	5.96	23.04	771.20
1.24	27.76	136.49	FEBRUARY	5.79	23.21	747.99
$300 disbursement		$436.49	FEBRUARY	$300 disbursement		$1,047.99
3.28	25.72	410.77	MARCH	7.87	21.13	1,026.86
3.08	25.92	384.85	APRIL	7.71	21.29	1,005.57
2.88	26.12	358.73	MAY	7.55	21.45	984.12
2.69	26.31	332.42	JUNE	7.39	21.61	962.51
2.50	26.50	305.92	JULY	7.22	21.78	940.73
2.30	26.70	279.22	AUGUST	7.07	21.93	918.80
2nd YEAR—				4th YEAR—		
$300 disbursement		$579.22	AUGUST	$300 disebursement		$1,218.80
4.36	24.64	554.58	SEPTEMBER	9.15	19.85	1,198.95
4.16	24.84	529.74	OCTOBER	9.00	20.00	1,178.95
3.98	25.02	504.72	NOVEMBER	8.85	20.15	1,158.80
3.79	25.21	479.51	DECEMBER	8.70	20.30	1,138.50
3.60	25.40	454.11	JANUARY	8.54	20.46	1,118.04
3.41	25.59	428.52	FEBRUARY	8.39	20.61	1,097.43
$300 disbursement		$728.52	FEBRUARY	$300 disbursement		$1,397.43
5.47	23.53	704.99	MARCH			
5.30	23.70	681.29	APRIL	60 payments @ $29 continued for		
5.12	23.88	657.41	MAY	a regular 5 year loan of $1.397.43		
4.94	24.06	633.35	JUNE			
4.75	24.25	609.10	JULY	High balance for credit committee		
4.58	24.42	584.68	AUGUST	collateral consideration $1,397.43		

Mr. QUIE. Why would it have to charge that much?

Mr. BARR. That is what they charge now for any kind of loan for a Federal employee.

Mr. QUIE. They are not guaranteed by the Government.

Mr. BARR. Well, in effect, they are about the same because they are loaned to Federal employees and they know they are going to get paid.

Mr. QUIE. They are not going to get fired.

Mr. BARR. That is right. I don't know what the lending rate is in the credit union here in the Congress. I suppose we could call up the credit union and see what it is. I am told it is about the same, 8 or 9 percent. So the issue, Mr. Quie, is how much do you want to help this group? If you want to subsidize them, you hold it to 6 percent and do something marginal to make it sufficiently attractive

to the financial institution. If you don't want to subsidize them, you guarantee the loan and do the best you can—and as I say they will pay 8 or 9 percent. It is for the committee to resolve.

Mr. QUIE. In the case of your proposal where you pay up to a $35 placement fee, would the Federal Government pay that only for those individuals from a family with earnings of less than $15,000 or would that $35 placement fee be made to everybody?

Mr. BARR. That would be made for everybody.

Mr. QUIE. So, in other words, everybody, no matter what the wealth of his parents, gets some kind of subsidization?

Mr. BARR. Yes. In effect, they won't be paying over 6 percent. We would be limiting the rate to 6 percent.

Mr. ERLENBORN. Would you yield? Along this line, we are talking about the middle- and upper-middle-income group as you say considering this is an investment rather than a current expenditure, what relevancy is there to the forgiveness of principal payments during the period that the student is in school? It would seem to me if this is a family expenditure and an investment made in this child's education, that the family should begin to repay during the period the child is in school?

Now, if it is a child alone, an individual expenditure, I can see the rationale.

Mr. BARR. I am going to ask the Office of Education to speak to it. Here again I am outside of my field.

Mr. MUIRHEAD. I think you raised an interesting point concerning the program. The way the program is constructed now, it provides a loan to the student; it is not a loan to the family. That would be another approach, but it is not the intent of the program.

It is a loan to the student. There is quite a good case for not requiring the student to begin to pay back the principal of the loan while he is still in school.

Mr. QUIE. Is there any change in the number of States that have usury laws that prohibit charging more than 6 percent, or is it the same as it was last year?

Mr. SNYDER. I don't believe there is a change. There are a number of States considering changes, including Virginia. I think there are five or six.

Mr. BARR. There soon might be quite a few considering a change. The truth-in-lending bill passed by the House puts upon the Federal Government the responsibility for enforcing State usury laws. The FBI would have to check on people charging usurious interest rates, and there might be a few changes here.

Mr. QUIE. Then the problem resolved here then in time?

Mr. BARR. Yes.

Mr. QUIE. I have no other questions.

Mrs. GREEN. Congressman Hathaway.

Mr. HATHAWAY. Mr. Barr, I asked a question yesterday in regard to the $35 charge. I know you testified on this last year and so did the leading bankers and I was not convinced last year but maybe you can convince me this year on the $35 charge.

Mr. BARR. The $35 is the upper limit. You have a sliding scale from $0 to $35.

Mr. HATHAWAY. Yes.

Can you tell me in a few minutes what the justification is for it?

Mr. BARR. Yes, it is a combination.

Mr. HATHAWAY. What cost factors were taken into consideration and what benefit factors were taken into consideration?

Mr. BARR. The first cost factor that was taken into consideration was the cost of money. If we were operating a Government bank today, the cost of money to us would be about 5⅝ percent—someplace in that area, 5⅝ or 5¾. Then you have the cost of administering the program, of interviewing the child, and getting the loan on the books, and then renewing the loan. Then after the student is graduated, you have the cost of finding out where he is and getting him started on a repayment schedule.

These are roughly the costs involved. The benefits involved are, I would suppose, the benefit to the Nation in encouraging some of these people who might be reluctant to make the sacrifices to go ahead and educate their children. Maybe another way of putting it would be that you will take away from them part of the sacrifice they are currently facing.

Mr. HATHAWAY. I speak specifically of the benefits to the bank.

Mr. BARR. Mr. Hathaway, the whole attempt here is to take that student who comes into the bank, and by throwing behind him the resources of the Federal Government, to put him on a par with General Motors, so he would get roughly the same deal as General Motors would get from the bank.

Mr. HATHAWAY. Is that cost computed or estimated or benefits computed?

Mr. BARR. What we did was take the prime loan rate which prime customers, with the best credit ratings, pay to borrow from the banks, and try to give the student roughly the same deal they give to General Motors. In other words, General Motors is an easy situation; they don't have much cost of getting a loan on the books and they know they are going to get repaid. When you have millions of students coming in, these two factors are not there.

First of all, it is more expensive to get the loan on the books. You don't have to run a credit rating on General Motors, but you would have to run something on the student. You have to interview the parents and go through all of that procedure, and it is costly and takes time, so there is more cost involved.

What we are trying to do, as I say, is to move aside these two factors, by throwing a guarantee behind them and giving the student the same credit rating as General Motors; and by giving the sliding scale fee that is adusted to the cost of money, so we obliterate the additional cost involved in the processing of the student.

Mr. HATHAWAY. And so it came up to 35 maximum?

Mr. BARR. There are two sides of the computation. One is the cost of money to the institution, which will vary; it will go up and down. The other is the cost of getting the loan on the books, which should be relatively fixed, which should not fluctuate too much. So the amount that we would pay mainly would change according to the cost of money to the institution.

Mr. HATHAWAY. By the benefits, I mean the benefit to the bank in the long run because these students are getting in the habit of borrowing.

Mr. BARR. There is no question about that.

Mr. HATHAWAY. The students, like General Motors, are kind of loss leaders, will attract others to the bank and they are going to come back to the bank and borrow money outside of the guarantee.

Mr. BARR. That is correct. I think one factor that intrigues the banks, definitely, and it should, is the fact that they are establishing a relationship with a man whose credit rating should be the best in the community at one time or another.

Mr. HATHAWAY. But was the bank rate computed with this other factor, to reduce the amount it is really costing the bank in the long run?

Mr. BARR. I don't believe it is. Perhaps it should be.

Mr. HATHAWAY. I think it should be.

Mr. BARR. Perhaps, in other words, you are saying, Mr. Hathaway, that maybe the bank should be prepared to give to the student a slightly better deal than to General Motors because of the other relationship, is that where you are leading?

Mr. HATHAWAY. Yes.

Mr. BARR. Perhaps it should be.

Mr. HATHAWAY. Plus the fact that isn't it true that more and more lending institutions are getting into the act, getting into the guaranteed loan program?

Mr. MOORE. The volume is increasing.

Mr. HATHAWAY. So, as a matter of fact, there is no real need to give them this additional inducement; is that right?

Mr. BARR. It is my impression, Mr. Hathaway, that more and more of the institutions are getting into the lending program because they have been under the impression, rightly or wrongly, that the Congress is going to at least put them in a little better profit and loss position in this program than they have been in the past. Now, that may or may not be correct.

Is that correct, Mr. Muirhead?

Mr. MUIRHEAD. It is correct, Mr. Secretary, that we had before the Congress in the last session a proposal to provide some supplement to the bank. The bankers have felt it would get favorable consideration by the Congress, and this anticipation probably has affected the behavior of a number of banks in participating in the program.

Mr. HATHAWAY. To what extent have they made this representation to you or others that they anticipate the additional fee and, therefore, they are in the program, otherwise they would drop out?

Mr. MUIRHEAD. They have not made such a representation to us, but the American Bankers Association has informed its membership that there is now before the Congress a proposal to provide a supplement to the 6-percent interest. They went on to say—all they can say, obviously—"We hope it will receive favorable consideration by the Congress."

Mr. HATHAWAY. But they have no indication that the membership will not continue to go along with the program if it were not in there?

Mr. MUIRHEAD. There is no measure of that whatever.

Mr. QUIE. Will you yield? If the Congress' action would have anything to do with the loans made this year, we would have to make it retroactive and I don't think there is any approach to making it retroactive. Do you propose to make it retroactive?

Mr. MUIRHEAD. Well, the proposal that is before the Congress does make it retroactive.

Mr. QUIE. No kidding—that is amazing. I mean they made the loan already and we are going to, oh, well.

Mr. GIBBONS. Don't worry about it.

Mrs. GREEN. Isn't this to carry out a commitment made by Government people, that this would go into effect as of July 1, 1967?

Mr. MUIRHEAD. No commitment has been made, Madam Chairman. Quite obviously no commitment could be made.

Mrs. GREEN. Weren't statements made to the American Banking Associations that this would be effective July 1, 1967?

Mr. MUIRHEAD. Statements were made to the American Bankers Association that there was a legislative proposal before the Congress during the last session that would have made the fee system retroactive to July 1967. Of course, it was a matter of public record that the bill was before the Congress, and that it did include retroactive provision. That has been communicated.

Mr. BARR. Mr. Hathaway, may I state that if the Treasury were running this education bank at the moment, we could not begin to loan at 6 percent. I think we, of necessity, would have to get at least 7 or maybe 7.5 if we were to break even without cost to the taxpayer. So if you are asking, "Why the fee?" maybe that is the example. We can get money as cheaply as anyone in the world, but could not run this bank and break even without loaning at, I would say, between 7 and 7.5 percent for these loans.

Mr. HATHAWAY. You are not exactly in the same position as the private loan bank that is loaning at the longrun picture and getting business in the future?

Mr. BARR. That is right.

Mr. GIBBONS. Let's talk about the cost of bank money because I think the picture is all distorted. Most of the bank money is there on demand deposits drawing no interest at all. It does not cost them a nickel, it is mine and yours and everybody else's money. You would have us believe that banks only get money from going out and paying 4 to 5 percent interest rates, and better than half of the deposits in most commercial banks are there completely interest-free and the Government has all of their deposits there interest-free and most of the States and cities have the same situation and the cost of money to banks is just simply not that high.

Mr. BARR. Mr. Gibbons, you can look at the cost of money in several ways. As you pointed out, banks have roughly half of their money in demand deposits on which they pay no interest. On the other half they are paying interest rates ranging from 4 to 5.5 percent. On certificates of deposits, largely they are paying 5.5 percent and on those under $100,000 they are paying 5. The S. & L.'s have no money on demand deposit.

Mr. GIBBONS. We are not just considering S. & L.s'

Mr. BARR. No; I am talking about all lenders—including S. & L.'s and credit unions.

Mr. GIBBONS. You are talking about the union treasurers?

Mr. BARR. We are talking about 4 to 5 percent in credit unions. Now it is true, you have to work out a factor here for the money the banks have on deposit free of interest, but also for what they are doing for that money, and the cost involved might come out roughly even.

Mr. GIBBONS. Most of them come out pretty good?

Mr. BARR. They have been.

Mr. GIBBONS. They are making a lot of money.

Mr. BARR. They are charging pretty high interest rates.

Mr. GIBBONS. But I don't jump on them for making money, but I want to say I think you are only distorting the cost-of-money situation for this loan program by not including the demand deposits that are there in great volume. The savings went up last year and American people are saving more than they ever saved before.

I think we are going to see these interest rates turn around and come back down if we quit pushing the panic button and saying they ought to be higher. I think you have done a disservice to the whole program of loanable capital by pushing the panic button on what is happening.

Savings have never been as high as they were last year despite the fact all of you economists predicted they were not going to be as high. They were never as high as last year. The American people saved more than ever before.

Mr. CAREY. Will you yield to me? I want to correct the record that our colleague is not an economist.

Mr. BARR. I am a banker. That probably makes the record worse.

Mr. CAREY. Will my colleague yield further?

My colleague from Florida makes an excellent point that a great amount of interest money rests in demand deposits but when the bank arrives at the cost of doing business and the cost of money it wants to put out on loans does it not examine the whole portfolio and see what it is getting, 8.5 percent in terms of personal loans, and the other discounts, and amounts less the interest, and so forth, and amount of deposits and so forth and examine the whole portfolio? I know in New York State the least attractive loans for the bank today are student loans. The size of the loan makes it a high-cost operation and the return is limited by law and the service on it is considerable because it does not get to be paid until the student graduates, and so forth, so it is the least attractive loan a bank can make and the student is competing with a great many more loan possibilities in the bank.

So I am not going to stand here and be a darling to the bankers, but insofar as the bankers are concerned, I think they deserve credit for putting the students in a position to borrow money even though in the least attractive sector.

Mr. BARR. That is an excellent statement and I think you put your finger on it. I think the committee has two alternatives. If we want to do something in this area, we are going to have to do it with a Government bank or else in the private sector, so I think it is necessary to tell you what I can do with the cost of money.

Mr. CAREY. If you do it in this area it is whatever it cost you for the money.

Mr. BARR. Yes, there are only two ways to go—either Government or private bank. There is the issue. Maybe I have distorted it, and if

I have, I hope the record will be clear enough that I was illustrating the cost of these two routes. Mr. Hathaway's point might argue that maybe we shouldn't compensate the banks as much as we are planning to do. That is, of course, open to debate.

Mr. HATHAWAY. My final question is, why shouldn't we wait until the participation does drop off before considering extra amounts of money for educational fee?

Mr. BARR. I would hate to kill this program.

Mr. HATHAWAY. But if the thing is increasing, you are not killing the program, it seemed to be going along all right without it.

Mr. BARR. Perhaps so. Maybe the banking community——

Mr. GIBBONS. Will the gentleman yield? There are advantages other than lending money, the building of good quality grade customers for the future by establishment of a banking connection early, and bankers are smart enough to understand these things. I don't see why we are not smart enough to do a little salesmanship on this, say, we have to increase the interest rate and increase the service fee on guaranteed student loans, depending on the type of program you use, whether Government program or the USAF program. But if it is a Government program, you have the full faith and credit of the Government behind you.

They can dump anyone they don't want and at no expense to them. The borrower is paying the insurance, a quarter of 1 percent. I would think that from the banker's point of view it would be relatively an attractive matter and I don't think it should be so attractive; they would put all of their money in this sort of thing because the banks were not designed just to support students but it is a competitive matter and I think the interest rate we have is reasonable.

Mrs. GREEN. I think the time for the gentleman from Maine has expired.

Congressman Erlenborn.

Mr. ERLENBORN. No questions.

Mrs. GREEN. Congressman Carey.

Mr. CAREY. Thank you, Madam Chairman.

Mr. Secretary, I gather the thing you want to do is free up as much money as possible in the banks for the support of education?

Mr. BARR. Correct.

Mr. CAREY. Therefore, part of your job is to make it attractive for the banks to commit as much of their reserve as possible for the purposes of the student loan?

Mr. BARR. That is correct.

Mr. CAREY. Isn't it true, again, in a prototype, one that has done the most lending, savings and loans in New York, just about reached the limit of money they can make available for student loans?

Mr. BARR. I've heard that is correct.

Mr. CAREY. Now, isn't this because under your regulation or under the law, I don't know which, I would like to find out.

Mr. BARR. Under the law.

Mr. CAREY. Under the regulation or law, the loans to students are called nonconforming loans?

Mr. BARR. That is correct; nonconforming or nonqualifying loans.

Mr. CAREY. Loans for housing purchase, real estate are conforming loans?

Mr. BARR. That is correct.

Mr. CAREY. So why do you give a better preference for a loan to purchase a house than a loan to a student to get his education? Why is one priced at a more attractive rate than the other as far as S. & L.'s?

Mr. BARR. This was a provision written into the law in 1962 when we first really began seriously to tax the S. & L.'s. It is one that Treasury has under study at the moment with a recommendation to clean it up. In 1962, when we were looking at the S. & L.'s situation, even the commercial banks had little interest in student loans, as you will remember. This is relatively a new development in the whole private financial area. That is why we didn't consider it at that time. I think we should change it, and I have so stated to the loan institutions.

Mr. CAREY. I am glad you say it because I hope, Madam Chairman, some form of resolution can be made in the committee that this is a discriminatory provision.

Mr. BARR. I think it would be useful if you did so.

Mr. CAREY. There is no reason why the student loan should not get the same basis in estimate of attractiveness to S. & L.'s as a loan to buy a home?

Mr. BARR. Correct.

Mr. CAREY. This would free up, I think, sizeable amounts of money at a time when actually students are being turned away now because they have reached the limit of their lending potential, so I think it is something we can do in government without spending any money and free up money that the banks I think would be glad to make available to students.

Mr. BARR. Treasury would be glad to support that recommendation.

We are presently considering legislative proposals concerning the tax treatment of mutual thrift institutions generally, including problems arising, as this one does, from the definition of an S. & L. under existing law. Those proposals would remove any impediments that presently exist and permit S. & L.'s to participate fully in guaranteed student loan programs.

Mr. CAREY. Now the purpose of a student loan program by and large is to finance education for the student and for the institution, to enable the institution to expand or at least maintain its enrollment. This is not directed to Secretary Barr, but anyone at the table, and do we have a breakdown available under educational opportunity grants, work study, and student loans to free tuition institutions as compared with tuition institutions?

Mr. HOWE. Mr. Carey, these work study and opportunity grants, of course, are based directly on the cost of education. Therefore, the tuition charges of institutions are reflected in the amounts given. Maybe Mr. Moore can give you a definite answer.

Mr. MOORE. We do have that.

Mr. CAREY. It is true, though, that free tuition institutions can have their students eligible, or to put it differently, students in free tuition institutions are eligible for opportunity grants, work study funds, and student loans?

Mr. MOORE. Yes.

Mr. CAREY. And none of this money goes to the institution?

Mr. MOORE. No, it goes against the room and board charges, expense, and other costs.

Mr. CAREY. To get room and board, no, I am talking about larger universities where there is no room and board.

Mr. HOWE. There is still cost to a student of making his education possible.

Mr. CAREY. But it is really student assistance, not for education?

Mr. HOWE. It is to make education possible, and student assistance is a part of it.

Mr. CAREY. But it does not go to the institution, that is the point?

Mr. HOWE. In the institutions that have a charge of this kind, the programs are adjusted by financial aid officers of the institutions to meet student needs, depending on the total cost of education, including subsistence.

Mr. CAREY. Can we get a breakdown of how much money went to nontuition charging institutions, free institutions, and money to institutions charging tuition because I want to see how much money actually went into education and how much into student assistance so they can become educated, because I think there is a difference of whether we are building educational facilities or not?

Mr. HOWE. We can supply it, Mr. Carey. Our whole concept of the college student aid program, which is what we are talking about, is that it is directed toward the cost of education in which we include tuition fees, room and board—what in other words it cost the student to get an education. We can make a breakdown and will do it.

Mr. CAREY. In the breakdown, will you show the number of borrowers or eligible recipients in each class?

Mr. HOWE. Yes.

(The information follows:)

Question. How much money did public and private institutions of higher education award to students in these Federal financial aid programs during FY 1967?

Answer. Approximately 808,000 awards totaling more than $388,000,000 were made to some 610,000 students across 3 SFA programs (NDEA, CW–SP, EOG.) Approximately 330,000 loans totaling nearly $248,500,000 were insured by the Federal Government. By public and private, the figures are:

MONEY GOING TO FREE INSTITUTIONS AND THOSE CHARGING TUITION

SFA programs (college-based only)	Public institutions			Private institutions			Total institutions		
	Amount (in millions)	Students	Number of institutions	Amount (in millions)	Students	Number of institutions	Amount (in millions)	Students	Number of institutions
NLSLP [1] [2]	$103.7	187,000	801	$115.3	208,000	890	$219.0	395,000	1,691
CWSP [3]	91.8	217,500	770	30.6	72,500	770	122.4	290,000	1,540
EOGP [4]	24.5	69,900	566	22.0	53,100	817	46.5	123,000	1,383
Duplicated total	220.0	474,400		167.9	333,600		388.0	808,000	
Unduplicated total							388.0	610,000	

[1] Federal share no more than 8/9.
[2] Includes some 400 students and $122,000 funded in NDSLP by EOG-transferred dollars.
[3] Federal share no more than 90 percent.
[4] All Federal money. However, institutions must provide at least an amount equal to the EOG for each student.

	Public institutions		Private institituons		Total institutions	
	Amount loaned (in millions)	Number of loans	Amount loaned (in millions)	Number of loans	Amount loaned (in millions)	Number of loans
Guaranteed loans programs (HEA and VocEd)	$149.1	198,000	$99.4	132,000	$248.5	330,000

Mr. CAREY. Mr. Secretary, I gather from the speech made by the chairman of the Ways and Means Committee that the matter of tax credit is related only to the whooping crane family right now?

Mr. BARR. Not even that good, I am afraid.

Mr. CAREY. This does not mean that the constituencies have forgotten about it?

Mr. BARR. No.

Mr. CAREY. Especially those paying tuition?

Mr. BARR. No.

Mr. CAREY. Is it not true that the graduating student today who has a student loan when he meets the brainpower of a representative of Dow Chemical, or I wish I could choose a better one, I happen to like Dow Chemical.

Mr. BARR. CIA.

Mr. CAREY. Let's take "CIA."

What would you do without styrene? But when they meet this man who is offering blandishments and inducements for them to come aboard in one of their programs, especially the technical quality student I am told among the inducements are the offer, in the further education of the student, that the corporation will assume the student loan obligation, and somehow arrange for admission of this either through indirect payments to the student or otherwise, are you aware of this?

Mr. BARR. No; I am not, but here again I am not an expert.

Mr. CAREY. When they pay $400,000 to a football player, it is not unthinkable, is it?

Mr. BARR. No.

Mr. CAREY. This becomes, then, a legitimate business deduction for the corporation?

Mr. BARR. Yes.

Mr. CAREY. So the corporation will get tax credit forgiveness but the parent will not?

Mr. BARR. That is correct.

Mr. CAREY. Will you make sure the next time we talk it over with Mr. Mills we make it clear?

Mr. BARR. Yes.

Mr. CAREY. This is the head refugee of the corporation getting this, but the parents do not?

Mr. BARR. On the other hand, if we got any break for education in the tax laws, please don't take it out; I don't care if it is corporations or anything else. My objective is to get as much money in this area as we can.

Mr. CAREY. Is it the policy now and the philosophy of the administration that we should sort of declare that we have reached a high water mark as far as Federal participation in financing education for students that are concerned through the loan method and from here on in we are going to expand through the private sector and that the development will be to more or less put the Government out of the lending business on a gradual phase-out basis?

Mr. BARR. I don't think that is it at all, Mr. Carey. I think there are two problems and I think they are very distinct. I don't think you can ever get the Federal Government out of the problem of making loans

directly to a lot of the children in the ghettos who are never going to get to a financial institution, not even a credit union. I don't think we can ever drop that responsibility. I think, on the contrary, the Federal effort will have to be expanded and I would hope so.

In the very low income groups that really have been untouched, I would hope and expect that the Federal effort will be expanded in these areas. What we are talking about, Mr. Carey, is moving on up the line to the lower income and middle income groups, and I have stated to the chairman that I think as you look at the priorities it is going to be difficult, as we meet our obligations to people who have to be helped and have no way of helping themselves to give much help to lower income or middle income groups unless we do it in the private sector.

Mr. CAREY. Are you sure the people of Harlem would not rather do business with the Freedom National Bank than a bureaucrat?

Mr. BARR. I put it to the savings banks and some of them might want to, and I hope in time this would be the development. But it seems, Mr. Carey, and I am no expert in poverty or ghettos or anything else, but it seems a lot of the people simply don't know how to go to a bank. They are frightened and won't approach them, and it is going to be literally a job of dragging them in.

I think it is going to be a Federal or Government effort. It is not one I believe we can turn over to the private sector at this point. At some point in time perhaps.

Mr. CAREY. The Commissioner could probably make a comment.

Mr. HOWE. I want to say, Mr. Carey, a major purpose of the new legislation before you is to expand, over the next few years, our efforts in educational opportunity grants and work study grants, primarily for the benefit of the very low income groups, and to build a composite package of student aid which represents direct Federal spending for those groups and loan opportunities for somewhat higher income groups.

Mr. CAREY. Again, but in a major city, in fact I speculate it is true in all of the cities, to make it possible to have a student attend on a financial basis, you know very well large universities are filled to the doors as far as facilities are concerned and as a result they are making seats available on the basis of most qualified and not on a low income group basis and that is where the question is directed as to how much money is going to financial institutions to build institutions and how much on student assistance where you place a burden on the institution to allow the students to enter but you don't help the institutions themselves.

You are putting them in a bind.

Mr. HOWE. Let me say first of all I have to agree with you in the implication there is a maldistribution of higher education facilities in the metropolitan areas. We need to address ourselves to this. You have identified a problem we should have an answer for—not right now, but I hope we have an answer very shortly.

Second, we have addressed ourselves in this legislation before you, not yet formally testified on, to the problems of low-income students in the undergraduate college. We are attempting to start a program to pay undergraduate colleges to make these students successful by pro-

viding for disadvantaged students, while in college, special counseling services. We also hope to encourage colleges to take in a larger proportion of such students in the facilities they have.

I think basically you and I agree here, but we have not met and have no major programs to meet the first need you identified.

Mr. CAREY. There is no question that very competent student aid counsel is on the campuses of all major universities and colleges, all institutions of higher learning, but I am afraid this is not where the student needs the information, he needs it in the secondary school level and in the secondary schools, they have available counseling but on only a 1 to 600 or 1 to 1,000 ratio at the time when the student determined whether or not he is going to college is in the junior year and senior year in the secondary school.

Thanks to wonderful advertising in the community now in Christmas Clubs and Hanukkah Clubs and all kinds of clubs and any way to get deposits of money into the bank, do you suppose if we give the banks this $35 or any portion thereof, nonretroactive, we can induce them to enter into some kind of joint campaign with the Treasury such as you do in Liberty and War Bonds, and so forth, to get some information into the hands of potential college enrollment students early enough in their secondary school career so they know how to finance education?

Mr. BARR. I don't see why it wouldn't be possible.

Mr. HOWE. Mr. Carey, let me make a brief comment on your observation. I think we would get cooperation from the banks in mounting a major campaign of this kind. I call your attention in addition to the talent search program of the Office of Education, for which we have doubled the budget for fiscal year 1969, we believe it is an effective program and this is why we have gotten backing for the Government budget. I think both of these sources can be used.

Mr. CAREY. I will close on this. I believe that adequate grounds are present for my opinion, that among the low-middle-income and middle-income families there is an antipathy to borrowing and they don't want to go into debt any more than they are and for that reason in many cases they will defer college opportunities and the student will go out and take a job or something in the hope he can get capital to pay tuition.

I think this is unfortunate; I think that the student loan program is an attractive one, that anyone who enters an institution of higher education should consider borrowing as an appropriate method of financing education, but I think we have to do something to overcome the reluctance to go into debt because, as far as I am concerned, it is the best possible way to go into debt if you are going into debt.

Mr. HOWE. I concur.

Mrs. GREEN. Congressman Burton.

Mr. BURTON. I don't think much of the continuation of this 12½-percent limitation on the State. Could someone develop for me the rationale behind that?

Mr. MOORE. Yes, Mr. Burton. That limitation has been substituted for the present allotment formula in the law. This was taken from the Higher Education Facilities Act of 1963, and it is in fact a sort of an upper limit. If my memory serves me correctly—and, Peter, you

can check me on this—this is sort of the New York portion; isn't that where the figure came from originally in the facilities program?

Mr. MUIRHEAD. Yes; 12½ percent, as you know, is a governor to prevent too large an amount of money flowing to one State. By and large, I think the rationale for reaching the 12½ percent was that in most Federal programs that are based upon some measure of population—be it the number of high-school graduates, the elementary-secondary school enrollment, or college enrollment—about 10 percent of the money, or a little above that, tends to flow to the highest-population State.

Mr. BURTON. This is based on the 1963 standard?

Mr. MUIRHEAD. Yes.

Mr. BURTON. Well, then, would you have any objection that within the framework of this limitation, that we permit an upgrading, using that 1963 ratio? You are seeking long-term authorization, and my own State may well have more than 12½ percent of the college students toward the end of this program, and I wouldn't think you would be suggesting that a student in California would be precluded from the same consideration as students elsewhere.

Mr. MUIRHEAD. No, Mr. Congressman; the 12½-percent figure is there because it has been a kind of established governor. You are quite right that it probably should be reexamined.

Mr. BURTON. The other question I have is, the $15,000 family amount just simply does not mean the same thing in some States as it does in others. Would you object to some kind of an increment factor for those States that have a cost of living that is distinguishably greater than the national average; or, putting it somewhat differently, many workers in our city receive, including fringe benefits, just something around the order of $6 an hour and cannot be considered to be in the same kind of income limitation standards operative in Mississippi or some of the other States; that $15,000 figure means a good deal more to families in some parts of the country than they certainly do in our part of the country.

Mr. GIBBONS. Will you yield on that? I think you are off on a dangerous ground; grits cost the same out in Los Angeles as it does in Mississippi, and 10 pounds of potatoes cost the same thing, give or take a couple of pennies; and I think the people in California ought to be very thankful they have as high an income as they have without trying to distort this thing further.

Mr. BURTON. I am trying to ascertain from the witness before us his views, before we resolve this among ourselves.

Mr. HOWE. If I could comment on this, I think I would say that we are going to consider more precise measures than the $15,000 for establishing need, and this is why it is put in there. I think I prefer to look at the kind of measures that were being suggested by Mr. Reid earlier in this discussion this morning than trying to pull into this legislation the variable business of cost of living in different parts of the country.

It seems to me that it is possible to establish need in a more precise fashion than the way it is now done by financial-aid officers in institutions. There has been a customary practice, and there is a well-trained expertise to do this sort of thing, but I seriously question whether the direction you are suggesting would be the constructive one.

Mr. BURTON. There isn't a ceiling on the ever-increasing flow of revenue from our State but we have been troubled of late with a persistent pattern to limit the level of California's participation on the sharing side. We ran into it in the Social Security Act, where there was a good deal of Federal savings on welfare expenditures in the country; a disproportionate share of it were savings at California and New York's expense. We think we are part of the same grand Union and pay the taxes out without ceiling, and we think standards ought to apply to permit the benefits to flow without arbitrary ceilings with reference to State and local subdivisions.

Now, dealing with limitations, on page 7, point 7, you talk about $125,000 maximum to a single institution. I assume I am safe in concluding that in the instance of the University of California, which has several campuses, each campus would be treated as a separate institution; is that correct?

Mr. HOWE. Correct.

Mr. BURTON. We have made an effort in our State to bring together under one university tent that which, if fragmented, would result in several institutions; and how, if at all, is that factor going to be weighed in using the $125,000 limit?

Mr. MOORE. Mr. Burton, which campus? Are you referring to the college system at Irvine or what?

Mr. BURTON. I am merely stating, I want to ascertain from you what recognition you are going to give to those States that rationalize their higher education services or are we going to be confronted with a policy that will induce, in very small terms, a fragmentation of services so they are not confronted with this maximum-for-institution ceiling?

Mr. HOWE. You are really asking what the definition of "institution" is?

Mr. BURTON. Yes.

Mr. MOORE. We have had pretty well worked out procedures since NDEA for establishing what is an "institution." Generally we look at a single institution as well as systems, a group of State universities in any one of the State. The State University of New York actually is looked at as 45 separate institutions within a complex.

Frankly, this maximum here is established in accordance with, as we look at matters now, what the "Big 10" schools would require to run these programs.

Mr. BURTON. Let us say, for example, we have a college of architecture and dentistry and college of law and college of performing arts; even though they are in the same general physical setting, under one blanket University of Southern California or University of California, would I be correct in assuming those are separate institutions? It is not this massive complex of 30,000 to 40,000 students that will be treated the same as an 800-student college somewhere else?

Mr. MOORE. Well, to be specific, the University of Southern California is treated as a single institution, and University of California has 11 separate institutions, and the State college system in California has either 17 or 18 separate institutions.

Mr. BURTON. Are you telling me, if the educational people in our State, in order to rationalize the educational services, in order to reduce overhead, situate a variety of disciplines, educational opportunities in

one place, that that will be dealt with as one institution, whereas if they fragmented it and had 10 or 15 blocks' separation one from the other or a 40-block or 3-mile one, even with compounded administrative problems, they would be separate institutions?

Mr. MOORE. This ultimately depends on how the institution, as you describe it, is defined under California law, as to whether or not it is a single university or it is a university system.

Mr. BURTON. In other words, if our State enacted legislation saying that "for purposes of the Higher Education Act of 1968 that we will, for this purpose, define 'institution' in the following way," that would bring to the benefit of the students in these institutions, and the institution itself, the same benefits as their counterparts with the same or fewer number of students or with the same or lesser needs elsewhere in the country?

Mr. MUIRHEAD. Mr. Burton, this, of course, has been a problem ever since these programs started, because of the wide variety of university systems of administration. In arriving at a conclusion, just as Mr. Moore indicated a moment ago, one of the criteria we use is whether or not the institution is an administrative entity. Does the institution have a president, does it usually make its own decisions, does it have a separate business office? With the advice of our counsel, we have come up with a variety of different solutions to it.

Basically, it arrives at something like this: If an institution stands on its own and makes its own administrative decisions and has its own budget, then that is a single institution.

Mr. BURTON. As I understand you, unless we alter in some way the 30,000 students that you see at Berkeley or 40,000, the 30,000 at UCLA are going to have to be subject to the same ceiling as the 600- or 700-student bodies in other parts of the country?

Mr. MOORE. No; I think perhaps you are confusing, Mr. Burton, two things. The $125,000 limit applies only to the administrative set-aside which may be used by the university for operating the student-aid program. There is actually no limit in theory on the amount of money which could be put into a single institution even if there were 500,000 students at a single university.

Mr. BURTON. With minimums you will accept a notion it should be on some kind of unit basis as a measurement of performance rather than arbitrary ceiling?

Mr. HOWE. Just for the administrative purpose.

Let me say here, I think the organizational imagination of the higher education people in California can probably confront us with some new situations here, as you are suggesting. As we confront new formulations in higher education organization, we are going to have to make commonsense out of a provision like this as we do administratively.

Mr. BURTON. Let me foreclose this because I have used more time than I have. I am merely going to state that the entire HEW Department is stuck with this ceiling syndrome and they are going to find this administration or any succeeding administration to the extent they try to impose this on our State, they are going to find we have ways of expressing ourselves even though some of us may not be very happy with the outcome.

Mr. HOWE. Let me say also our purpose in arranging for this administrative set-aside is to provide adequate funds for the administrative purposes of this piece of legislation. Wherever it becomes clear this does not reach that purpose, we want to try to find ways to change it so it will.

Mrs. GREEN. I think the committee might reexamine the 12½-percent limit and see if it should be extended to the Defense Department, so that no one State could get more than 12½ percent of the Government contracts.

Mr. BURTON. You might limit the Defense expenditures to 12½ percent of the total budget.

Mrs. GREEN. Now, Mr. Secretary, the student financial officer at Yale University has asked whether a university should be made eligible as a lending institution under the guaranteed student loan program. He points out that Yale University has their own loan program and that if they became eligible under the GSLP it would, of course, permit the payment of the subsidy.

Mr. BARR. I see no objection to their qualifying as a lending institution but I would defer on this; I see no financial objection.

Mr. HOWE. I agree with that. I say at the same time there are complexities in this because of the nature of the student body at this institution. Many institutions have the same problem; in fact they desire it this way, having a student body coming from many States. This would place the State of Connecticut in the position of incurring expenses for the State of Connecticut for subsidization of students from other States. So the problem is here, but the eligibility aspects of this I quite agree with.

Indeed, I believe that the law makes some provision of this kind; is this correct?

Mr. MUIRHEAD. Yes, the law does permit this now, a university may be a lender if it is eligible, but as the Commissioner points out, the State guarantee agencies impose restrictions. They may say: "We will provide this guarantee for our own residents. They may attend college where they want to, but it is for only our own young people."

Now, Yale University, as an example, might be identified by the Connecticut Guarantee Agency as an eligible lender. The agency could then say: "but only for Connecticut residents attending Yale."

Mrs. GREEN. But the same restriction would be on the other financial lending institutions?

Mr. MUIRHEAD. Yes.

Mrs. GREEN. One other question regarding maintenance effort. In the college work-study program could we permit maintaining the total level of all forms of student assistance and not limiting it to employment assistance only.

Mr. MOORE. We have recommended in H.R. 15067 that the maintenance of effort be combined into a single requirement applicable to the institution's total aid program.

Mrs. GREEN. Mr. Commissioner, we have a few minutes remaining and you have one part of your testimony you have not given which is related to student assistance. This is a program of services for disadvantaged students, would it meet with your approval to turn to that? It seems to me it has some relationship to the matters we have been discussing.

Mr. BARR. Madam Chairman, could I be excused unless you have other questions?

Mrs. GREEN. Yes, and thank you very much.

Mr. BARR. Thank you, and I am at your service at any time.

Mrs. GREEN. May we have the written answers we asked for?

Mr. BARR. Yes.

Mr. QUIE. First, I have one question here of Commissioner Howe, and you stated last year you wanted to wait until the completion of the study on forgiveness in student loans for those that went into teaching before you actually went to this, and has the study been completed?

Mr. HOWE. It has, but it does not give us what you describe as really definitive information in this area. We have begun to wonder whether this information is possible to get.

The situation is that the financial aid officers of higher education institutions believe that the forgiveness feature does not have a significant effect in motivating people to undertake the particular kinds of situations that the forgiveness feature was designed to bring about. Therefore, there is some indication from the study that financial aid officers at least don't regard this as significant in the legislation.

Is this approximately correct, Mr. Muirhead?

Mr. MUIRHEAD. That is right.

Mr. QUIE. May we see the study?

Mr. HOWE. It is in print and will be available shortly.

Mr. QUIE. The second question I have is on the educational opportunity grants. Have you made a study now to determine to what extent they actually have been beneficial in bringing people into higher education who otherwise wouldn't have been? I know a study was to be made, but I don't know if it is completed.

Mr. MUIRHEAD. It is not complete, but on the roster of evaluation studies we propose to carry out. As I suggested yesterday, I would be glad to place into the record the list of studies that we are hoping to support in evaluating the various higher education programs; one of them, of course, deals with the effectiveness of the opportunity grants program.

Mr. QUIE. When do you expect to complete such a study?

Mr. MUIRHEAD. I think such a study would probably not be completed before the end of this calendar year.

Mr. QUIE. That is all.

Mrs. GREEN. One other question along that line: Have you made any study on the amount of money that would be available to students under NDEA if we would liberalize it a bit and drop the interest subsidy after graduation?

Mr. MUIRHEAD. We don't have precise information on this point. We do have information, as Mr. Moore indicated a short time ago, that the total requests from the institutions for NDEA loan funds are in excess of the total amount available.

I don't know the answer, Mrs. Green, as to what would happen if we were to liberalize it some more. I assume you mean the possibility of easing up on the means test in the NDEA. I also don't know what the effect would be of withdrawing the subsidy after graduation.

I think that the two changes together might have a net effect of increasing the demand, but I don't know the magnitude.

Mrs. GREEN. Would you give us the figures on how much money would be available to liberalize NDEA if we dropped all interest subsidies after the student graduated from college?

Mr. MUIRHEAD. Yes, we will be glad to provide that.

(The requested information follows:)

If the 3 percent interest subsidy provisions were canceled for all new loans originated after July 1, 1968, savings over the next four fiscal years are estimated as follows:

Fiscal year 1969	None
Fiscal year 1970	None
Fiscal year 1971	$13,410,000
Fiscal year 1972	27,889,000

The vast majority of loans made from November 1965 to the present are held by students still in school, and the subsidy already committed could not be canceled retroactively. Therefore, savings on future loans would be realized only as students moved out of college into the repayment period. Savings would increase sharply after 1973 as more of the 1965–68 loans were paid out.

Mrs. GREEN. Is it true in your first recommendation to the Congress that you did not recommend an interest subsidy after graduation?

Mr. MUIRHEAD. You recall that we had discussions, of course, in the last session of Congress on the advisability of dropping the subsidy for the guaranteed loan program. The rationale was that for the most part, these young people come from families that are not as much in need of the money as the NDEA families; and that the family probably can be expected to help the student repay the loan. But to my recollection, I don't think we appeared before you in support of dropping the subsidy after graduation in the NDEA loan program.

Mrs. GREEN. When it comes to the time, maybe we can defer these to tomorrow.

Mr. HOWE. Fine, Madam Chairman. Let me report to you we did research a matter yesterday about the award patterns between men and women.

Mrs. GREEN. In relation to income?

Mr. HOWE. No; in relation to awards of educational opportunity grants and national student loans and work-study, and it is a very even picture really. It turns out that there are somewhat fewer awards to women, not dramatically fewer, but when you consider the proportion of women in college they do a little better than men.

One of the interesting features to me was that when you break it down, there are more women getting work-study grants than men and I am told that the reason for that is that there are more positions in the college itself for women than men.

So on the whole, the picture turned out to be one favoring the ladies.

Mrs. GREEN. One other question then: What percentage of the NDEA loans go to men and women?

Mr. HOWE. The NDEA loans, almost 50–50.

Mrs. GREEN. What about guaranteed student loans; isn't it true that it falls way, way down for women? The last figures I had were 52 percent of the NDEA went to women and 48 to men, but under the guaranteed program, it was about 42.

Mr. HOWE. We have not got data on the guaranteed loans, just on the college-sponsored programs.

Mrs. GREEN. Could we have up-to-date figures on the guaranteed loans? I think it is important to know what is the practice of banks in terms of making loans to women.

Mr. MOORE. We have a new set of the figures there coming out of our computer shortly and will be happy to provide them.

(The information follows:)

GUARANTEED STUDENT LOAN PROGRAM, HIGHER EDUCATION ACT OF 1965, TITLE IV, PAR T B

	White male	White female	Negro male	Negro female	No esponse on race		Total
					Male	Female	
Total	216,615	113,090	8,908	9,707	20,280	8,660	377,260
10. Alabama	1,457	710	186	272	26	8	2,659
11. Alaska	81	37			4	1	122
12. Arizona	1,135	512	16	14	38	11	1,726
13. Arkansas	1,417	774	86	146	19	4	2,446
14. California	9,598	4,154	297	179	485	155	14,868
15. Colorado	2,057	1,550	56	50	51	30	3,794
16. Connecticut	12,100	6,898	341	351	172	59	19,921
17. Delaware	512	272	14	23	5	5	831
18. District of Columbia	42	16	19	13	0	1	91
19. Florida	1,977	896	170	231	197	80	3,551
20. Georgia	723	249	84	152	59	19	1,286
21. Hawaii	254	143	1	2	13	1	414
22. Idaho	832	392	5	1	19	7	1,256
23. Illinois	13,636	6,146	662	387	445	154	21,430
24. Indiana	7,630	4,064	300	310	228	114	12,646
25. Iowa	4,699	2,930	36	21	173	111	7,970
26. Kansas	2,696	1,325	66	45	96	17	4,245
27. Kentucky	2,110	1,239	62	68	146	90	3,715
28. Louisiana	3,160	1,603	1,108	2,280	14	5	8,170
29. Maine	1,922	900	1		20	7	2,850
30. Maryland	2,262	1,182	136	116	41	24	3,761
31. Massachusetts	11,768	5,596	178	96	298	125	18,061
32. Michigan	5,745	3,329	142	166	110	31	9,523
33. Minnesota	3,092	1,718	7	8	59	13	4,897
34. Mississippi	1,267	647	228	395	28	11	2,576
35. Missouri	3,064	1,336	98	88	81	44	4,711
36. Montana	681	391	3	1	11	5	1,092
37. Nebraska	1,183	585	9	3	28	16	1,824
38. Nevada	322	140	5	4	13	0	484
39. New Hampshire	1,407	816	2	2	46	21	2,294
40. New Jersey	15,676	8,548	877	690	862	381	27,034
41. New Mexico	1,324	706	13	19	350	114	2,526
42. New York	48,323	25,024	1,474	1,011	12,825	5,177	93,834
43. North Carolina	519	344	76	187	1,516	1,046	3,688
44. North Dakota	938	522		1	12	4	1,477
45. Ohio	5,343	3,118	209	170	133	44	9,017
46. Oklahoma	1,748	947	46	43	19	5	2,808
47. Oregon	1,680	952	8	9	128	74	2,851
48. Pennsylvania	15,265	8,285	576	555	374	116	25,171
49. Rhode Island	2,622	1,282	42	15	45	12	4,018
50. South Carolina	1,215	617	186	274	15	12	2,319
51. South Dakota	1,743	1,137	2	3	34	10	2,929
52. Tennessee	2,537	1,406	214	355	27	16	4,555
53. Texas	2,721	1,253	120	125	46	11	4,276
54. Utah	928	294	2	1	36	14	1,275
55. Vermont	984	510	2		192	99	1,787
56. Virginia	5,069	2,426	522	668	361	129	9,175
57. Washington	2,032	1,300	37	15	127	52	3,563
58. West Virginia	1,205	801	54	39	16	7	2,122
59. Wisconsin	4,233	1,889	65	36	65	39	6,327
60. Wyoming	612	279	3		6	0	900
61. U.S. service schools							
62. Canal Zone							
63. Guam							
64. Puerto Rico	1,069	900	62	67	166	129	2,393
66. Virgin Islands							

Mr. QUIE. Will you yield?

Mrs. GREEN. Yes.

Mr. QUIE. Does the civil rights law apply on the basis of any bankers going into loan subsidizing?

The Civil Rights Act does not apply to any guarantee, does it, to a federally guaranteed loan program?

Mr. MOORE. Under the guaranteeing agency.

Mr. MUIRHEAD. Under the guaranteed loan program, the guaranteeing agency does file with us the civil rights compliance form; however, the bankers, the lenders, are not required to file such a compliance form.

Mrs. GREEN. They do not come under title 6?

Mr. MUIRHEAD. That is right. I am speaking of the compliance form under title 6, Madam Chairman.

Mrs. GREEN. I think you raised a good point, Mr. Quie.

In the hearings in February of 1965, some charts were presented on low income and aptitude. Could they be brought up to date?

Mr. MOORE. In fact I may have them with me for submission in the record this morning; they are based on last year's data on the college programs, income levels, and by programs and so on.

Mrs. GREEN. All right, then, the meeting will adjourn until 10 o'clock tomorrow morning, and we will then continue with Commissioner Howe. At 1 o'clock tomorrow afternoon I invite all of the members of the subcommittee on both sides of the aisle to join in an informal discussion of the current draft policy and how it affects graduate education. That is at 1 o'clock and it will be an executive session.

(Whereupon, at 12:10 p.m., the subcommittee recessed, to reconvene at 10 a.m., Thursday, February 8, 1968.)

HIGHER EDUCATION AMENDMENTS OF 1968

THURSDAY, FEBRUARY 8, 1968

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

The subcommittee met at 10 a.m., pursuant to recess, in room 2261, Rayburn House Office Building, Hon. Edith Green (chairman of the subcommittee) presiding.

Present: Representatives Green, Gibbons, Hathaway, Quie, and Erlenborn.

Mrs. GREEN. Mr. Commissioner.

STATEMENT OF HON. HAROLD HOWE, II, U.S. COMMISSIONER OF EDUCATION; ACCOMPANIED BY PETER P. MUIRHEAD, ASSOCIATE COMMISSIONER FOR HIGHER EDUCATION; ALBERT L. ALFORD, ASSISTANT COMMISSIONER FOR LEGISLATION; JAMES W. MOORE, DIRECTOR, DIVISION OF STUDENT FINANCIAL AID; HUGH M. SATTERLEE, CHIEF, EDUCATIONAL TALENT SECTION; AND RALPH K. HUITT, ASSISTANT SECRETARY FOR LEGISLATION, DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

Mr. HOWE. Thank you, Madam Chairman.

What I would like to do is to select from the testimony and not read it all. I think I will select by reading those portions which describe the details of the new programs which we are suggesting and, if you are willing, enter the entire testimony in the record.

Mrs. GREEN. The entire statement will be made a part of the record immediately following your comments.

Mr. HOWE. Fine.

In the beginning, I would like to say in regard to our conversation of the past 2 days that whereas I think we have examined many, in fact almost all, of the details of the major student aid proposals that we bring before you, somehow in examining the details we may not have caught the flavor of the entire proposal itself. This is the old business of looking at the trees and missing the forest.

It is necessary to look at the trees in this case, but I would not want to miss the forest.

I would call to your attention that when this entire program of student aid is put together it does represent a much better arrangement for young people who need assistance in going on to higher education, for the convenience of higher education institutions in helping those young people, and for the plans of the Federal Government in

making larger amounts of money available over the years ahead for those institutions and young people.

So that it seems to me in this broad student aid proposal we have a launching platform in regard to student aid which will place major focus on opportunity grants and work study supported by loan programs, in a mix that will be convenient both for students and for institutions.

I think this is a significant proposal in its administrative aspects as well as in its potentialities for funding in the future.

Mrs. GREEN. Did you have time to get figures on how much money would be available if we dropped the interest subsidy after graduation?

Mr. HOWE. I don't believe we have those yet, have we?

Mr. MOORE. We are working on them, Mrs. Green. This requires assessment of where we have been and where we are going.

Mr. HOWE. Thank you, Madam Chairman.

I will comment first then on new legislation we are suggesting, on a new program of grants to graduate schools, a program which recognizes the growing enrollment of graduate schools, which recognizes the need for improved quality in graduate education, and which recognizes the need for support from the Federal Government for program improvement in a significant number of our graduate schools.

The proposed program for the strengthening of graduate education is designed to meet these needs. We envisage a program of institutional grants. For the individual graduate school, grants would be gradually increased for several years, following by diminishing Federal support, during which time the institution would take up the slack through the use of its own resources.

Grants under this program would be available for the following purposes:

(1) The establishment, expansion, or improvement of courses of study leading to the Ph. D. or equivalent degree;

(2) The addition of faculty, or the upgrading of existing faculty;

(3) The acquisition of curriculum or research materials appropriate to the fulfillment of the activities in clause (1) above;

(4) The establishment or improvement of administrative procedures or services in doctoral programs either within the institution or in cooperative arrangements with other institutions at the doctoral level.

Grants would not be available for the construction of buildings or traineeship support of students; and no portion of the grants could be used for the support of sectarian religious training or purposes.

As envisaged, the plan does not duplicate other Federal programs designed to support advanced level training. Other related Federal programs are designed either to advance substantive research, or to support individual students.

The present program, however, is aimed at institutional expansion and improvement, and seeks in this achievement the best way of enlarging and improving advanced educational opportunity of high quality.

The universe of institutions of primary eligibility for this program comprises about 100. Ineligible would be those top quality institutions generally conceded to be among the leaders in American graduate and professional education.

Institutions ranking at the lowest end of the scale in doctorate production would be accorded a lower priority in eligibility, because of the limited contribution they could make to a significant expansion of highly trained individuals. This leaves 95 to 100 middle-range institutions which would be accorded top priority for grants.

The precise number which will receive grants cannot be predicted exactly because each applicant would have to justify its request by the merit of its individual proposal, its past record, and the realism and quality of its plans for improvement.

We would plan to administer these grants in a fashion to give enough funds to each institution to bring the leverage for a change in the quality of its program. As in other OE programs, panels of experts will appraise the merits of all applications submitted, within the broad policy directives determined by the advisory council on graduate education.

The second program for graduate education which we are suggesting is the increase in cost of education allowances for graduate fellowships. This really is a very simple program to move from $2,500 level for cost of education allowance at the present time to the $3,500 level which we would place in being for the graduate fellowships which we administer in fiscal year 1969.

We would phase this program in, Madam Chairman, by allowing the $3,500 amount for initial grants in fiscal 1969 and then over a period of 3 years we would build up to the point of having all grants receive the $3,500 level. We have allowed for that phasing in our budget request for fiscal 1969.

Mrs. Green. Does that include tuition or $3,500 in addition to tuition and fees?

Mr. Howe. This is the institutional grant that goes to the institution over and above the fellowship that goes to the student. It is really in lieu of tuition and, of course, represents an amount of money larger than any institution charges for tuition.

The program recognizes the fact that graduate education is a loss operation in every respect and that a Federal fellowship given to a graduate institution, while it helps the student get his education, confronts the institution with an additional financial problem.

My hope is that this program will move throughout the Government for fellowships sponsored outside the Office of Education, as well as by the Office of Education. In other words, there are a great many graduate fellowships in other departments of the Government and I believe that arrangements are being made to have them adjust their programs to move in this same direction.

This is our specific adjustment to this added cost factor for graduate education. Specifically, next year, the funds that we will have to move to the $3,500 level will take care the new graduate fellowships that we awarded under NDEA title IV, which is about 6,000 new fellowships, and then an additional number of fellowships that we have in the Office of Education under the Education Professions Development Act, about 3,000 of those, in round numbers. We will give you the exact numbers on those if you would like to have them.

So, this is not a piece of legislation that has major changes of principle involve in it but it does permit us to support graduate education through this added cost of education award.

I move now to the program for special services for disadvantaged students.

Mrs. GREEN. Could we stop here and ask two or three questions on this recommendation?

I have been asked what criteria you would use to determine the 100 possible institutions that would be receiving grants. You make reference to it on page 16 and say the doctorate production.

Will this be the only criteria?

Mr. HOWE. This certainly cannot be the only criterion.

We will certainly make major use of an advisory committee which will be representative of graduate education and include, I am sure, a number of graduate deans and people who are familiar with policy problems of graduate schools.

For instance, in the proposals of institutions we will want to encourage a proposal which strengthens enough departments so that it might change the institution in a fundamental way. We are looking for proposals which might build relationships between departments of a university or between departments of one university and another for the strengthening of graduate education.

Will you comment on this, Mr. Muirhead?

Mr. MUIRHEAD. Yes.

We will draw, of course, Mrs. Green, on the long experience we have had in administering title IV under NDEA from which there has been gathered together a good deal of information about the strength of various programs and various disciplines in the universities.

We will, as the Commissioner indicated in his testimony, give consideration to a much better distribution in the Nation—regional distribution, if you will—for opportunities for graduate excellence.

It would seem that the criteria will evolve not only from the advisory commitee but from the studies on graduate education that are available.

Mrs. GREEN. It will be pretty much a subjective judgment, then; is that right?

Mr. MUIRHEAD. As many of these things are, there will be a high degree of subjectivity in it because there are not really many precise measures of the sorts of things we are looking for.

As we do with other programs, I think we will have to avoid the problems of individual subjective judgment by using a normal arrangement of consultants to read proposals. We will also have an advisory committee to set policy and advise us on the cutting off points of various kinds that have to be introduced in the selection process.

We have such arrangements already in relation to higher education in title III of the Higher Education Act, for example, where there is this kind of selection process for the award of grants to developing institutions. We have familiarity with this same kind of process through our research grants to higher education institutions.

This, of course, is typical also of the kind of award-making process that the National Institutes of Health and other organizations in the Government take part in.

Mrs. GREEN. You say that during the past decade the graduate enrollments have increased two and a half times.

What are your projected figures for the next 5 years?

Mr. MUIRHEAD. I don't have a precise figure on it but the projected enrollments are that the graduate education enrollments will increase at a faster rate than any other segment of higher education.

Mr. HOWE. We can give you projected figures. I just don't have them at hand.

(The requested information follows:)

The new *Projections of Educational Statistics*, to be published within the next several months, will include the following data in Table 12:

Estimated total graduate opening fall degree-credit resident enrollment in 4-year institutions of higher education

1968	751,000	1971	866,000
1969	779,000	1972	921,000
1970	816,000	1973	979,000

The projections include in each year, in addition to the number of enrollments based on the 1955–63 trend, an estimated 7,000 enabled to attend college through aid provided by the Veteran's Readjustment Benefits Act of 1966. (Veterans who would have attended without the assistance are assumed to be included in the trend projections.) The impact of changes in military draft policies is not reflected in these projections.

Mrs. GREEN. Are you considering the current draft policy in making these projections?

Mr. MUIRHEAD. We are not considering the current draft policy, Mrs. Green.

We are looking in our projections beyond the immediate problem that confronts us.

Mrs. GREEN. What are you asking in this part of the program?

Mr. HOWE. For grants to graduate schools?

Mrs. GREEN. Right.

Mr. HOWE. As an initial fiscal year 1969 amount, I believe it is $8 million. I hope we get the $10 million amount, but we have not solidified this as yet.

Mrs. GREEN. Beginning in 1969?

Mr. HOWE. This will be a small program in 1969.

Mrs. GREEN. And the fellowships?

Mr. HOWE. The total cost of the fellowship change in 1969 will be just over $9 million.

Mrs. GREEN. $9 million additional?

Mr. HOWE. $9 million additional to carry those additional thousand-dollar amounts.

Mrs. GREEN. What is your view about the projected enrollment in the next 5 years?

Mr. HOWE. In bringing up the draft, I think you are bringing up a point that in the short range may make a problem for the graduate school enrollment picture. In the long range, I don't think it will.

Mrs. GREEN. Have you studied this to know exactly what effect it will have?

I don't see that this committee can make an intelligent judgment on what to do in the graduate field without knowing what effect the current draft policy will have on enrollment and also in subject matter areas.

Mr. HOWE. It is clear that the current draft policy will have considerable impact on the graduate school. All male physically fit eli-

gibles, because of the operation of the draft rule which drafts the oldest first, will go to the top of the list as they come out of the undergraduate college.

Those who are in graduate school in the current year and who are aspirants for graduate school next September fall under this oldest first policy.

There is going to be some considerable impact on the graduate schools from the current draft policies.

Mrs. GREEN. Could you be more precise on what that impact is going to be?

Mr. HOWE. I don't have it in mind, but we have worked on this and I can give you figures in regard to it in terms of our analysis if you would like to have them.

Mrs. GREEN. Can you break this down by various disciplines? As I understand here, there is no subject limitation.

Mr. HOWE. There is no subject limitation here. If you are referring to the draft law, there is one adjustment which might be made to handle the problem of the draft. It would be an adjustment which declares certain disciplines essential.

I believe under the draft law it is within the authority of the National Security Council to make recommendations on that. In past draft policy from time to time I believe that has been done. It seems to me that that is not the way to solve the problem. If the problem is going to be solved, I suspect there are better ways of doing that.

When you start seeking to segregate subject fields that are sort of national priority needs, you find pressures to put the sciences and mathematics in the special categories, pressures to leave the arts and the humanities without any attention. I would argue that for the long range health of education itself, and the country as a whole, that is not a particularly sensible policy.

Mrs. GREEN. Is the Office of Education consulted when these recommendations are made?

Mr. HOWE. We are consulted. We are not directly responsible for any aspect of the draft law, but because it does impinge on education, we are from time to time consulted by those who are.

Mrs. GREEN. Were you consulted on the recommendations this year?

Mr. HOWE. On the draft law itself?

Mrs. GREEN. Yes.

Mr. HOWE. Yes; I believe informally I was involved in several conversations in regard to the changes suggested in the draft law.

Mrs. GREEN. I think there might be a better balance in the country if the Office of Education had a stronger voice in making recommendations on deferments.

Isn't there in one of the bills a requirement that the Office of Education also study manpower needs?

Mr. ALFORD. The Educational Professions Development Act.

Mrs. GREEN. Have you made a study of future manpower needs?

Mr. HOWE. We are just getting organized to do this under the Educational Professions Development Act.

This will be a responsibility of a major division of our new bureau. We have not made any really sophisticated study of this kind under that act as yet. To mount something of that scope is going to take us

a year, really, to get started. But we are planning the organization that will make the study.

Let me go back to your earlier question. I have here numbers on graduate students. In 1967, 404,000. Projected for 1969, 492,000. Projected for 1973, 617,000. These are full-time equivalents. This takes into account part-time graduate students on a full-time equivalent basis.

Mrs. GREEN. This does not consider the draft?

Mr. HOWE. This does not consider any impact of the draft in 1969.

Mrs. GREEN. In 1969, your estimate is 492,000?

Mr. HOWE. That is right.

Mrs. GREEN. Would you hazard a guess if the present draft policy is not changed, what that number would be?

Mr. HOWE. Half of them are women——

Mrs. GREEN. Are they?

Mr. HOWE (continuing). And two-thirds of the remainder might be eligible. It could go as high as 100,000.

Mr. MUIRHEAD. 100,000 to 150,000.

Mr. HOWE. I know that people disagree about these estimates. It seems to me that the range of 100,000 to 150,000 is perhaps possible. I think that the draft law very constructively makes provision for a random selection procedure. The only problem is that we haven't as yet done it.

If there were a random selection procedure and these graduate students were subject to draft in accordance with a random selection procedure, I think it would be quite reasonable and one out of five or six might be taken out of that group of 100,000 to 150,000.

But there are not being in effect at the present time a random selection procedure, the problem is created by the fact that they are almost automatically the oldest eligibles so they are going to go first.

Mrs. GREEN. I was under the impression that I had read estimates from some of the graduate schools that they expected their graduate enrollment to be 50 percent of what it is now. Is that correct?

Mr. HOWE. There are all sorts of expectations there. There are real problems right now for the graduate schools in regard to the draft because they receive their fellowship awards from us. They are awarding their fellowships. But they don't know whether the people they award their fellowships to are going to show up at the university in the fall. There are various reactions.

Some institutions are hedging by awarding more people fellowships than they have fellowships to award, knowing that some of them will be drafted. If the draft laws are changed in the meantime, it will leave them with more people than they know what to do with.

Other institutions are only awarding the fellowships they have, thereby creating a situation in which no change in the draft law will result in their not having enough graduate students. It is a problem for graduate schools looking toward their organization next September.

Mrs. GREEN. As the Commissioner of Education for the United States, would you give us your views on the current draft policy and what it does to education in the United States?

Mr. HOWE. I am not really an expert on it, Mrs. Green.

I think on this particular problem that we are discussing, my view is that the solution of it is to find a way to a random selection procedure as allowed for in the new Draft Act. I think the new Draft Act in creating that policy of a random selection procedure creates a very fair arrangement.

I think the discussions which have been held about a random selection procedure, which have caused a lot of emotional reaction to it because it has been described by the word "lottery," have been destructive because I believe this random selection idea is ultimately fair and sensible and it can be worked.

So, specially, on the problem we are discussing, it would be my view that we have to try to move in that direction.

Mr. GIBBONS. Would the gentlelady yield? I hate to interrupt her line of questioning but I would like to throw out an observation I have.

Having served 5 years of military service in World War II and having gone to graduate school after World War II, it is my recollection that while World War II did play havoc with graduate schools at the time everyone was in the service, that it probably increased enrollment in graduate schools. I know many people, personally, who never would have gone to graduate school, even to college, had it not been for the fact that they had matured more, saw the benefits of education, and came back and made a very determined effort to take any advantage they could.

I think the long-range impact is that we will have more graduate students but for the 2-year period right now we may have some disruption. There are constantly people returning from the service every day now. I think it will equalize itself out.

Mr. HOWE. I would quite agree, Mr. Gibbons, with the view that there should be no exemption for graduate students from the obligation to military service but it seems to me what is implied in the way things are now set up is that they don't have the benefit of the normal selection processes. The oldest-first rule hits them all, all at once.

This makes very difficult problems for the individual in planning for his educational future and an almost unmanageable problem for the institution that has to deal with multiple individuals.

So, I again come back to the idea that graduate students ought to be normally vulnerable to the draft.

It is going to be an interesting thing, by way of side comment, to see what the military does with all of these graduates when they do get into the draft call all at once. I think it will make some problem for them.

Mrs. GREEN. What about brain drain from other countries to the United States? Do you have figures on that?

Mr. HOWE. I haven't any figures on that. I am aware of this as a problem in the medical area for other countries and certain specialized technical areas. I am aware of the problem as it relates to some of our efforts at providing educational opportunities to people from other countries with the hope that they would return and provide really a developmental resource in those countries and then a tendency at least in certain categories for people to stay here.

Mrs. GREEN. It is true, then, that the United States, the wealthiest and the most powerful country in the world, is not educating a sufficient number of people to meet our manpower needs?

Mr. HOWE. I suspect that that has always been true and always will be. Yet, the machinery has run fairly well in the last hundred years. I think we are going to have a problem about adequate supply of trained people. We have one now; we will continue to have one. We will always need to be working at that problem.

But I would not say that we ought to act as if the problem were totally unmanageable or out of control. I think it is a problem to which we have addressed ourselves in many ways.

I have to say at the same time that certainly the shortage of highly trained people is one of our great shortages compared to the shortage of other resources, money, natural resources, and so forth. So, we need to be working at it.

Mr. QUIE. I wonder, though, if this is something that we ought to consider as a burden or responsibility of the United States. Isn't there some responsibility in these countries, themselves, to entice their education people to come back again?

I wonder, also, if it is not a sufficient requirement that such persons have to go back for two years so that these other countries can get a crack at them in enticing them to remain longer?

Also, in the area of science research, I wonder what helps an undeveloped nation most: To give their most intelligent citizens a chance to work here in good laboratory facilities, the results of which could be used in that country, or to ask them to go back and work there in some medicare facilities?

I don't think we should feel entirely guilty about the brain drain. I think we are doing a tremendous service for other countries, too.

Mr. HOWE. I agree with you.

There is no policy on the Federal Government's part to create a brain drain. It emerges, to some degree, from the individual choices of people rather than from anybody's attempting to create it.

I think we probably could show you figures which would indicate that the brain drain is a relative matter rather than a catastrophic one, that important proportions of people who come here for training do return to their own countries and provide very significant services there.

I think that it is very important for the United States to maintain an open door to people from other countries to all sorts of training opportunities here. It seems to me this is a very significant part of a one-world view, and clearly, that is what we have even though it is pulled apart in various ways.

Mrs. GREEN. It seems to me it is in conflict with our statements about how we want to help the developing countries.

Mr. HOWE. We, of course, provide these opportunities with the hope and expectation that they will return.

Mr. QUIE. We have a brain drain in West Virginia, too.

Mr. HOWE. It has been said recently that there is one in Washington.

Mrs. GREEN. Are there any other questions on the graduate program?

Mr. GIBBONS. It is like migration between Georgia and Florida. The Governors say it helps both the States.

Mr. QUIE. Could I ask a question on the draft, Madam Chairman?

Mrs. GREEN. Yes.

Mr. QUIE. You estimate some place between 100,000 and 150,000 young men will not be in graduate school next year because of the

draft, if you take the oldest eligible men first and subject them to the draft.

Mr. HOWE. Could I submit for the record an accurate figure there? I am just not sure enough to have that used right off the cuff. We have some figures on these. I just don't have them here. It may be in that range.

(The information follows:)

Question: Estimated number of potential graduate students who will be lost to graduate study in 1968–69 because of military service?

Answer: Our best estimate is that 180,000 men who would otherwise be engaged in graduate degree study in 1968–69 will interrupt their studies to enter military service in 1968–69 because of the newly announced restrictions in graduate deferment policies. The calculations follow:

Originally estimated graduate degree-credit enrollment in 1968–69	751,000
Graduate students eligible for military induction under the newly announced graduate deferment policies	180,000
Not eligible for military induction	571,000
Women	228,000
Men age 26 and over	225,000
Men age 25 and under with dependent children	10,000
Men age 25 and under who are veterans	10,000
Men age 25 and under who are divinity, medical, or advanced graduate students eligible for deferment	38,000
Estimated number of draft-eligible men who are likely not to pass the physical examination (25 percent × 240,000)	60,000

Mr. QUIE. It looks a little low to me, but maybe it isn't. Some of them may have lost their physical health by studying so long or something. But then what happens the next year? Suppose 150,000, and we will wait to see what your correct figure is, but suppose it is correct for this school year, what does that mean then for the fiscal year 1970? Does that mean it would approximately double?

Mr. HOWE. It may be that in an ensuing year there would be some possibility of ironing this out, but in the immediate year, which starts with the opening of universities next September, the time-relationship of giving graduate awards to people who don't know whether they are going to be drafted or not is going to create some decline of membership in the graduate schools.

Now, it might be in the planning phase of an ensuing year we could work out some way to avoid that. Right now, we confront that problem.

Do you want to comment on this, Peter?

Mr. MUIRHEAD. It seems to me on the figure that we suggested here it probably is too low, Congressman Quie. I think in order to get a fix on that figure you have to look at what possibly will be the draft call this year. The best estimate we have of that is somewhere in the neighborhood of 350,000.

The present policy, as the Commissioner has explained, will put a very heavy drain upon graduate students in meeting that particular draft call.

So, probably the figure of 100,000 to 150,000, as you commented, Congressman Quie, is low.

It seems to me, too, that we have to look upon the present situation as being atypical—I am almost inclined to say intolerable—in terms of meeting both the education needs and the draft needs of the Nation.

The Commissioner has given a good deal of thought to this and we have suggested that in the long run the most effective way to handle the problem would be on a random-selection basis.

There is quite a hope that the Congress this year will amend the selective service law in such a way that a random-selection basis will be injected. If that is the case, then in the fall of 1969, the problem will not be as acute as the one that we are facing in the fall of 1968.

Mrs. GREEN. This, though, can be changed by administrative action.

Mr. MUIRHEAD. Yes, Madam Chairman. It is possible by administration action at this time, by Executive order, perhaps, or by regulatory changes, to come up with a random-selection procedure that would select a percentage of students by age of those who are eligible for the draft rather than to rely upon the procedure that is now in place, of taking the oldest first.

Mr. QUIE. Could we expect that it would take 3 years then before we get back to a normal pattern even if the war were to continue during that time and we were drafting graduate students?

In the first year, of course, the graduate student would not be drafted immediately; therefore, he would lose some time. Then, if he were drafted, he would not be able to start his graduate program immediately after returning from military service. So, there could be a loss of about 3 years in each person's life.

Mr. MUIRHEAD. That situation certainly could develop.

There are so many unpredictables in the problem that it would be difficult to really predict which situation would come about. If, for example, we did have a random-selection procedure established next year, then it would be this class entering in 1968 that would create the dip in graduate enrollment. There would be no way of catching up. Ultimately, it would be caught up in part, as Congressman Gibbons indicated a moment ago, when these graduate students return from service.

If the policy remains as it is now beyond the fall of 1968 and is in effect in 1969, then the problem becomes very grave.

Mr. QUIE. If there were going to be a selective determination of which disciplines were the most necessary for national defense or for the needs of our country, and I guess there is already a deferment for doctors and dentists, would the exact sciences possibly be the area where there would be deferment? Because I imagine a doctor's degree in history would not be as important as a physicist.

Mrs. GREEN. It might be more important.

Mr. QUIE. It might be more important?

Mr. HOWE. You can get into arguments on this subject easily as to who is more important.

As I said a moment ago, from a personal point of view I would hope that that particular option of handling the problem of graduate enrollments by giving special privilege to a number of disciplines or professions would not be exercised because I don't think you can necessarily defend, except perhaps in a total emergency situation, certain categories.

Mr. QUIE. If it were left to the National Security Council, they probably would not give a deferment for somebody studying Latin American culture for a doctor's degree as much as they would a mathematician.

Mr. HOWE. I really can't speak for the National Security Council on that but it is interesting to speculate about it.

Mrs. GREEN. What is the current situation? Is there a recommendation? Has the National Security Council made a report?

Mr. HOWE. I honestly don't know, Mrs. Green, what the administrative situation is at this point.

Mr. QUIE. To return to your proposed program for improvement in graduate education, evidently some institutions have made it and will be ineligible for the upgrading. Do you have the names of these great institutions?

Mr. HOWE. No; I don't, Mr. Quie. I would not attempt to name one. I would certainly depend on the advisory council we intend to set up to help us define the sort of "lighthouse" institution they are. But you will recall that the Congress placed in being not too long ago a concept of developing colleges which created the same kind of problem at the undergraduate level.

We have been able, we think, in a sensible and manageable way to define a group of institutions that have the strength to improve themselves but that have improvements to make.

Mr. QUIE. The developing college is in the lower part of the spectrum of graduate institutions. I understand both the top quality and lowest quality ones will be ineligible. That lowest quality institution is probably the type of institution that the Developing Instituiton Act was supposed to help.

Mr. HOWE. Congress built into that act some provisions that would prevent the consideration of certain kinds of institutions that might be thought of as having characteristics that were of lower quality.

If I recall correctly, the act requires that the college be 5 years old and that it have an accreditation and so on. There were elements of quality control actually built into the law in that case.

I think we would have to develop criteria here along the line we were testifying to, Mrs. Green, a moment ago, to define the eligibles here.

In mentioning these numbers that we do in this formal testimony, I think we ought to not regard them as totally definite. They simply describe a broad universe of graduate schools that might be eligible.

Mr. QUIE. I know the University of Minnesota will be interested in this. I am wondering if I am going to tell them that they don't get any money or that they are of such poor quality that they will be getting some.

Mr. HOWE. I don't want the concept to get around that we are talking about graduate schools of poor quality here because we really aren't. We are talking of graduate schools of very considerable promise for excellence. I would not want to commit myself on any particular university.

Mrs. GREEN. It seems to me that this ought to be one case where you ought to reverse your procedure and HEW ought to send the announcements directly to the institutions and not do it through Members of Congress.

Are there any other questions on the graduate program?

Mr. ERLENBORN. I might just make the observation that I think the answer to the draft problem with the graduate schools is to give preference to the halt and the lame.

Mrs. GREEN. I am in favor of having it on a voluntary basis because I am told that there are so many that support the war completely that there would be a lot of volunteers.

Mr. ERLENBORN. I understood last year that the random selection policy was being recommended by the administration and would be implemented.

Mr. HOWE. It was not adopted in Congress last year.

Mr. ERLENBORN. It was not recommended as a legislative action, as I recall.

Mr. QUIE. Percentage selection of each age group is permitted under the law. They are considering it now, I understand. This, in effect, is a random selection.

Mr. HOWE. This is what Mr. Muirhead was referring to a moment ago as a possible option here. I think it is worth exploring.

Mr. QUIE. It must be random selection. I don't imagine, for example, that they will take only the ones born in the first half of each year, if they need only half of the eligible ones, so that anybody who has his birthday after July 1 wouldn't be selected.

Mrs. GREEN. I am under the impression that there is a recommendation on this that either has been made or is about to be made. Because it does have a relationship to the legislation before us, I wonder if it would meet with the approval of the committee to ask the staff to find out the status of this before we take any action on the graduate part of this bill.

Mr. GIBBONS. I think the graduate issue will wash itself out. The draft will last only 2 years. The person who is going to go to graduate school will go to graduate school, anyway. I think you will find that the people having been in the draft, are going to have their perspective broadened and they will have a greater desire to continue their education. It has been my experience—I don't advocate military service for that purpose—but it does happen that way as a practical matter and I think you will find the demand greater for graduate work particularly in the humanities areas rather than so much the specific sciences. Because when you get out and you see the world you become more interested in continuing your education when you return.

While it is going to create some temporary dislocation, I don't think it is something that Congress can legislate because I don't think we can foresee exactly what is going to happen. I think we have to leave the flexibility in the hands of the administration to carry out a policy which seems sound and rational on the basis of the situation.

Mrs. GREEN. When there is a big cut in funds for undergraduate education, don't you think it would make a difference to this committee on where we put the funds for next year, if there is going to be a 60 percent enrollment in graduate schools?

Mr. HOWE. I don't belive there will be a 60 percent enrollment in the graduate schools.

Mrs. GREEN. We are going to call graduate deans and others on this subject so we will have an understanding of the current situation.

Mr. HOWE. Let me go ahead with this third program of special services to disadvantaged students. These are disadvantaged students in undergraduate colleges.

There have been a number of undergraduate colleges in this country mounting their own special service programs involving counseling,

involving tutorial work, involving remedial English and other kinds of special services to students they have admitted because they think these students have potential for completing the BA degree or indeed going on to graduate school. Although they believe also that these students have not received in their elementary and secondary years the education that would develop their full potential, a number of institutions have admitted students they would regard as risk students and not normally meeting their admissions requirements. They have found that they could have some success in what might be described as a retreading operation to build up their skills and capabilities for college-level work.

We are proposing here a program to allow more colleges, with Federal support, to do exactly that kind of thing. In the first nine pages of my testimony here in regard to this new program, you will find a number of examples of that kind of activity by different sorts of undergraduate colleges.

I would like to go to page 29 of the testimony and read you the description of the exact program we have in mind.

It is the purpose of this proposal to meet the need for special services to the disadvantaged student so that he can readily adjust to his new environment and academic life, and at the same time to encourage the college to attempt new solutions and to search for new educational techniques which are especially suited to the needs of the disadvantaged student.

It is our belief that, as these techniques are further developed, colleges will willingly admit a larger proportion of students they now regard as academic risks and find ways to make them successful.

Emphasis would also be placed on programs designed to encourage students from disadvantaged backgrounds to pursue graduate and professional education by: (1) identifying capable students with aspirations to attend graduate school, and (2) providing counseling and guidance services to prospective graduate students concerning opportunities available to them.

Effective in the fiscal year ending on June 30, 1969, the special services for disadvantaged students program, as a part of the Higher Education Amendments of 1968, would provide assistance to institutions of higher education and other public and private nonprofit organizations and agencies for the development and maintenance of student personnel service programs to assist disadvantaged students in completing their undergraduate education and in encouraging able students to undertake graduate studies.

The Commissioner of Education would be authorized to make grants to plan for and to implement student personnel service programs, and to award contracts to provide support for the operation of demonstration projects of exemplary student personnel practices.

Funds would be available for the development and operation of comprehensive guidance, counseling, placement, and other student personnel services, including tutoring programs to remedy academic deficiencies, and to enable persons to remain in higher education programs.

The program would be authorized for 5 years through fiscal 1973. For fiscal year 1969, $15 million in appropriations is being requested,

and such sums as may be necessary to attain the objectives of this program for the next 4 fiscal years.

Do you wish to discuss this?

Mrs. GREEN. This would not be limited to graduates in professional education?

Mr. HOWE. The investment here is during the undergraduate years although the counseling services may be designed to help these students move on into graduate education. But it is not proposed to carry the remedial concept into the graduate years.

Mrs. GREEN. This is an extension of Talent Search?

Mr. MUIRHEAD. Yes; this is an extension of Talent Search, and is intended, I think, to carry out the purpose both of the student financial aid programs for the disadvantaged and the Talent Search program for the disadvantaged in making some provision to help them succeed in college.

Mr. QUIE. Would the gentlelady yield?

Mrs. GREEN. Yes.

Mr. QUIE. Just as "Follow Through" can only be used for Head Start pupils, can this program be used only for the ones who are picked up in Talent Search?

Mr. MUIRHEAD. No; that is not our intention. This program is intended to support disadvantaged students who are on the college campus no matter how they got there—by the Talent Search route, the Upward-Bound route, or whatever.

Mr. QUIE. What is the dropout rate of those who start their freshman year and don't finish?

Mr. MUIRHEAD. The dropout rate for this type of student—and again we don't have as good studies on this as we should have—is considerably higher than the normal dropout rate. At the present time the normal rate runs to about 25 percent the first year, and 15 percent the second year, and drops off sharply in the third and fourth years.

Mr. QUIE. Of those who start in their freshman year, only about half actually graduate?

Mr. MUIRHEAD. That is right.

Mr. QUIE. Why do you say "this type"? Isn't everybody eligible who doesn't make it through to his graduate year or aren't you disadvantaged if your parents have some money?

Mr. MUIRHEAD. The interpretation of "disadvantage" that we are using here, Congressman Quie, quite obviously does have a financial connotation, but it is more directed at the disadvantage the student brings in terms of his elementary and secondary school preparation and the disadvantage he might bring from his family background?

Mr. HOWE. I think, Mr. Quie, we would expect an institution making a proposal to us for funds under this program to include within the students to be served a fairly high proportion of those who are receiving education opportunity grants, who are involved with work-study opportunities, who are what we normally call scholarship students in school and to include also a definition of students having some form of educational problem with having success at the colleges.

I think the focus has to be set in such a way that this serves students who may have been discriminated against in their elementary and secondary years through the kind of education they received. It may

have been segregated education, as is the case for about 80 percent of the Negro youngsters who go to college. It may have been ill-supported education.

I would suspect a major proportion of the young people served by this program would come from those categories, but I think the institutions would also have a flexibility to try to meet the special needs of some educationally deprived youngsters who didn't necessarily represent those from a particular financial background.

Mr. QUIE. I would have imagined any Negro who is about to drop out from college or Mexican-American or Puerto Rican or American Indian would automatically qualify so we are not talking about any discrimination against them.

But what about the discrimination against or among the white people? What makes a person who drops out of college not qualify for this program? Isn't it as much of a concern to us if the dropout should be a child from the suburbs, who may be disadvantaged as well, even though his parents have enough money to put him out there on "mini farm"?

Mr. HOWE. I think this is directed to the point Mr. Muirhead made a moment ago of trying to work on the high percentage of dropouts that does indeed come in college among people from low-income families. That is a distinct, identifiable problem.

That percentage of dropouts comes from several sources. We know it comes in part from financial sources. We have talked the last two days about a program to meet that financial problem. We know also it comes from a background of education which fails to equip these youngsters with the capacity to succeed in college even though they have the potential to do so.

So, some kind of retraining, some kind of special counseling, seems to be worth trying.

There is evidence in trial projects that we have observed, many of them funded by foundation efforts. For example, I happened to be talking the other day to the President of Cornell University, Mr. Perkins, who told me that over the past 2 or 3 years his admissions officers have admitted to Cornell on a risk basis a group of students who would not normally meet the Cornell standard. With foundation support they were providing special education opportunities for these youngsters in the undergraduate college at Cornell. It now appeared these youngsters were indeed going to be successful and graduate, whereas every prognosis when they were admitted was that they would drop out and fail.

It is that kind of direction that we see this program moving in.

Mr. ERLENBORN. It would seem to me that what you are making here is a social decision rather than an educational decision. Any potential dropout, I think, would be the concern of the educator regardless of the background of the individual.

Mr. HOWE. You are absolutely right. Any potential dropout is bound to be the concern of the educator. You still confront the fact that when the educator wants to mount a program to get at the biggest piece of the problem, he finds that the biggest piece of the problem is among those from low-income families.

So, if he is looking for guidelines as to whom to help first as they come in the freshman year, he would quite naturally seek out people from that group and try to give them some special counseling help and assistance.

He would not as easily identify the individual who was going to become a potential dropout from some other source, but as that individual is identified the educator ought to help him just the same. The dropout problem from college is a very complex one. Many very able students drop out. Some of the most highly selective colleges are now experiencing a pattern of student attendance which is quite different from what is was 20 years ago. A recent study at Harvard shows a very interesting pattern of dropouts and returns in that highly selective institution. It shows, interestingly enough, that these students do better after dropping out and returning than would be expected if they had just stayed on.

This is a very complex matter related in many cases to the individual's psychological makeup and a great many other factors.

Mrs. GREEN. How many are in Talent Search now?

Mr. MUIRHEAD. How many students are in Talent Search?

Mrs. GREEN. Yes.

Mr. HOWE. I would like you to meet Mr. Satterlee, who is in charge of the Talent Search program.

Mr. SATTERLEE. I believe it would be very difficult to state how many are in the Talent Search program, because all are not readily identifiable as Talent Search kids. Many are reached by a single contact or counseling effort and may not need any additional help.

We do have figures on the number of youngsters that were counseled by Talent Search contractors last year, as well as the number of kids that entered college as a direct result.

Mrs. GREEN. How many in both of those?

Mr. SATTERLEE. Last year there was slightly over 400,000 individual contacts made by counseling contractors with young people from grades 9 through perhaps grade 13, or the first year of college, if you want to call it that.

Over 14,000 of those youngsters returned to secondary school or have enrolled in higher education, we believe, as a result of the educational talent search program, and well over 30,000 students were afforded sustained counseling and guidance.

Mrs. GREEN. What do you mean by 30,000 receiving sustained counseling and guidance?

Mr. SATTERLEE. This would be far more than one single initial contact. It would be a series of contacts on a personal basis, sitting across the table, going to meet the family, talking to the child several times about his aspirations and hopes, perhaps helping him to make decisions on the college he wishes to attend, filling out the financial aid forms for him, finding remedial help if this is necessary.

Mrs. GREEN. You do provide remedial help, tutorial services?

Mr. SATTERLEE. We provide the egress—no; we would provide the introduction to remedial help. In the talent search program, we fund almost no remedial help, per se. A lot of it comes through the use of volunteers. In fact, I would say over 50 percent of our programs utilize volunteer help, college students, high school teachers, women who are

out of college who wish to do something in social programs—and they provide tutorial help for these youngsters.

In a sense, we pay nothing except perhaps transportation for these people to a tutoring center.

We also find that our contractors make extensive use of other available Federal programs or local programs. There are a lot of them. In fact, I believe a large directory of tutorial assistance programs was published last year, listing several hundred tutorial programs throughout the country. Our people find out about them and refer their youngsters to these programs for help.

Mrs. GREEN. Do you give grants to colleges and universities?

Mr. SATTERLEE. A contract to a college or university; not a grant.

Mrs. GREEN. How many colleges participate in this?

Mr. SATTERLEE. Individually it would be hard to say, for many institutions may be involved in consortium efforts. There might be as many as 19 institutions involved in one contract. We are currently operating 58 contracts throughout the United States; well over half of these are with consortiums or institutions of higher education.

Mrs. GREEN. Do you ever contract with high schools?

Mr. SATTERLEE. We have no contract with a high school at this time although there is no reason why we could not. We have contracts with boards of education, State departments of education, consortia, and private, nonprofit agencies. We have a variety of contracting organizations.

Mrs. GREEN. Do you give stipends to students?

Mr. SATTERLEE. No.

Mrs. GREEN. You would pay transportation if necessary for tutorial services?

Mr. SATTERLEE. No; not to the student.

Mr. HOWE. I think, Mrs. Green, we have to think of talent search as a system for putting young people in touch with opportunity, of building a bridge from the young person through information, through contact, either with a college or counseling arrangement or a special tutoring opportunity or volunteer service or a variety of other possibilities, to give him added services, to give him added choices, but not to pay to provide those services or choices. It is a putting in touch operation, a middleman kind of activity.

Mrs. GREEN. You said that last year 14,000 returned to high school or went to college.

Mr. SATTERLEE. Yes, ma'am; approximately that number. Those are incomplete returns. We would say the number would be higher than that. The returns we had were picked up in July and August. A number of youngsters got into school late in August, simply because financial aid became available. One contract in a major city was able to place 120 youngsters for the fall of 1967.

Mrs. GREEN. Do you have summer programs?

Mr. SATTERLEE. Not what are normally considered summer programs; just the counseling and guidance activity that we carry on during the summer months. Ours is a 12-month program.

Mrs. GREEN. The students that are participating could have tutorial services during the summertime?

Mr. SATTERLEE. If it is available in the area.

One of the problems here is that the counselors or contractors working with individuals become personally involved with these young people. It is very difficult for them to give advice and not give any concrete help. If more specific help is necessary, they will try their very best to provide that, too.

Mrs. GREEN. Do you have figures on the number of youngsters that returned to college for the second year?

Mr. SATTERLEE. No; we do not have figures on that.

Mr. HOWE. I would think that it would be very hard to establish figures of that kind for this program because, again, this is a program that will give a youngster guidance in selecting among colleges that might make sense for him. He makes such a choice but it does not provide him any special services either before or at the college.

I think many of the youngsters involved with this program are simply helped to know that college is a possibility.

Mrs. Green. It was just said that you do provide tutorial services. You do provide guidance and counseling.

Mr. HOWE. Not in the sense of paying for these services.

I would like Mr. Satterlee to comment, but I suspect that the majority of the services provided are really in the sense of making the youngster aware of what college opportunities are available and how to get financing to go to college.

Is this fair to say?

Mr. SATTERLEE. This is very fair to say. I think a good example is a project located in your State, which is Project Boost, in the Oregon System of Higher Education. They have been working with the public school systems and now have 398 firm commitments of financial aid for youngsters in the 17 institutions of higher education in Oregon.

In other words, Boost now knows they will place almost 400 kids in higher education next year.

Mrs. GREEN. I don't understand what you are saying.

It seems to me there is a contradiction. I thought you said you had a 12-month program.

Mr. SATTERLEE. Yes, ma'am.

Mrs. GREEN. That the youngsters had tutorial service in the summer time following the 12-month program.

Mr. SATTERLEE. If there is tutorial assistance available to them, yes. In other words, the activities go on the year around.

Mrs. GREEN. You told me a moment ago how many people were involved in the tutorial program.

Mr. SATTERLEE. I may have misstated that.

Mrs. GREEN. You mentioned volunteers and so on.

Mr. SATTERLEE. Volunteers, yes, ma'am, are helping the children.

Mrs. GREEN. Didn't you say how many were in these kinds of programs?

Mr. SATTERLEE. If I did, I misstated because I could not tell you how many volunteers are involved.

Mr. HOWE. Mrs. Green, I think the distinction here is that Upward Bound, for example, is a program that provides direct services to youngsters and pays for those services and has youngsters enrolled in its activities on a regular basis in the summer time.

Talent Search is not doing that kind of thing at all. Talent Search is providing primarily counseling services, making youngsters aware

of opportunities. I would be surprised if Talent Search did not from time to time make youngsters aware of the Upward Bound services but it has not had the funding to provide services.

Talent Search is currently a $4 million operation and we are doubling the amount of money in the next year's budget for Talent Search. But it is a very small-scale operation in terms of any kind of service. The reason it can reach so many people is that it is a communicating activity rather than a service activity.

Mrs. GREEN. But you do provide tutorial services, too?

Mr. HOWE. Not and pay for it. If it is available——

Mrs. GREEN. I don't care whether you pay for it or not, but the student is provided the service.

Mr. HOWE. I would say relatively few youngsters are getting direct tutorial service. We could analyze this for you, but it is really much more a program of identification of people who have the potential to go to higher education and an encouragement of them to seek that opportunity, information about Federal programs, other Federal programs that will pay for that opportunity.

Mr. ERLENBORN. Might I ask a question that might help to clarify this?

As I understand it, you do not provide any tutorial service. You merely counsel and advise the student where he may find this. Someone else pays for that?

Mr. HOWE. Our contractors do this kind of thing.

Mr. ERLENBORN. In Talent Search you do not pay for or provide any tutorial service?

Mr. HOWE. That is right.

Mrs. GREEN. You have volunteers that are volunteering their time and provide it?

Mr. HOWE. We don't organize those volunteers. We have no arrangement. We might use those volunteers in being. They may be available in communities throughout other programs and the Talent Search operation, I am sure, frequently puts them in contact with those opportunities.

But we are not in the business of creating an educational or tutorial service that is not already there.

Mrs. GREEN. Do you plan to in your request for additional funds?

Mr. HOWE. No. The request for additional funds will expand the kind of thing we are now doing. We would not, with those small funds, be able to provide services of any kind.

Mrs. GREEN. You said you had contracts with boards of education and private groups and so on. What do they provide?

Mr. SATTERLEE. The board of education? We have one at White Plains, N.Y., for instance, that is engaged in locating the youngsters who have either been suspended from school or who have dropped out of high school, try to find these youngsters and encourage them to go back to school or arrange for them to find other means of achieving a high school diploma so that if they wish to go on to college this can be accomplished; a contract with the board of public instruction in Iowa was essentially this sort of thing, to reach out to all the counselors in the high schools and all the youngsters who had dropped out of school and try to encourage them to go back to school.

Mrs. GREEN. And the contracts with the colleges?

Mr. SATTERLEE. The contracts with the colleges may vary a great deal. The contract with a college in the State of Louisiana was to help to establish counseling programs in high schools so that youngsters would know about the advantages of higher education. It was a very limited program, in small sections, about three or four of the southernmost counties.

Other contracts with colleges vary a great deal. I would be more inclined to feel that instead of contracts with single colleges, we contract with a group of colleges who will utilize their group efforts to tell young people about higher education and the possibilities.

Mrs. GREEN. Then outside of not providing definite classes for tutorial service and paying for them, what is the difference between this and upward bound?

Mr. HOWE. That is indeed the major difference.

The upward bound program with which I am not fully familiar but I know something about it, is a program to identify young people and then get them into specific course work experiences arranged under the auspices of a higher education institution and with the distinct purpose of adding to their education with intensive work usually in English vocabulary and reading, but also subject fields and also in providing them motivation in connection with this. The higher educational institutions persuade them they should go on to college and give them additional training which will help them become candidates for college.

The upward bound program really mounts a direct service to young people. It frequently has them in a residential arrangement, I believe, at a division of the college, using some college facilities during the summer, providing instruction, supporting faculty. None of these things are done in the talent search program.

The talent search program instead is an information and counseling program primarily to encourage the youngster, to go ahead and take advantage of either local school opportunities or college opportunities and to give him information about what he can expect for these and how he can get his new options financed.

These are really quite different programs in terms of the services they provide.

Mrs. GREEN. Both of them are directed to the disadvantaged child who should go on to college but is not.

Is there any reason why these should not be combined into one program?

Mr. HOWE. Right now what we have is a very close working relationship between these two programs. I think it is true we have worked during this past year to dovetail them in ways that would be constructive. We have also tried to dovetail the educational opportunity grant program which we administer with the upward bound program, as well as with our talent search so that these youngsters get the benefit of these opportunity grants.

I think that the arrangement that we have for this now works very well.

Do you want to comment on this, Mr. Muirhead?

Mr. MUIRHEAD. Yes; I would like to comment on it.

In the long run, it seems to me that the talent search program, the upward bound program, the student aid programs, together with the special services we are suggesting today to aid the disadvantaged when they reach the college, should be of one part. At the present time, we are hopefully getting some of the advantages that would come from having them all together by having a very close relationship with upward bound.

Mr. ERLENBORN. Madam Chairman, would you yield?

Mrs. GREEN. Yes.

Mr. ERLENBORN. Don't you suppose the legislative possibility of merging these depends on whether you are transferring the talent search to OEO or the upward bound to OE?

Mrs. GREEN. Of course, having already decided that in my own mind, I was not going to ask these questions.

Mr. HOWE. I was waiting to see which way that was going to go.

Mrs. GREEN. May I start out to clarify it?

When the director of talent search advises me that on $2 million this last year they had counseled 400,000 students and 14,000 returned to the high schools or to higher education and 30,000 were in a program of sustained guidance, and then when I read the first paragraph of a letter written by Mr. William Steiff which starts out:

> Most of the teenagers in the $30 million a year antipoverty program are flunking out of the colleges they are motivated to go to according to Mr. Froomkin, Assistant Commissioner of Education.

I do have some rather strong views about the direction in which it should move.

Mr. QUIE. I have a question.

What is your estimate for the next 4 years? I understand Congress is supposed to have those estimates, not just the first year cost of $15 million.

Mr. HOWE. Under this new program?

Mr. QUIE. Yes.

Mr. HOWE. We will develop them and send them to you.

May we do that for the record?

Mr. QUIE. Yes.

(The information follows:)

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE, OFFICE OF EDUCATION

HIGHER EDUCATION AMENDMENTS OF 1968—ADMINISTRATION'S VERSION

	1969	1970	1971	1972	1973
NEW OBLIGATIONAL AUTHORITY					
Title I—Amendments to title I, Higher Education Act, community service and continuing education programs	$10,000,000	$50,000,000	$60,000,000	$70,000,000	$80,000,000
Title II—Amendments to title II, Higher Education Act, Library Development:					
Part A—College library resources	25,000,000	85,000,000	90,000,000	95,000,000	100,000,000
Part B—Library training and research, and library school program development	11,800,000	28,000,000	38,000,000	54,500,000	83,000,000
Part C—Strengthening college and research library resources through library of Congress	5,500,000	11,100,000	----------	----------	----------
Title III—Strengthening developing institutions; improvement of graduate schools—Amendments to title III, Higher Education Act, and other statutes:					
Extension of developing institutions program	35,000,000	70,000,000	91,000,000	96,500,000	100,000,000
Improvement of graduate programs	10,000,000	20,000,000	31,000,000	43,000,000	53,000,000
Increase in cost-of-education allowance [1]	3,185,000	5,240,000	2,055,000	----------	----------
Title IV—Student assistance:					
Part A—Consolidation of educational opportunity grant, national defense student loan, and work-study programs:					
Educational opportunity grants	140,600,000	250,000,000	350,000,000	550,000,000	750,000,000
Student loans and work-study programs	329,000,000	550,000,000	580,000,000	595,000,000	610,000,000
Teacher cancellations	1,400,000	2,200,000	3,100,000	3,200,000	3,400,000
Loans to instututions	2,000,000	2,500,000	2,500,000	3,000,000	3,000,000
Part B—Amendments to student loan insurance programs:					
Advances to State and nonprofit private reserve funds	12,500,000	----------	----------	----------	----------
Payments to reduce student interest costs and fees payable to eligible lenders	62,900,000	137,844,000	171,187,000	208,274,000	243,999,000
Federal loan insurance program [2]	----------	----------	7,552,000	24,362,000	24,463,000
Part C—Special services for disadvantaged students:					
Contracts to encourage full utilization of educational talent	8,500,000	12,000,000	18,000,000	24,000,000	30,000,000
Special services for disadvantaged students	15,000,000	35,000,000	55,000,000	75,000,000	95,000,000
Part D—Amendments to national defense fellowship program	92,600,000	148,700,000	165,000,000	198,600,000	209,500,000

See footnotes at end of table.

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE, OFFICE OF EDUCATION

HIGHER EDUCATION AMENDMENTS OF 1968—ADMINISTRATION'S VERSION—Continued

	1969	1970	1971	1972	1973
Title VI—Instructional equipment and materials:					
Part A—Equipment and materials for higher education—Amendments to title VI, Higher Education Act:					
Television equipment	$1,500,000	$1,500,000	$1,500,000	$1,500,000	$1,500,000
Other equipment	13,000,000	13,300,000	13,500,000	13,500,000	13,500,000
Part B—Equipment and materials for elementary and secondary education—Amendments to title III, National Defense Education Act	17,950,000	120,000,000	130,000,000	140,000,000	150,000,000
Title VII—Guidance, counseling, and testing—Amendments to title V, National Defense Education Act	22,000,000	45,000,000	54,000,000	66,000,000	77,000,000
Title VIII—Language development—Amendments to title VI, National Defense Education Act	19,050,000	30,000,000	38,500,000	40,500,000	42,500,000
Title IX—Networks for knowledge	8,000,000	33,000,000	57,000,000	80,000,000	90,000,000
Title X—Amendments to general provisions of Higher Education Act and National Defense Education Act:					
Dissemination of information		2,000,000	2,400,000	2,700,000	3,000,000
Program planning and evaluation for higher education programs	1,117,000	1,900,000	2,320,000	2,740,000	3,160,000
Title XI—Amendments to Higher Education Facilities Act:					
Grants for construction of undergraduate academic facilities (title I)	[3] 936,000,000	382,000,000	358,000,000	344,000,000	336,000,000
State administration and planning	[3] 7,000,000	7,000,000	7,000,000	7,000,000	7,000,000
Grants for construction of graduate academic facilities (title II)	[3] 120,000,000	50,000,000	50,000,000	50,000,000	50,000,000
Loans for construction of academic facilities (title III)	[3] 400,000,000	200,000,000	200,000,000	200,000,000	200,000,000
Title XII—Education for the public service:					
Part A—Grants and contracts to strengthen and improve education for the public service	4,600,000	10,080,000	10,000,000	10,000,000	10,000,000
Part B—Public service fellowships	5,400,000	15,953,000	31,406,000	41,459,000	46,359,000
Total, new obligational authority	[4] 2,321,502,000	2,319,237,000	2,620,020,000	3,039,835,000	3,415,381,000

[1] Amendments cover fellowship programs under part C of Education Professions Development Act and title IV of National Defense Education Act. Amounts represent increased costs for part C for which authorization for new awards expires June 30, 1970. Increased costs for title IV are included in total costs under part D, title IV of amendments which would extend program for 5 years.

[2] Claims on default and death: Negligible in 1969 and 1970.

[3] Currently authorized.

[4] Includes $1,463,000,000 currently authorized.

Note: The projections contained in this table represent the best departmental estimates available at this time and do not represent the administration's position on future programs or budgetary requirements.

Mrs. Green. Are there any other questions on this part? Do you want to continue?

Mr. Howe. I will go ahead to our networks for knowledge proposal which I think I can describe best by reading the testimony here, starting in the middle of page 31.

A new program, networks for knowledge, would become title VIII of the Higher Education Act, designed to encourage such resource-sharing among institutions of higher education. Emphasis would be placed on the stimulation of arrangements whereby institutions of higher education would share technical and other educational facilities and resources, while maintaining institutional identities.

The Commissioner of Education would be authorized to make grants to institutions of higher education to support the planning and operation of such sharing agreements. In certain instances, grants might be made to other established agencies and organizations, including professional organizations or academic societies—for example, for the development of a common program in a special subject field to be used in computer-assisted instruction, the subject-matter professional association might be the most effective grantee.

Funds could be used for development and operation of a series of interinstitutional arrangements:

Collection and sharing of curricular materials and information on modern curricular advances: This could take many forms, such as creation of a curriculum clearinghouse, for a geographic region or a specific subject-matter area.

An institution which had conducted indepth research into a facet of instructional content or technique could share its findings with other interested colleges and universities. Needless duplication in curriculum development could be avoided, if institutions were aware of the curricular materials available to them.

Development of effective systems of processing and maintaining financial and student records; multi-institutional arrangements for standardization or simplification of recordkeeping could prove extremely beneficial to a number of our colleges and universities. Perhaps such a simplified system could be combined with a centralized data processing facility, for which each participant would be assessed a pro rata share.

Joint use of facilities such as classrooms, libraries, or laboratories:

Library networks, providing access to collections of materials in the possession of a number of institutions. Some institutions of higher education have already established library consortiums to reduce the costs of maintaining specialized library collections in a large number of fields.

However, in the main such consortiums have consisted of colleges large enough and wealthy enough that each would have a specialized, expensive library to "contribute" to the system. Federal assistance to a multi-institution library network might assure that the poorer institutions—those who need the most to share library resources—would be able to participate.

Establishment and joint operation of closed-circuit television facilities: Such TV networks would allow institutions to share their faculties by wire and could result in improvement of quality while limiting costs.

Planning and operation of electronic computer networks: Sharing of a single centralized computer by a number of institutions can cut the costs to any single institution significantly, while still providing sufficient computer time for processing of financial or student records, student course work, or transmission of library or other materials, or providing a resource for faculty research.

The scope of the computer's use, as part of an educational network, would be limited only by the imagination of the group of institutions proposing the project.

Exchange of faculty on a part-time of full-time basis: Less wealthy institutions may not be able to afford—or use—the full-time services of a distinguished professor. Again, sharing would enable more schools and more students to benefit from a single faculty member's knowledge.

For fiscal year 1969, it is requested that $8 million be authorized to be appropriated for resource-sharing programs, with such sums as might be necessary for the next 4 fiscal years. Funds are not to be spent for providing capital equipment, library resources, or other assets to a single institution. These are intended, instead, to pay the costs of transmission or other changes incident to establishing a network.

Madam Chairman, I might observe that this proposal probably had its origin in a walk I took with Secretary Gardner on the Mall one day. We were discussing the affairs of higher education. He observed that there were a great many networks developing among institutions of higher education across the country but that they always seemed to neglect the professor in his classroom; that he seemed to be very much alone while there were networks for such matters as admissions problems, for such matters as student aid, for all the administrative affairs of the institution. He raised the question of whether it would not be possible to do something to get higher education institutions to think about sharing their strengths and particularly their instructional and research and academic strength in new ways, and perhaps to make the teacher in the classroom a less lonely figure, a person who was fortified by resources from outside his own institution. That walk took place 2 years ago.

Now we are coming up with an idea. I think there are clear evidences already of institutions' having moved in this direction on their own in very effective ways. There is nothing original about this. But this seems to us an important development to encourage; particularly for certain specialized resources and particularly with the possibility of modern communications technique, it seems to us that this kind of encouragement might result in improvements in efficiency and improvement in quality of higher education. That is why we bring this proposal before you.

Mrs. GREEN. Under title I of the Facilities Act, can grants be made to a group of colleges working together on a cooperative basis?

Mr. MUIRHEAD. Under title I of the Facilities Act, I suppose this could be possible if, first of all, the project met the priority standards of the State commission and did result in the construction of facilities to meet enrollment increases.

Mrs. GREEN. Have you ever given such a grant?

Mr. MUIRHEAD. We have not.

Mrs. GREEN. Have you under title II?

Mr. MUIRHEAD. Under title II which is the graduate facilities provision of the Higher Education Facilities Act, we have not supported a consortia type of facility, to my knowledge.

Mr. HOWE. I think the basic response here is that institutions think of themselves alone when they think of building university facilities and they don't always think of what the possibilities might be for pulling in other institutions. We would encourage them to think of that possibility.

I think that kind of network which we are suggesting, which does not include capital construction at all, might have an influence on the construction side and might encourage institutions to think about joint planning for construction possibilities——

Mrs. GREEN. As I recall we specifically wrote into title II authority for cooperative efforts. It is my recollection we did this because there were a lot of cooperative efforts.

Why would it not be advisable to stress this too in terms of facilities in title I as well?

Mr. HOWE. I think it is a very good suggestion to stress the facilities side of this. I think we probably have adequate authority, don't we, Mr. Muirhead, to do this?

Mr. MUIRHEAD. Yes; we do have adequate authority.

Mrs. Green is quite correct in pointing out that this is one of the goals that we had hoped to achieve through title II, that we would find the universities joining together and sharing their resources. It has not emerged.

I think one of the reasons is that there would have to be a new board set up representing the constituent parts; that board would be representative not only of the universities but the communities to be served. This has proven to be a difficult thing for universities to achieve.

I would like to second what the Commissioner has just said, that we should encourage these efforts, not only with respect to the proposal for the education networks but also with respect to the proposal for strengthening graduate education. If we could find some way by which graduate schools could combine their resources, the whole concept of sharing resources should be stressed.

Mr. HATHAWAY. I wonder if you would go a step further and apply a little mild coercion by way of withholding funds unless universities that were close together and could cooperate very easily came up with a plan for cooperation?

Mr. HOWE. I have discovered that withholding funds is not a popular exercise. So I think maybe we ought to do it through encouragement and suggestion rather than withholding funds.

Mr. HATHAWAY. They both could amount to the same thing.

What I was wondering is whether you thought we should write into law words to that effect. It seems to be a waste of money to be building libraries that are only a half mile apart and doubling the amount of money that we would have to spend.

Mr. HOWE. You are suggesting writing this into the Higher Education Facilities Act?

Mr. HATHAWAY. Yes.

Mr. HOWE. Suggesting a concept of a bonus or planning money to make the exercise possible or something of that kind?

Mr. HATHAWAY. Right.

Mr. HOWE. I think this is well worth exploring. We would like to look at the language that is there now and perhaps make a suggestion to you.

Mr. HATHAWAY. Thank you.

Mrs. GREEN. What about the same kind of inducement in the network provision? With the explosion of knowledge, I am told that all the colleges cannot possibly have adequate libraries.

Mr. HOWE. Of course, in the network provision you have a basic requirement that there must be multi-institutional involvement right from the beginning.

Mrs. GREEN. We have other programs that contribute, for instance, to libraries. If we went back and dovetailed these together so that it would be real inducement on all the programs to make cooperative efforts.

Mr. HOWE. You are suggesting the application of the networks proposal in such a way that it would influence title II of the Higher Education Act, for example?

Mrs. GREEN. Yes.

Mr. HOWE. I see real possibilities here.

Mr. MUIRHEAD. Might I add, too, that there are real possibilities in title III of the Higher Education Act—the developing institutions program. There has emerged in that program a very substantial use of the cooperative arrangement and the consortium in carrying out the purpose of the legislation.

Mr. QUIE. Speaking about cooperation, what about more cooperation within the institutions? I am thinking of some of the schools that have audiovisual equipment whose departments don't share with each other across the corridor. I'm not talking about another institution a half mile away; how about sharing resources across the corridor?

If you are going to use inducement, I suppose you could give them a bonus for cooperating.

Mr. QUIE. How about exchange of faculty, the last item you have, 33; isn't that a complete duplication of the developing institutions?

Mr. HOWE. Not necessarily, because first of all, all institutions are eligible under this proposal. This might lead, for instance, to an exchange of faculty among two or three or four institutions that were in no sense developing institutions.

Mr. QUIE. They just happen to be less wealthy.

Mr. HOWE. No; not at all. This could involve two major institutions that wanted to share faculty on some mutually agreeable arrangement so that a particular esoteric specialty could be met that did not require faculty at both places.

I think this is really addressed to the possibility that with modern means of communication available, a very able professor in a particular field can teach at three institutions if the arrangement can be made for it and this sort of thing is happening.

I recall several years ago when Henry Steel Commager was, I believe, teaching at three institutions at one time and stimulating all of them. I think that was a good thing. It cost some extra money. It is a simple concept. I think we ought to make that kind of thing possible.

Mr. QUIE. You think the Federal Government ought to be setting up all these networks and programs?

Mr. HOWE. No; we will not be setting them up. The proposals will be made to us because the institutions get together.

Mr. QUIE. You want the Federal Government to fund this? I think there is such a myriad of Federal programs that the fabric is going to be pretty big after a while. I understand that the institutions need money and the Federal Government is the source of the money. I have proven through the years that I strongly support that idea. But it rather appalls me to have a network for knowledge, NFK, just on top of everything else we have.

It seems to me we should move to an institutional grant and let the institution make decisions because they must have been walking on the Mall and coming up with ideas, too.

Mr. HOWE. Let me say I agree with you that we need to find the way to provide institutional grants for general support of institutions of higher education. You will find in the President's message a directive to the Secretary of HEW to do exactly that, in recognition that there is a need for this.

This is a very complex problem of finding the kind of formula or funding arrangement which will pay attention to the very diverse spectrum of higher education in the United States.

Mr. QUIE. You are saying that there are private institutions and that others are public.

Mr. HOWE. Not only that. There are private institutions that cut across the full range of activity from the University of Chicago to a struggling Negro college in Florida.

We must seek the kind of institutional grant arrangement that will be fair and reasonable to both those extremes of the private spectrum. You will find the same kind of problem on the public side.

As you begin to explore this issue of what people call general aid to higher education, as I have been exploring it this past year very vigorously, you rapidly find that to reach the formulation which is acceptable to the higher education community is not simple.

Mr. QUIE. We have many of these little programs and you still have the same problem of reaching all these institutions but they are so caught in the confusion of what all these programs are that they never get to the point of battling with each other to decide who is to receive so much money from general aid.

Mr. HOWE. I understand they find out very rapidly what the programs are and apply for them very vigorously and make use of them very well.

Mr. QUIE. I am thinking of the personnel to go through the catalog of programs.

Mr. HOWE. It takes some energy; there is no question about that.

Mr. QUIE. You need a catalog of a catalog.

Mr. ERLENBORN. I make an observation we are getting into a greater area of grantsmanship, a subject that has bothered our subcommittee.

Another thing that bothers me about this proposal, I think I detect a proposal for a new network of regional laboratories for higher education. Isn't that so?

Mr. HOWE. No; none of us intended to imply a network of new institutions in this of any kind. What we are really addressing ourselves to is sharing the strengths that the institutions have and promoting efficiency in institutions.

Mr. ERLENBORN. My recollection is that I didn't, and several members of the committee didn't, anticipate the regional laboratory setup when we saw the legislation before us. I am a little suspicious that this is here even though it may not be too obvious.

Mrs. GREEN. Will you yield?

Mr. ERLENBORN. Yes.

Mrs. GREEN. I might suggest it might be appropriate to write language on the limitation in this bill on the regional laboratories.

Mr. ERLENBORN. It might be. At least, we ought to give this some consideration.

I notice this program as well as one or two others here have 1-year authorizations spelled out in dollar terms and the next four such sums as may be necessary. Mr. Quie addressed that problem.

I would like to ask, isn't there Public Law 801, I believe it is, that when a proposal for a new program is made it would require you to give us a 5-year projection of costs at the time that this is submitted?

Mr. HOWE. I was not aware of that technicality. I was aware that whenever we come up here with this phrase "such sums as may be necessary," we always get asked for the 5-year projection and we always supply it. So, we certainly shall.

Mr. ERLENBORN. I would like, if you would, for your counsel to give us a memo on the application of Public Law 801 as a requirement of law that you apparently have not complied with, not as a technicality.

Mr. HOWE. We shall.

(The document follows:)

APPLICATION OF PUBLIC LAW 84–801

Public Law 84–801 requires agencies to submit five-year manpower and cost projections in proposing or reporting on legislation which, if enacted, will entail an estimated annual expenditure of appropriated funds in excess of $1 million.

H.R. 15067, the proposed Higher Education Amendments of 1968, authorizes only "such sums as may be necessary" for fiscal year 1970 and succeeding fiscal years. Since the amount "necessary" for the programs will be determined annually in the course of acting on the budget and appropriations, the Administration did not propose specific amounts when it submitted the legislation.

In our investigation of the application of P.L. 84–801, we have found that we should be submitting such estimates along with the proposed legislation. This will be done in the future. We have provided cost estimate tables for H.R. 15067 to be inserted at an earlier point in the hearing record. These projections represent merely the best estimates of the Administration, based on current assumptions. They do not represent the Administration's position on future programs or budgetary requirements.

Mrs. GREEN. I must say I like the recommendation and the proposals you make. I wish we had enough money to put them into operation. It does concern me to start new programs in the field of higher education at the same moment we are cutting so sharply existing programs.

Have you given any though to the impact on our undergraduate institutions of the returning GI's who will now have the GI bill which will enable them to go to college?

Mr. HOWE. I think that the projections that we have used in looking at added space for higher education, which I think is what you are talking about, have taken into consideration the expansion of Federal aid programs of all kinds.

If you are bringing up the question of the reduction in facilities proposed in the coming year's budget, I think the best way to describe that effect to you, and Mr. Muirhead can give you some more detail, is to say that that reduction both this year as a cost saving item and next year as an appropriations item—will have the effect of delaying by 2 years our 10-year projection for providing adequate space for higher education. This will be the actual effect of it.

So that we will reach the objective that we have been seeking in our projects over a 10-year period, but we will reach them 2 years later.

Mrs. GREEN. Can you give me the assurance that will be the case or will you request only a small percentage again next year?

Mr. HOWE. I can't give you the assurance but I can express an intention to try to move in that direction.

Mrs. GREEN. The authorization for the grants for undergraduate and graduate facilities in titles I and II is $1.05 billion; is that correct?

Mr. MUIRHEAD. Yes.

Mrs. GREEN. You are requesting $75 million for fiscal year 1969.

Mr. HOWE. In actual appropriation funds.

Mrs. GREEN. That seems to me——

Mr. QUIE. For a total of what obligational authority?

Mr. HOWE. The loan authority——

Mr. QUIE. Not loan authority. You have requested a $75 million appropriation but you also have something in the pipeline on grants.

Mr. HOWE. We are transferring some funds to come from this year's cost savings program into next year's obligational authority so that our obligational authority for next year will be how much, Mr. Muirhead?

Mr. MUIRHEAD. The obligational authority for next year will be $375 million including titles I, II, and III of the Higher Education Facilities Act which, of course, includes the loan program.

Mrs. GREEN. Leaving out the loans?

Mr. MUIRHEAD. Leaving out the loan program of $150 million, the total would be $225 million.

Now, that obligational authority comes, of course, from the cost reduction that was effected this year and will be carried over to next year.

Perhaps to put this into a context that we could respond to, our 10-year projections that the Commissioner referred to a moment ago had anticipated an annual level of support in the facilities program of $650 million in both 1968 and 1969. That, of course, included titles I, II, and III. The cost reduction in 1968 postponed the obligation of one-third that amount until fiscal year 1969.

So that now, rather than having funds available at an annual level of $650 million in 1968 and in 1969, we will have committed in 1968 $450 million and $375 million in fiscal year 1969, a net reduction over the 2 years of funds available for construction purposes of $475 million.

Mrs. GREEN. This does mean that in the following year there will not be money in the pipeline; it will all be used up; so the impact will be greater than in 1970 and 1971.

Mr. HOWE. The actual dip in buildings will come in 1971, this being a 3-year pipeline, approximately.

Mrs. GREEN. I would also like to place in proper context a letter from the Educational Coordinating Council in Oregon on the community colleges and they make reference to the advice that they have apparently received from HEW on the one-third cut. The total project cost estimates $34 million; the Federal share of the project as they were led to believe would be $13,849,000.

But instead the funds available to Oregon under the present proposals by HEW will be $903,381 or 5.8 percent for community colleges.

Then in 4-year institutions, with the total project cost estimates of $18 million, the Federal share of $6 million, and the actual funds available, $2 million, or 39 percent of what they planned.

Now, what does that do to enrollments in Oregon and if the experience of the GI bill after World War II is any criterion or any indication of what we can expect we are going to have a lot more coming in than earlier projection figures.

Mr. HOWE. I don't understand the percentages there, this 5 and 39 percent of what they planned.

I think a realistic percentage figure to cite would be really the percentage that will be available of what would have been built if the normal Federal program had operated. Whatever they had planned might have been astronomical, but the regular Federal program without cuts would not necessarily have taken care of it.

So, I don't fully understand those percentages.

The only answer I can give you to your question is that we are going to reach this objective of providing adequate facilities and that we are going to have a time delay of approximately 2 years as a result of these actions. We believe that we have made the right decision in taking the additional funds we have available and putting them into immediate, present, this-year needs.

The budget focuses on student services and teacher-training services and these kinds of human resource services as compared to the facilities program which we believe can withstand this 2-year delay but which has a very special impact on inflationary problems.

Faced with difficult decisions of this kind, we believe this is a sensible decision to make.

Mrs. GREEN. I notice that major cuts are recommended in the Federal Impact and the Higher Education Facilities Act—two programs which are fairly popular in Congress.

Do I assume that there would not be strong opposition by the administration if Congress in its wisdom saw fit to increase these?

Mr. HOWE. Well, the administration is never opposed to the wisdom of the Congress.

Mrs. GREEN. You would not oppose an increase?

Mr. HOWE. We believe that the budget we have presented should be enacted as presented.

Mrs. GREEN. What would be your reaction if we, as I think there is some merit to the suggestion of getting these new programs on the books—if we wrote in a proviso for all of the new programs that they not be funded until existing programs are fully funded?

Mr. HOWE. I would regard that as a step backward. I think that these new programs have great hope for students and very great hope for higher education institutions.

I think that to attempt to legislate appropriation action in this fashion really removes from the administration and from the Appropriations Committees the duties they have to plan for appropriations. It would seem to me that that would result in less good planning for the use of funds. It would also deny the opportunity to students and to higher education institutions to benefit from programs that are very hopeful. I would hope you would not do that.

Mrs. GREEN. So that we would not be interfering with your appropriations we could certainly provide that the programs not be authorized until 1971.

Mr. MUIRHEAD. Madam Chairman, because the very largest cut in the higher education programs has come in construction, it might be helpful if we were to provide for the committee an analysis of the impact of that cut and what might happen under several options. What might happen, if, for example, expenditures for facilities were restored to the planned level, let us say in 1970 or in 1971, so that you could assess the impact of this cut on the accomplishment of the goal embodied in the Higher Education Facilities Act. That legislation has set as its goal, the closing of the gap, if you will, between the volume of facilities, needed to meet higher education enrollment and the construction capacity of the colleges and universities. We had hopefully planned to achieve that objective by 1973.

The program which had been laid out would have closed that gap, with the planned expenditures, by 1973.

If we could provide for you now information that would indicate what the state of affairs will be in 1973 as a result of this cut and how much longer it might take to fully close the gap—which was the original intention of the act—then I think you might have the choices before you.

(The analysis referred to follows:)

ANALYSIS OF THE IMPACT OF REDUCED HIGHER EDUCATION FACILITIES ACT FUNDING LEVELS IN FISCAL YEARS 1968 AND 1969

As a result of reductions due to overall budget ceilings, a total of $450 million has been authorized for new obligations in fiscal year 1968 under the Higher Education Facilities Act. The requested program levels for fiscal year 1969 total $325 million.

Earlier Office of Education projections had assumed total new obligations under the Higher Education Facilities Act at a level of $650 million in both fiscal year 1968 and fiscal year 1969, tapering off gradually each subsequent year through fiscal year 1973.

On the basis of the original assumption, it was estimated that the academic facilities quantity gap, which apparently reached maximum severity in the fall of 1967, would be progressively reduced to manageable proportions by the end of fiscal year 1973.

As estimated originally, the situation in the fall of 1973 would have been about as follows:

A remaining shortage of needed academic facilities totaling about 32 million gross square feet, or about 5 square feet for each of the 7,038,000, full-time equivalent students expected to be enrolled at that time; or

Expressed another way, a shortage of space equal to adequate capacity for about 211,000 full-time students.

Assuming that funds are made available at the levels originally projected for fiscal years 1970 through 1973, the long-range effect of the fiscal year 1968 and 1969 reductions will be to change the estimated situation in the fall of 1973 to—

A remaining shortage of needed academic facilities totaling about 65 million gross square feet, or about 10 square feet per full-time equivalent student;

A shortage of space equal to adequate capacity for about 436,000 full-time students.

In other words, the estimated effect of the reductions will be construction of about 33 million square feet less of academic facilities, thus providing capacity for about 220,000 to 225,000 fewer full-time students. The projected effect of the program reductions, however, is placed in perspective by a comparison with the situation which existed when the Higher Education Facilities Act was first funded, and the situation which existed in the fall of 1967.

	Estimated deficiency in number of student places	Estimated deficiency in gross square feet	
		Per student	Total
Fall of 1964	599,000	22	90,000,000
Fall of 1967	1,073,000	30	161,000,000
Fall of 1973 after reductions	436,000	10	65,000,000
Fall of 1973 as originally projected	211,000	5	32,000,000

Actually, new construction commitments assisted by the Higher Education Facilities Act were highest in the years in which the academic facilities quantity gap was the greatest. However, because availability of completed facilities inevitably lags two or three years after the Federal commitments, the largest Federal (Higher Education Facilities Act) contribution toward reducing the gap is projected for the two fiscal years in which substantial funding reductions are indicated (1968 and 1969).

Figure I and Tables I, II, and III provide detailed information regarding the basis by which the impact of the Higher Education Facilities Act has been estimated, both according to earlier funding projections and with the reductions indicated for fiscal years 1968 and 1969.

Table I illustrates the estimated relationships among amounts of program funds committed, total cost of facilities for which new commitments are made, and the cost of facilities completed with Federal participation. Table II translates the dollar values of facilities completed into gross square feet constructed and impact of completed square footage on reducing the academic facilities quantity gap. Table III converts the square footage data into student enrollment capacity, as "places" for full-time students, on the basis of a generally accepted *overall* planning factor of 150 gross square feet of academic space per full-time equivalent student. (This is about the space-to-student ratio that existed in the Fall of 1958, before the massive enrollment growth experienced during the nineteen-sixties.)

The data presented are the best available. They have been carefully and systematically developed on the basis of a series of Office of Education surveys and experience to date in the Higher Education Facilities Act programs. They do, however, represent projections from a base inventory of college facilities which is about ten years old. (An adequate updated inventory should become available about one year from now.) Estimates of future square feet completed are based on a factor for modest annual increases in the development cost per square foot, but costs have been increasing at a faster rate in recent months.

The data obviously are subject to the limitations inherent in broad statistical averages and long-range projections. Many colleges are better off and

many others are much worse off than the averages indicate. Over the long term, costs may increase more or less rapidly than projected, and enrollment growth may be faster or slower than projected.

Nevertheless, a few generalizations seem to be beyond question: (1) the quantity gap in academic facilities grew larger in the early years of the Higher Education Facilities Act because the Act came along three years later than needed to prepare for the enrollment bulge; (2) if the Higher Education Facilities Act is continued at the projected levels beginning in fiscal year 1970 (but without restoration of the FY 1968 and FY 1969 reductions) the quantity gap will be gradually reduced below its current level, although the gap remaining in 1973 would be larger than is considered desirable; but (3) if the reduced levels are sustained beyond 1969 the quantity gap will again begin to grow substantially.

The earlier Office of Education goals for the Fall of 1973 could be reached one year later, by the Fall of 1974, if the $200 million reduction for Fiscal Year 1969 (plus a 10 percent increment for increased costs) is added to the projected amount ($632 million) for Fiscal Year 1970, and the $275 million reduction from earlier projections for Fiscal Year 1969 (plus 10 percent) is added to the projected amount ($608 mililon) for Fiscal Year 1971.

Two other qualifications on the validity of these projections should be noted. First, they include a substantial, though slightly moderated, continuation of the current high levels of non-Federal effort. (In this connection, non-Federal effort has generally followed a cyclical pattern consistent with State biennial appropriations of funds for plant expansion.) How well this effort may continue to be sustained by the colleges and the State and local governments is perhaps subject to some question. Second, the statistics deal only with need in terms of quantity of space, and leave untouched the question of quality of existing space. The extent and nature of a possible quality gap should become clearer after updated inventories and comprehensive planning projects are completed in the next two or three years.

The academic facilities problem is not yet solved, but substantial progress is now being made and will continue to be made in the immediate future, even with the fiscal year 1968 and 1969 reductions in Federal funds for academic facilities. The presently planned Federal funds will not, of course, come close to meeting all the needs expressed. With carefully defined criteria for determining priorities however, they should be able to meet all the truly critical needs in the immediate future.

In the meantime, widespread activities for research and analysis now underway and planned for the near future, should provide a much more clearly defined estimate of the situation within the next two or three years.

TABLE I.—RELATIONSHIPS AMONG HEFA PROGRAM FUNDS COMMITTED, ESTIMATED COST OF BUILDINGS FOR WHICH COMMITTED, AND COST OF BUILDINGS COMPLETED WITH HEFA ASSISTANCE

[In millions of dollars]

Fiscal year	Total HEFA program funds committed	Total cost of buildings for which new HEFA funds commitments were made	Total cost of new buildings completed with HEFA assistance
1965	$392.1	$1,272.0	$106.1
1966	626.8	2,140.0	299.2
1967	710.7	1,701.0	723.0
1968 [1]	650.0	1,625.0	1,538.2
1968 [2]	450.0	1,125.0	1,528.2
1969 [1]	650.0	1,625.0	2,031.1
1969 [2]	375.0	937.5	1,952.3
1970 [1]	632.0	1,580.0	1,753.9
1970 [2]			1,389.5
1971 [1]	608.0	1,520.0	1,685.1
1971 [2]			1,157.0
1972 [1]	595.0	1,487.5	1,583.9
1972 [2]			1,377.6
1973 [1]	586.0	1,465.0	1,532.7
1973 [2]			1,527.7
1974	586.0	1,465.0	1,493.9

[1] Estimated on basis of original target levels, fall 1967.
[2] Reduced estimates, reflecting reductions in fiscal years 1968 and 1969 levels, assuming original target levels unchanged for fiscal years 1970 through 1973.

TABLE II.—ESTIMATED IMPACT OF THE HIGHER EDUCATION FACILITIES ACT OF 1963 ON THE ACADEMIC FACILITIES QUANTITY GAP

Academic year	Full-time equivalent enrollment [1] (thousands)	Academic facilities needed	Academic facilities available [1]	Quantity gap [2]		Academic facilities completed	
				Total [1]	Per student [3]	Total [1]	Assistance [1]
1958–59	2,658	398,700	404,400	None	None		
1963–64	3,693	553,950	498,859	55,091	15	28,114	173
1964–65	4,112	616,800	526,978	89,822	22	32,034	2,880
1965–66	4,667	700,050	559,007	141,043	30	41,282	8,121
1966–67	5,052	757,800	600,289	157,511	31	59,554	19,374
1967–68	5,472	820,800	659,843	160,957	30	71,502	40,029
Original projection [4]			659,843	160,957	30	76,330	40,497
1968–69	5,808	871,200	731,345	139,855	24	57,822	49,170
Original projection			736,178	135,022	23	64,222	51,852
1969–70	5,919	887,850	789,167	98,683	17	66,206	33,649
Original projection			800,395	87,455	15	73,521	42,947
1970–71	6,135	920,250	855,373	64,877	11	49,814	26,943
Original projection			870,521	49,729	8	55,318	39,608
1971–72	6,411	961,650	905,187	56,463	9	50,991	30,847
Original projection			928,839	32,811	5	56,629	35,694
1972–73	6,723	1,008,450	956,178	52,272	8	34,275	32,999
Original projection			985,464	22,986	4	38,062	33,214
1973–74	7,038	1,055,700	990,453	65,247	10	51,976	30,926
Original projection			1,023,526	32,174	5	51,976	30,926

[1] Thousands of gross square feet.
[2] Based on overall average planning factor of 150 gross square feet of academic facilities per FTE (full-time equivalent) student.
[3] Gap per student in gross square feet.
[4] Original projection means before fiscal years 1968 and 1969 reductions. Original levels were $650,000,000 for both years

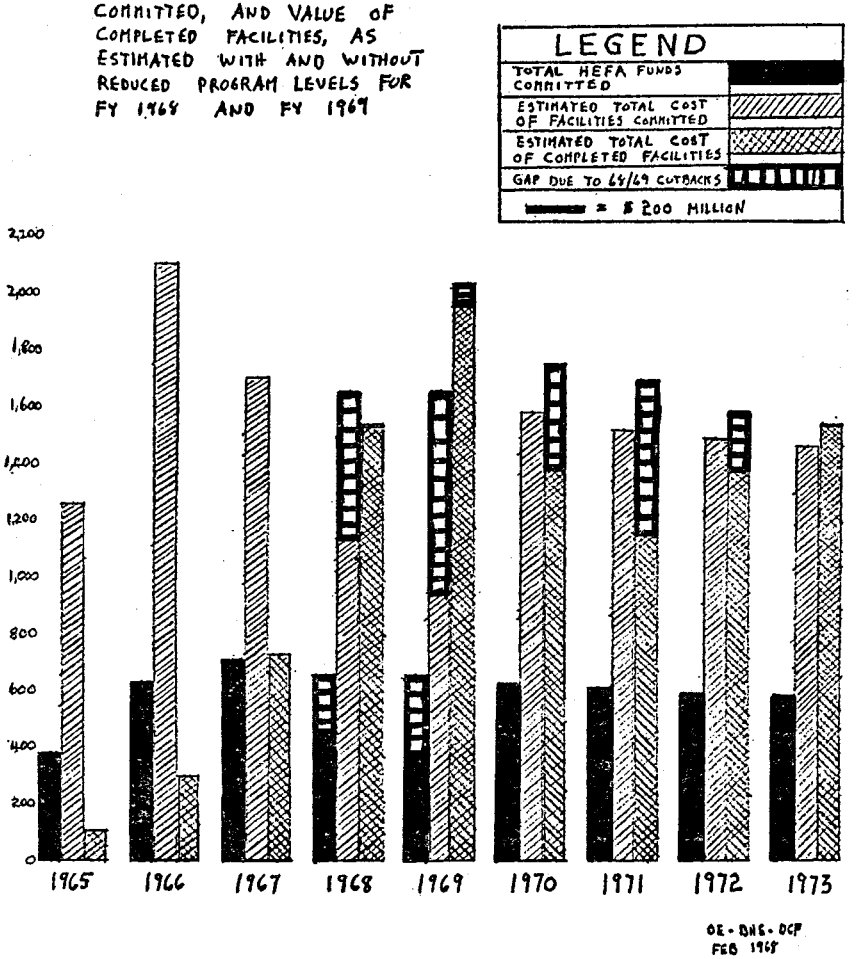
TABLE III.—COMPARISON OF ESTIMATED ENROLLMENT INCREASES WITH ESTIMATED NUMBER OF ADDITIONAL STUDENT PLACES PROVIDED BY ADDITIONS IN ACADEMIC FACILITIES [1]

Academic year	Full-time equivalent student enrollment increase	Opening deficiency in number of student places [2]	Number of student places provided by added facilities [2]	
			Total	HEFA assistded
1964–65	419	599	214	19
1965–66	555	940	275	54
1966–67	385	1,050	397	129
1967–68	420	1,073	477	267
Before cut [3]		1,073	509	270
1968–69	336	932	385	328
Before cut		900	428	346
1969–70	111	658	441	224
Before cut		583	490	286
1970–71	216	433	332	180
Before cut		309	369	264
1971–72	276	377	340	206
Before cut		216	378	238
1972–73	312	349	228	220
Before cut		150	254	221
1973–74	315	436	347	206
Before cut		211	347	206
1974–75	299	388	(4)	(4)
Before cut		163	(4)	(4)

[1] All figures represent thousands of students, rounded to nearest 1,000.
[2] Based on overall average planning factor of 150 gross square feet per full-time equivalent student.
[3] Before cut means as previously projected based on original target levels of $650,000,000 HEFA funds in fiscal year 1968 and fiscal year 1969.
[4] Not estimated.

FIGURE I

HIGHER EDUCATION FACILITIES ACT FUNDS, VALUE OF FACILITIES COMMITTED, AND VALUE OF COMPLETED FACILITIES, AS ESTIMATED WITH AND WITHOUT REDUCED PROGRAM LEVELS FOR FY 1968 AND FY 1969



Mr. MUIRHEAD. It seems to me that, of course, the reduction is hurting and we are hearing about it. But it also seems to me that he colleges and universities may very well find that these reductions in the years immediately ahead will be reflected not so much in closing the door to college admissions for young people as in having additional numbers of young people housed in facilities that are not as good as they should be, that are not of the standard the Higher Education Facilities Act had hoped to achieve——

Mr. GIBBONS. May I interrupt at that point?

I think we have to look at this realistically, too. I would wish that we could put up the money. On most campuses that I visit there is always room for greater utilization of physical facilities. I am talking about

longer workweeks and longer workdays and greater efficiency of the use of student stations.

While I hate to put the universities in a tighter bind, I think that we have to really take a look at greater utilization of facilities. That is the problem. Most of the universities are still operating on a 5-day week and they are not operating late in the evenings.

We still have an impact of students in the fall and a drop off in the winter-spring, and practically 25-percent utilization of our facilities in the summertime. I think these are luxuries that perhaps we at this time can't afford and we need to tighten our belts not only in some of the ways that are being done in other programs but in this.

In the long run—I would hate to philosophize this way—but it may be good for universities and students.

I notice checking enrollments in Florida institutions that in the fall quarter or semester the student enrollment is about 10 or 20 percent higher than it is in the spring. In the summer, it is only operating at about 25 percent of its capacity that it used in the fall.

They still are not using Saturdays, evenings, and so forth for facilities. I don't know how many student stations are unused even in the fall semesters.

Mr. HOWE. Mr. Gibbons, may I make a brief comment?

I agree with you entirely.

I made a speech on this subject to a group of men who are responsible in the States for administering the Higher Education Facilities Act when they met in Raleigh, N.C., a short while ago. It was not well received by them. I am sure there are some institutions that are run very efficiently and it is difficult, as always, to generalize.

I am sure that the higher education institutions have not disciplined themselves on the use of facilities and it is important to do this.

When I look at the fact that the Federal Government is now providing about 23 percent of the operational cost of all higher education in the United States and that that percentage is likely to rise over the next 10 years, I think this question is going to be raised more and more, and quite appropriately raised.

Mrs. GREEN. Maybe it would be appropriate for institutions of higher education to do a study of the utilization of the Rayburn Building and the HEW building.

Mr. GIBBONS. I would be glad to start with my office.

Mr. HOWE. I will match the HEW building against the Rayburn Building in that study.

Mrs. GREEN. You know, I hope that the Office of Education is not going on the record here that we don't have full utilization of facilities. These words will be played back if the war ever ends.

Mr. GIBBONS. I think it is obvious. We either overuse the facilities in the fall or we underuse them the rest of the year.

If you check student enrollments, and I am sure you have, you will see that there is a high crest in the fall, in the whole fall semester or fall quarter. In the summer or spring, right after Christmas, it jumps way down. By the summertime, all during the months of that better than two-thirds of the year, there must be a vast underutilization, just because registrars allow people to enter at a certain rate in the fall.

If they told them they could not come until the winter semesters or winter quarter or something like that, we could adjust to some of these things. It won't be too tough.

Mr. QUIE. It sounds like we are all enamored by the experience of Parsons College in the use of facilities. I know too, that on my own farm I use my combine much more during one time of the year than I do other parts of the year.

Mr. GIBBONS. People don't mature as corn does. Maybe they do out in your part of the country. We have even learned to plant oranges so that they come in at different times of the year so you don't pick them all the same day.

Mr. QUIE. I don't know how you can bring the students in throughout the year, the ones who are going to fail or drop out for one reason or another. We don't have a new program to prevent them from failing.

Mr. GIBBONS. That is not the issue. The issue is the number of people who apply in the fall. It is a tradition in America, and I believe in tradition, but there are some times when we have to look at these things from a different point of view.

I would say registrars can say we can use these facilities after Christmas and after Eastertime at a much greater rate than we are using them. We would also get a better use of the brains that instruct here. We are either overloading them vastly in the fall and wasting them in the spring or something is wrong.

Mr. HOWE. Madam Chairman, could I make one comment?

Mrs. GREEN. Yes, Mr. Howe.

Mr. HOWE. I would not oppose a study and I have much agreement with some of the things Mr. Gibbons is saying, but I would throw into the conversation a sort of warning. It would be a great mistake in my view for the Federal Government to come up with any sort of formula about how higher education institutions ought to be organized.

Mr. GIBBONS. I agree.

Mr. HOWE. There is a great diversity of views about the nature of higher education and about the way it should be run. I think we have to leave primarily to institutions this question of how efficient they shall be and encourage them to address that question responsibly.

But there are going to be institutions which will believe that their greatest strength and their greatest service will be provided by having a 2-to-1 faculty-student ratio. There will be other institutions that will have some other kind of belief about the nature of education and the nature of instruction.

I just want to be careful that in mounting any studies we don't create a pressure for sameness but rather we create an idea that within an institution's image of itself that it seek efficiency, not that there is some overall idea of what everybody ought to be.

Mr. GIBBONS. When you think of the dormitories that sit idle in the summer and when you think of all of the other physical capacities that we are contributing some part to, there is a good argument that the universities can look at this capacity particularly at a time of shortage. I don't say that there ought to be any Federal pressure. There ought not to be any Federal lockstep type of arrangement. I think realistically we have to admit that they have not done all they can do.

Mrs. GREEN. On this point I think it might be helpful if we include in the record a study on the Utilization of College and University Facilities. I therefore ask unanimous consent that this report be included in the hearings.

UTILIZATION OF COLLEGE AND UNIVERSITY FACILITIES

A BASIC ECONOMICS ISSUE

The efficiency and intensity of utilization of facilities at colleges and universities is an important issue today for the most basic economic reasons. Higher education facilities constitute an important component of capital investment in the Nation's economy, a portion which expanded rapidly in recent years with substantial infusions of Federal funds to supplement already massive financial support being undertaken by most of the States. State and local funds, as well as the Federal funds, are at the same time called upon to meet vast and wide-ranging urgent social needs and are scarce in relation to the demands. It is therefore imperative that these funds be wisely invested—in facilities which are most urgently needed and which will pay dividends in the form of intensive use as long as possible into the future.

At the institutional level, resources also are scarce by comparison to needs. Funds invested in unessential buildings are not available for urgently needed increases in salaries, materials and equipment. As each building is added to a campus, the institution becomes committed to its use in lieu of a building it might have preferred to add, or to have designed differently, at some time in the future. These are obvious truths with obvious implications.

One implication is that new buildings should be constructed only when and where they are most needed. A second implication is that buildings being constructed today should be planned and designed with extra care and competence to provide as much flexibility as possible for adjusting to shifting needs of the institution. Such flexibility involves both the ability to shift sizes and shapes of interior spaces and configurations of built-in, equipment and the abiilty economically to incorporate present and probable innovations in instructional technology. In many instances, long-range economies can be improved by designing the buildings to facilitate the incorporation of additional floors or wings.

UTILIZATION GENERALLY NEEDS IMPROVEMENT

Although critics of higher education and of public support for higher education tend to exaggerate and to oversimplify their case, it is nevertheless true that many institutions utilize their instructional facilities very poorly, in terms of hours per week, weeks per year, or similar indicators. Even institutions—the growing majority—which are working to improve their utilization acknowledge that they have yet to achieve what is possible and desirable in most instances.

But the goal of maximum utilization is not as simple to achieve as frequently assumed. In many instances, any *substantial* increase in utilization of existing classrooms is difficult to achieve for a variety of reasons. Some of these reasons are explored later in this paper.

Data presented below illustrate the fact that the range in intensity of utilization among different institutions is excessively wide. Again, as discussed later, there frequently are good reasons for this. For example, an institution which operates a progressive instructional program for an expanded curriculum on a campus which is over 100 years old can hardly be expected to match the utilization rates of an institution operating the same program in a brand new campus designed to fit today's program.

UTILIZATION HAS BEEN GETTING MORE ATTENTION

Early in the twentieth century a few institutions systematically began to study their utilization of academic space, but the subject generally was neglected until during and after World War II. In recent years, partly because of the economic realities cited earlier, the attention to space utilization has been increasing rapidly, and the related methodology and technology have been expanding at a correspondingly rapid rate.

A manual by John Dale Russell and James I. Doi, sponsored by the American Association of Collegiate Registrars and Admissions Officers, (AACRAO), is a milestone in the development of "space utilization" technology. This contribution, published in 1957, has come to be referred to generally as the "Russell-Doi" study.[1]

The Russell-Doi manual was published at a time of expanding interest in utilization studies and undoubtedly did much to stimulate increased activity in this field. A follow-up study on normative data about utilization, published in 1960, illustrated the dramatic increase in activity.

" . . . more institutions made space utilization studies during the two-year period between 1956 and 1958 than during the six-year period between 1950 and 1956, and the number of colleges planning to undertake such projects increased more than threefold.[2]

"Comparison of the returns of the two surveys also shows a large increase in the number of privately controlled institutions making space utilization studies. Of the 233 institutions reporting space utilization studies in the 1956 survey, publicly controlled colleges and universities were definitely in the majority. Most of these studies had been made in connection with statewide surveys of higher education. The Dyrness survey of 1958 shows that 261, or 57 percent of the 457 institutions reporting either having made a space utilization study or planning to make one where privately controlled." [3]

The authors of the 1960 study also concluded that: (1) ". . . among degree-granting institutions of higher education, those with large enrollments make more efficient use of their instructional facilities than do those with small enrollments . . .;" and (2) " . . . among degree-granting institutions, privately controlled institutions use their instructional space about as efficiently as do publicly controlled institutions of comparable size. There appears to be some difference in efficiency, but the degree of difference does not justify a separate set of norms of publicly and privately controlled institutions of comparable size groups." [4]

Many of the utilization studies reported in the AACRAO sponsored studies were "one-shot" affairs, some of which were repeated from time to time but on no fixed sechdule. However, an increasing number of institutions and State systems of higher education have been establishing both continuing systems for evaluation of facilities utilization and needs, and standards for evaluating utilization and planning new facilities.

Much additional attention to utilization undoubtedly has been stimulated also by the guidelines for administration of Title I of the Higher Education Facilities Act of 1963, under which attention to utilization of existing instructional and library facilities is a required consideration in determining relative priorities of projects to be approved. Ths requirement is discussed at greater length later in this paper.

Several promising developmental activities relating to facilities utilization have been sponsored and supported by Federal agencies. The National Science Foundation recently published a report of a project on development of comprehensive information systems for institutions of higher education.[5]

One part of the report provides a proposed system for room-by-room inventory of facilities and a critical evaluation of methods and concepts relating to utilization studies. The principal contribution of this project may be that it emphasizes the importance of looking at facilities in the framework of a total information system which interrelates facilities to other aspects of the management of a university.

A second project was the "Cooperative Research Interinstitutional Space Project" (CRISP), financed by the Office of Education and being carried out by the University Facilities Research Center at the University of Wisconsin. The objective of this project was to develop a sophisticated system for maintaining a continual inventory of all types of facilities by function and current assignment, and for using the detailed information in the system for maximum effi-

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[1] Russell, John Dale, and James I. Doi, *Manual for Studies of Space Utilization in Colleges and Universities*, 1957.

[2] Doi, James I., and Keith L. Scott, *Normative Data on the Utilization of Instructional Space in Colleges and Universities, July 1960*, page 1.

[3] Ibid, page 2.

[4] Ibid, pp. 12–13.

[5] *Systems for Measuring and Reporting The Resources and Activities of Colleges and Universities.* National Science Foundation NSF 67–15.

ciency in utilization of existing facilities and programming for new facilities needs.[6]

Small institutions, with limited administrative staffs, may have difficulty in implementing the kinds of systems developed by these projects. For this reason, and because of a need for coordination of Office of Education Surveys with State Commissions comprehensive planning activities and institutional data systems, the Office of Education sponsored an intensive cooperative effort to develop standard facilities terminlogy. The result of this effort, *Facilities Classifications and Inventory Procedures for Institutions and State Agencies*, was published by the Office of Education in August 1967. This system is the common basis on which future Office of Education surveys and State Commission comprehensive planning studies are being developed.

As a result of these developments, a nationwide data base for analysis of academic facilities utilization, as well as for better long-range planning, is now in the process of development.

A committee of representatives of State higher education facilities commissions and expert consultants is presently working with the Division of College Facilities to develop proposals for comparable utilization analyses, based on the comparable classifications and inventory procedures now being placed in use. The objectives of this project are to provide helpful methods for use by small as well as large institutions and to improve and strengthen the priority standards dealing with utilization in State plans for Title I of the Higher Education Facilities Act.

SOME IMPROVEMENTS HAVE BEEN TAKING PLACE

Historical series data on utilization of instructional facilities (or any other type of college facilities) are difficult to find. The number of hours per week which classrooms and laboratories were used were reported for 1960 in the Doi-Scott publication on normative data.[7] The same indicator for public institutions was reported in a survey by the Arkansas Commission on Coordination of Higher Education Finance, for 1965.[8] Both studies obtained sufficient returns to be considered generally representative of the situation for the year studied. A comparison of the results is shown in the following table:

AVERAGE WEEKLY ROOM USE (HOURS) IN PUBLIC COLLEGES AND UNIVERSITIES

	General classrooms		Instructional laboratories	
	1960	1965	1960	1965
Low	13.0	12.8	5.2	8.8
Average	20.2	26.3	15.8	18.3
High	34.0	38.0	28.6	34.0

Note: In round figures, comparison of these 2 studies indicates that as a group, institutions of higher education had increased their average use of general classrooms by about 30 percent between 1960 and 1965, and their average use of instructional laboratories by about 16 percent.

These rough data, however, are little cause for complacency. The average use of classrooms and laboratories remains below the level that should be expected, and roughly half of the institutions studied are using such facilities fewer hours than the average. In addition, hourly use of classrooms does not reflect the degree to which the student stations in those classrooms are used when classes are scheduled there. Also, classrooms and laboratories represent substantially less than half of the facilities operated in most institutions. Not much

[6] William B. Fuller, Director, Higher Education Facilities Planning Board of Regents of the University of the State of New York presented an interesting illustration of the "Systems" approach to facilities planning being developed by the CRISP project, in a paper on "New Developments in Institutional Studies" presented at the 1966 Working Conference of State Commissions for Higher Education Facilities. Dr. Fuller's example is attached as Exhibit C in this paper.

[7] Doi and Scott, *op. cit.*, pp. 4–5.

[8] Cook, M. Olin, "A National Survey: Inventory and Utilization of space in Universities and Colleges." unpublished paper presented at the 1966 Working Conference of State Commission for Higher Education Facilities. Dr. Cook is Assistant Director of the Arkansas Commission on Coordination of Higher Educational Finance.

comparative information on the use of other types of facilities has been developed thus far.

In reporting the results of the survey on 1965 utilization, the Assistant Director of the Arkansas Commission commented:

"It can be seen from the average and mean reported that few institutions are presently utilizing available space at the acceptable number of hours per week. Although this is not the reason for a college and university existing, the question can certainly be raised as to whether the public and those who support private education should not expect better utilization and in turn, less demand for construction and equipment monies." [9]

Continued improvement in utilization of facilities would be essential even if funds available were expected to meet the needs of anticipated enrollment increases. All current projections, however, estimate that even massive increases in facilities spending will take many years to reduce or eliminate the existing facilities "gap." Thus, both the increased spending *and* significant improvements in utilization are needed to provide for increasing enrollments.

REQUIREMENTS FOR MAXIMUM UTILIZATION

Maximum utilization for higher education facilities would require all of the following elements:

1. Perfect matching of institutional locations, programs, and capacities with student population interests and locations.
2. Operation of all institutions on a full 12-month schedule, with full attendance in all 12 months.
3. Scheduling of classes at least on Saturday mornings as well as in morning and evening hours in all institutions.
4. Perfect matching of the number and sizes of classes with the number and sizes of classrooms.
5. Complete flexibility for schedule-makers to assign classes to classrooms, and other instructional activities to appropriate areas, according to maximum efficiency rather than to the prerogatives of particular departments or individual faculty members.

This list is incomplete, because other factors also would enter into maximum use of research and general administration facilities, for example. Obviously, maximum utilization is not feasible on a complete nationwide basis. Business and industry do not make maximum use of their facilities either, of course. However, an analysis of these five items is helpful in highlighting both the problems and the limitations affecting utilization in specific instances, and the areas where effort might best be directed in working for a substantial improvement in the intensity of utilization of higher education facilities.

1. Matching institutions and offerings with need and demand.—From time to time studies are reported which indicate that "there is no classroom shortage." Figures are quoted to show that existing institutions could have accommodated so many additional students substantially in excess of their capacity. Such reports sometimes are distorted because they are based on rough estimates by institutions as to their capacity to enroll additional students had they received the additional applications. There is a considerable element of truth, however, in what is reported. In essence, this situation is somewhat like the employment situation, where employment and unemployment both may be reported to rise or decline in the same month, or like the business world in which some businesses or industries fail, or operate substantially under capacity, while others have more business than they can handle and operate on double shifts. Thus, colleges established or existing in areas where college-age population is not high may have more difficulty filling their facilities, unless they offer a unique program for which a sufficent number of students are willing to travel and to pay the price required. Even an institution located in a population center may have difficulty operating efficiently if it costs too much to attend, or offers programs of inferior quality or of interest to fewer students than it has provided the capacity to enroll. In a changing world, it is reasonable to expect a certain amount of misalignment of institutions and student demand just as much as to expect misalignments of supply and demand in the marketplace. *However*, such misalignments, resulting in less than maximum utilization, can be minimized by sound and careful planning for the establish-

[9] Cook, *op. cit.*

ment, expansion, or modification of both institutions and individual programs offered by institutions.

Another aspect of supply and demand is related to the balance of the facilities which an institution has in its inventory. It is fairly obvious that an institution's enrollment is limited by the number of students who can either commute easily to its campus, or be accommodated in its dormitories or nearby off-campus housing. Many institutions could handle more students and classes without expanding classroom facilities, but must limit enrollment growth until they are able to expand dormitory facilities. In other instances, an institution may have more than enough classrooms and a resulting low weekly utilization rate, but be reluctant to expand its enrollments because its laboratory or library facilities are already overcrowded. The problem, and it is an extra-difficult one for smaller institutions with scant financial resources, is one of maintaining balance in the mix of facilities which it has and develops. Frequently, as a result, a growing institution may look good one year and bad the next in indicators of its use of any particular type of facility. This difficulty too, however, can be minimized by high-quality planning on the part of the institution. One element in such planning is coordinated phasing of the development of different types of facilities. Another element is flexibility in the design of facilities, making it possible to use given areas temporarily for one purpose and convert such areas to other uses as enrollment reaches planned levels.

2. *"Year-round utilization."*—Another frequent cliche is that "year-round scheduling" would solve most of the existing facilities shortages, or at least would reduce them substantially. To a rather limited degree, there is truth also in this point-of-view. An increasing number of institutions are finding benefits in going to a "Quarter system" involving four equal terms during the year. Theoretically, the "trimester system" involving three full semesters during the year would be most efficient. However, many of the institutions which have tried the trimester system have experienced difficulties with it and some already have reverted to conventional semester or quarter system schedules.

Problems involved in so-called "year-round" schedules relate to the times at which most entering students prefer to begin their enrollments and to the extra operating costs involved in offering a full semester schedule in the summer when enrollments tend to be substantially lighter. As in all physical plants, a certain amount of "down time" for repairs, renovations, and maintenance operations is required. Nevertheless, many of the problems may be solved with good planning and coordination, and it is true that many smaller institutions effectively close down during the summer months. The possibility of more intensive utilization of facilities during the entire year should continue to be the subject of study, experimentation, and encouragement.

3. *Longer school-day and week.*—One of the greatest differences in the current scheduling practices of institutions is in the number of hours in the day and week during which classes are scheduled. It is quite likely that much of the recent increase in average weekly classroom and laboratory use is a result of increasing numbers of colleges breaking long-standing traditions and beginning to schedule classes in the late afternoon, early evening, and on Saturday. In doing this, the institutions frequently have to contend with resistance on the part of students and faculty members whose work habits and traditions are upset by such changes.

4. *Matching facilities with program and enrollments.*—One of the most serious obstacles to intensive utilization of facilites is that the existing structures on a campus no longer match the characteristics of the instructional program offered by the institution. Many older institutions have a large inventory of middle-sized classrooms and a shortage of large lecture facilities and small seminar rooms. Recent innovations in program have resulted in an increase in need for such facilities. As a result, while average hourly room use increases, a much smaller portion of the available student stations are utilized when classes are held in larger classrooms. The result is that a large amount of usable instructional area goes unused much of the time. A college that is expanding rapidly can cope with this problem to some extent by concentrating on large and small rooms in the new facilities which it builds, although location problems limit their ability to do this. Both rapidly expanding institutions and those which are more nearly static in enrollments can accomplish a great deal in many instances by major renovations of existing buildings to create more flexible areas and to adjust the nature of the facilities to current program needs.

Facilities inventories and utilization studies provide the information necessary to analyze and plan for needed changes in the nature of the existing facilities. In some instances, of course, it is more economical merely to continue to utilize existing larger classrooms with classes which could meet in much smaller areas. The point at which the cost of operating partly used facilities exceeds the cost of converting or replacing such facilities varies in different instances, and is a point which frequently is overlooked in the management of colleges and universities.

Another aspect of this problem results from the tendency for college curriculums to become more complex and to involve an increasing percentage of courses which require specialized types of facilities not readily usable on a general basis by other types of courses. One approach being tried by a few institutions is to reevaluate the requirements for specialized facilities for some of the basic courses in specialized fields. As increasing use is made of new educational technologies programmed through especially-designed and highly-automated facilities, an increasing portion of the total instructional program may appropriately be scheduled in such facilities at a very intensive rate of utilization. Existing institutions can benefit from such innovations, of course, only at the cost of a considerable investment. In some instances, the educational philosophy of the institution and the prohibitive costs involved relative to size of enrollment will mitigate against such a development.

5. *Flexibility for schedule-makers.*—Typically, if one individual has the responsibility to schedule all classes in available facilities, higher utilization ratios are obtained than in cases where certain facilities are reserved to particular departments or particular faculty members. Much is made of the resistance to effective scheduling which results from such traditions, but this problem appears to exist only in a minority of smaller, more tradition-oriented institutions. Increasing use of "systems" approaches in scheduling classes, together with the pressures of increased enrollments, should continue to break down the efficiency obstacles resulting from reservation of areas to various departments and individuals.

UTILIZATION STUDIES ARE MANAGEMENT STUDIES

Physical plant is one of the basic resources of an institution of higher education, and studies of the utilization—or management—of physical facilities are much like other types of management studies (*e.g.*, "organization" studies or "procedure" studies). A wide range of approaches may be appropriate, depending upon the purpose to be served, from comprehensive inventories of the complete campus coupled with evaluation of campus-wide utilization practices, to very limited and intensive analyses of quality and utilization of one type of facility where an immediate and acute problem may be involved. Different approaches are required in evaluating the efficiency of utilization of different types of facilities. For example, while a combination of weekly room use and percent of student station use is used for classrooms and laboratories, "utilization" of library facilities frequently is expressed in terms of square feet per full-time-equivalent student, and percentage of the student body which can be seated in the library at one time. (Innovations in the methods of instruction may well make some of these traditional approaches less applicable in the future.)

While such indicators are very useful in evaluating the effects of scheduling practices, they do not in themselves serve to improve utilization. At a fairly unsophisticated level, improved utilization may result from an inventory of existing classrooms and laboratories which, when compared with the proposed class schedule, makes possible a better matching of classes with instructional areas of the proper size.

Methods of making facilities inventories and utilization studies at this level of sophistication are amply described in the Russell-Doi manual referred to earlier, and will not be described here. In essence, the improvement of space utilization on a particular campus can come about only by the application of diagnostic management procedures to the situation on that specific campus. Factors in such a diagnosis should extend not only to what is to be done and how that can best be fitted into the existing facilities, but also to an evaluation of whether modifications of what is to be done are needed in order (where program objectives and philosophy permit) to more effectively utilize existing facilities, and to an evaluation of whether any existing facilities should be either abandoned as unsuitable or modified to make them more suitable.

Principal benefits from well-planned space studies usually are: (1) improvements in the utilization of existing space; (2) elimination of unnecessary or "bad" space; (3) better planning and programming for new facilities; and (4) the development of data which help to justify and sell the need for construction of additional facilities.

Full benefits may be derived in most instances only by the establishment of a continuing system which includes provision for: (1) constantly updating an inventory of existing facilities and their patterns of utilization; (2) systematically scheduling the use of the facilities for maximum feasible utilization; and (3) evaluating the need for changes in existing space and construction of added space in the light of carefully-defined evaluations of program changes and projected enrollment increases. Various forms of such a system increasingly are employed in the vast majority of the larger, more complex institutions and would prove beneficial in many smaller institutions with dynamic and complex instructional programs.

The use of such an approach in planning for new institutions of higher education is widespread, and permits the construction of a lower ratio of instructional facilities by comparison with planned enrollments. The use of a very sophisticated computer program to "fly" the schedule ahead of time (before designing the buildings) is claimed to have resulted in dramatic savings in the planning for a new campus for the Community College District of St. Louis.

LEADERSHIP BY STATE AGENCIES

Much of the leadership for improved utilization, and for sound planning to provide only what is needed, when and where it is needed has been provided by State coordinating or governing boards for higher education. Such leadership has tended to have weight behind it in those States where the coordinating or governing board has been the agency by which institutional budgets are approved or screened. It has included the establishment of space "factors" or allowances for new construction, both on a general institutional basis related to enrollment projections, and with regard to allowances for amounts of space by type of facility and program area. In some instances, the State agencies have established utilization standards or targets for institutions. The experience of California in this regard provides an interesting insight into the difficulties experienced in reaching projected targets. A 1955 California study recommended certain levels for weekly room use and student station use. Experience led to approval of lower targets and subsequent recommendation in a 1960 study of still lower targets, as illustrated in the following table:[10]

UTILIZATION TARGETS IN CALIFORNIA

	Classrooms		Laboratories	
	Weekly room use (hours)	Student station use (percent)	Weekly room use (hours)	Student station use (percent)
1955 study recommended	36	67	24	80
State colleges adopted	30	75	25	85
1960 Master plan recommended	30	60	20	80

Note: These shifts represent realistic adjustments based on experience in a State which has put strong emphasis on improving the utilitzation of academic facilities in its public institutions of higher education. The adjusted targets remain substantially higher than the general average reported for institutions throughout the Nation, as cited earlier in this paper.

In some instances, State coordinating boards also are beginning to provide leadership by conducting statewide studies and surveys of utilization and providing technical assistance in the conducting of facilities inventories for individual institutions.[11]

In many instances the agencies designated to be State commissions for Title I of the Higher Education Facilities Act of 1963 also are the State coordinating

[10] "A master Plan for Higher Education in California," published by the California State Department of Education, Sacramento, 1960.

[11] An excellent recent example is *A Space Utilization Study for Five State-Supported South Carolina Colleges and Universities* directed by Harold Dahnke for the South Carolina Advisory Committee on Higher Education.

boards for higher education. A few of the newly established State commissions for Title I also began early to conduct inventories and utilization studies and to provide technical consultation to individual institutions in this area.

In all instances, the State plans for Title I provide for consideration of utilization of existing facilities in determining priorities for approval of applications submitted under the College Construction Grant Program provided by Title I. This emphasis is required by the Commissioner's regulations for the program, but many States have indicated their recognition of the importance of utilization by placing substantially more than the required amount of weight upon this factor for priority purposes. As a result, many institutions which previously had done little in this area (and in some instances lacked even an inventory of their existing facilities) are being motivated to pay attention to improvement of their utilization practices.

LEADERSHIP BY PROFESSIONAL GROUPS AND PRIVATE AGENCIES

The important contribution of the American Association of Collegiate Registrars and Admissions Officers, in sponsoring the Russell-Doi study and manual, was described earlier in this paper. The Russell-Doi study was financed in part by AACRAO funds and in part by funds from private foundations interested in education.

Outstanding leadership and stimulation in another area has been provided by the Educational Facilities Laboratories, headed by Harold B. Gores. The EFL has sponsored a number of experiments and pilot projects aimed at improving both the quality of instruction and the levels of utilization by design of educational facilities for the programs of tomorrow rather than those of yesterday. The EFL, through a continuing series of exceptionally well-written and artistically executed publications, has been the principal influence for dissemination of ideas and concepts which need to become second nature to those who plan and make decisions about the development of facilities for institutions of higher education.

The revolutionary thrust of the EFL's leadership is beautifully illustrated in a publication entitled *Bricks and Mortarboards*, which dwells at length on the best available examples of forward planning for classrooms, laboratories, libraries, dormitories, and campuses as a whole, as well as the best available examples of renovation of existing structures as a sometimes desirable alternative to new construction. The possibilities for improving utilization by the design of new and remodeled facilities, as well as the importance of incorporating the best that is known about new technologies and patterns of instruction, are set forth in this publication in a manner which is nearly impossible to improve upon:

"To meet pressing demands, campus space of all kinds—instructional, laboratory, residential—must be designed for maximum convertibility. Old-style dormitories must give way to housing that will make space for learning and amenities as well. Planners and designers, focusing on basic college purposes, must pay more heed to the social and psychological needs of the student, to more rewarding interaction between student and teacher, to the relative claims of solitude and community, to provide "a vigorously intellectual social climate." Colleges must provide instructional space of the greatest possible flexibility. It should meet needs ranging from the large lecture to individual study, and it should be readily convertible. Movable walls for year-to-year conversions, operable walls for immediate change will be the rule, not the exception, in instructional buildings.

"Flexibilty means many things. No college should brandish this stylish architectural catchword as a cure-all. Sound planning requires each college to think through the *kind* of flexibility that fits its particular character, expansion plans, and scientific orientation. Every institution must calibrate change and innovation with its own scale of values and foreseeable needs.

UTILIZATION

"Closely bound up with the need for a flexible campus is the need for full utilization of campus space, time, people, and things. Flexible buildings mean that space can be readily adapted to use by large groups or small, depending on instructional needs. College space must do double or triple duty. Space for individual study will be provided in libraries or residence or in instructional buildings, or in all three." [12]

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[12] Educational Facilities Laboratories, Inc., *Brick and Mortarboards*, New York, 1964, p. 165.

IMPORTANCE OF COMPREHENSIVE PLANNING

As indicated earlier in this paper, sound planning is an absolutely essential prerequisite to any substantial nationwide improvement in the utilization of higher education facilities. This includes planning on the very broadest scale, so that new institutions will be added and existing institutions expanded in locations where enrollment growth is going to occur, and that such expansion of enrollment capacity will be based on the kinds of instructional programs which are going to be needed in the future rather than what has been done in the past. It also includes detailed forward planning for the development of facilities on individual campuses, so that the facilities to be modified or added will provide for the program needs of the future rather than the past at each specific campus and so that additional construction will be undertaken only to the extent required after existing facilities are utilized at the highest feasible level.

Under Title I of the Higher Education Facilities Act, funds are now being provided for grants to State commissions to carry out (directly or by contract with institutions or other agencies) "comprehensive planning to determine the construction needs of institutions." Four million dollars for this purpose was appropriated in each of the Fiscal Years 1967 and 1968. The same amount has been requested for Fiscal Year 1969. The grants supported by these funds are serving to strengthen existing activities of some State agencies and to stimulate the initiation of activities by the remainder, which will markedly improve the quality of the planning done on both statewide and on an institutional basis, and in some instances on a regional basis.

LEADERSHIP BY THE OFFICE OF EDUCATION

From the beginning the regulations for the administration of Title I of the Higher Education Facilities Act, required that a portion of the total weight in the State plan priority systems must deal with utilization of existing facilities. The degree of emphasis which the State commissions have placed upon utilizatoin is summarized in Exhibit B.

In order to monitor the overall effect of utilization practices in institutions applying under Titles I and III of the Act, a general indicator was developed and incorporated in the application forms for these two Titles. This indicator the "capacity/enrollment ratio," does not deal with the utilization of particular types of instructional facilities, but it does provide a general index of the relationship between the program load at a particular campus (a combination of the student enrollment and the type of program) and the amount of available space in facilities directly related to the instruction of students. The "capacity/enrollment ratio" expresses the amount of assignable area in instructional and library facilities per clock hour of instruction provided at the institution as of the fall term of the school-year. Definitions of instructional and library facilities and capacity/enrollment ratio used in the application forms are set forth in Exhibit A of this paper. This ratio is, in a broad sense, an indicator of the intensity of utilization of all types of instructional and library facilities at the institution. Conversely, it may be considered also as an index of the relative adequacy of the existing instructional and library facilities at the institution.

Data on capacity/enrollment ratios for institutions receiving grants under Title I for the first two years of the program have been analyzed. The results are as follows:

CAPACITY/ENROLLMENT RATIOS OF INSTITUTIONS WHICH RECEIVED TITLE I GRANTS

	Section 103 [1]		Section 104 [2]	
	Fiscal year 1965	Fiscal year 1966	Fiscal year 1965	Fiscal year 1966
1st quartile	1.33	1.55	2.33	2.34
Median	1.92	2.39	3.07	3.18
3d quartile	3.00	3.15	4.00	4.20

[1] Public community colleges and public technical institutes.
[2] Institutions of higher education other than public community colleges and public technical institutes.

As shown in the table, the capacity/enrollment ratios for both categories of institutions were slightly higher in 1966 than they were in 1965. This is a result of two factors. First, the construction of additional facilities will tend to raise the ratio for institutions whose facilities previously were inadequate and which are now bringing the ratio of facilities to enrollments into a more reasonable relationship. Second, since the available funds in 1966 were almost double those in 1965, State commissions were able to fund a larger portion of the total number of applications which they received and, in a few instances, to recommend grants for all eligible applications received. The result in 1966, was that more grants went to institutions which were relatively well off by comparison with the total community of institutions.

Based on experience to date, certain tentative conclusions may be drawn. Community colleges with less than 1.75, and other institutions with ratios of less than 3.00 square feet per clock hour probably are providing instruction of an inadequate quality because of overcrowding or a lack of certain essential types of facilities or a rounded program. (In very rare instances the institution may be an urban one with exceptionally high utilization due to unusually high enrollments in evening courses.) Community colleges with ratios above 3.5, and other institutions with ratios above 5.0 probably are not utilizing their total instructional and library facilities as intensively as they could (although special circumstances and types of programs do justify a higher ratio in some instances, particularly institutions having unusually high proportionate enrollments in graduate programs or extension and continuing education programs).

During the coming several years, the required emphasis on utilization should result in a substantial narrowing of the range in the capacity/enrollment ratios of institutions which receive grants under Title I. At least two additional years of experience will be required to determine if this effect is in fact being realized. At the same time, as institutions begin to participate in the program on a repeat basis, it should be expected that a substantially lower number of institutions will be reporting ratios below the levels indicative of grossly inadequate instructional and library facilities.

Tentative Office of Education plans to work for improvement of utilization of higher education facilities include the following:

1. Continuing the required priority emphasis on utilization under Title I of the Higher Education Facilities Act. and inclusion of utilization as an important consideration in such priority systems as may be developed under Title III of the Act.
2. Continued emphasis, in liaison with the State Commission, on the refinement and improvement of utilization indicators utilized in State plans for Title I.
3. Emphasis on utilization studies as part of the projects supported by grants for comprehensive planning.

In addition, the comprehensive planning activities are expected to result in future construction of better-planned facilities which will directly result in more efficient utilization than has been possible in the past.

EXHIBIT A

HIGHER EDUCATION FACILITIES ACT

DEFINITIONS

1. "*Instructional and library facilities*" means all rooms or areas used regularly for instruction of students, for faculty offices or for library purposes, and service areas (such as storage closets, projection booths, balance rooms, dark rooms, locker and shower rooms, and *private* toilets) which adjoin and are used in conjunction with such rooms or areas. A room intended and equipped for any such purposes should be counted in the appropriate category regardless of the building (*e.g.*, administration building, library building, or classroom building) in which it is located. (45 CFR 171.1(b)(1))

2. "*Capacity/enrollment ratio*" means the ratio of (1) the square feet of assignable area of instructional and library facilities (as defined in subparagraph (b) (1) of this section to (2) the total student clock-hour enrollment, at a particular campus of an institution. For purposes of this definition, "student clock-hour enrollment" means the aggregate clock hours (sometimes called contact hours) per week in classes or supervised laboratory or shop work for which all resident students (*i.e.*, students enrolled for credit courses on the campus)

are enrolled as of a particular date. Where formally-established independent study programs exist, systematically determined equivalents of class or laboratory hours may be included under "student clock-hour enrollment." (45 CFR 171.1 (f))

EXHIBIT B

		Section 103		Section 104	
		Total weight assigned to utilization standards (percent)	States using C/E ratio as a standard	Total weight assigned to utilization standards (percent)	States using C/E ratio as a standard
	Total	[1] 23.8	43	[1] 26.2	42
10	Alabama	10.0	X	18.0	X
11	Alaska	38.0	----------	38.0	----------
12	Arizona	20.0	X	20.0	X
13	Arkansas	30.0	X	30.0	X
14	California	15.0	X	15.0	X
15	Colorado	15.0	X	20.0	X
16	Connecticut	25.0	X	25.0	X
17	Delaware	30.0	X	30.0	X
18	District of Columbia	30.0	----------	30.0	----------
19	Flordia	20.0	X	20.0	X
20	Georgia	10.0	X	20.0	X
21	Hawaii	40.0	----------	30.0	----------
22	Idaho	40.0	X	40.0	X
23	Illinois	20.0	X	20.0	X
24	Indiana	20.0	X	20.0	X
25	Iowa	15.0	X	30.0	X
26	Kansas	40.0	----------	55.0	----------
27	Kentucky	16.0	----------	16.0	----------
28	Louisiana	30.0	X	30.0	X
29	Maine	20.0	X	20.0	X
30	Maryland	18.0	X	24.0	X
31	Massachusetts	20.0	X	20.0	X
32	Michigan	20.0	X	20.0	X
33	Minnesota	20.0	X	20.0	X
34	Mississippi	10.0	----------	10.0	----------
35	Missouri	12.0	X	18.0	X
36	Montana	30.0	X	30.0	X
37	Nebraska	31.0	X	27.0	----------
38	Nevada	20.0	X	20.0	X
39	New Hampshire	20.0	X	20.0	X
40	New Jersey	20.0	X	20.0	X
41	New Mexico	30.0	X	30.0	X
42	New York	19.0	X	30.0	X
43	North Carolina	15.0	X	15.0	X
44	North Dakota	30.0	----------	30.0	----------
45	Ohio	25.0	X	30.0	X
46	Oklahoma	30.0	X	30.0	X
47	Oregon	15.0	X	30.0	X
48	Pennsylvania	22.0	X	22.0	X
49	Rhode Island	20.0	X	20.0	X
50	South Carolina	30.0	X	30.0	X
51	South Dakota	30.0	X	45.0	X
52	Tennessee	15.0	X	35.0	X
53	Texas	12.0	X	19.0	X
54	Utah	20.0	X	33.0	X
55	Vermont	15.0	X	15.0	X
56	Virginia	15.0	X	15.0	X
57	Washington	35.0	----------	35.0	----------
58	West Virginia	34.0	X	34.0	X
59	Wisconsin	55.0	X	50.0	X
60	Wyoming	30.0	X	30.0	X
61	U.S. service schools	----------	----------	----------	----------
62	Canal Zone	----------	----------	----------	----------
63	Guam	32.0	----------	32.0	----------
64	Puerto Rico	19.0	----------	19.0	----------
66	Virgin Islands	32.0	----------	32.0	----------

[1] Average.

EXHIBIT C

EXAMPLE OF A CRISP FACILITIES PROJECTION [1]

We will assume that in year X at Podunk University the Chemistry 101 course is projected to enroll 1,000 students for the fall term.

[1] Excerpt from "New Developments in Institutional Studies" presented by William B. Fuller, Director Higher Education Facilities Planning Board of Regents of the State University of New York at the 1966 Working Conference of State Commissions.

Input.—The faculty of the chemistry department have provided the computer with the following data:

1. Chemistry 101 requires 3 periods (hours) of lecture each week with a maximum of 750 students and a minimum of 250 in a section.
2. One period (hour) each week is assigned as a "quiz" period with a maximum of 25 and a minimum of 15 students in a section.
3. The laboratory requirements for Chemistry 101 are 6 periods (6 hours) with either 2–3 hour periods or 3–2 hour periods of a maximum of 60 and a minimum of 40 students per section.

Output.—The computer provides the information that 1,000 students will be scheduled into 2 lecture sections, 50 quiz sections, and 20 laboratory sections.

Input.—The administration provides the policy for staffing the course as follows:

1. The lecture portion will be taught by an Associate Professor as a full load.
2. The quiz sections will be administered by teaching assistants. Each teaching assistant will handle 10 quiz sections as one-half load.
3. The laboratory sections will be supervised by instructors with the assistance of graduate students acting as laboratory assistants. The instructors handle 10 sections as a full load and the laboratory assistants handle 4 sections as one-half load.

Output.—The computer states a need for one full-time equivalent associate professor, 2½ FTE laboratory assistants, 2½ full-time equivalent teaching assistants and 2 FTE instructors.

Input.—The administration has developed, with the cooperation of the faculty, the following space standards and space modules:

1. Lecture halls of more than 300 students will be planned at 12 assignable square feet per station and assigned a minimum of 30 hours per week.
2. Freshmen Chemistry laboratories will be planned at 40 assignable square feet per student station (including service areas) and will be assigned a minimum of 40 hours per week.
3. Small classrooms will be used for quiz sections. A classroom of 25 student stations will be planned at 16 sq. ft./ss and will be assigned a minimum of 36 hours per week.
4. Faculty will be assigned individual offices allowing 140 assignable sq. ft. Chemistry faculty will also be allowed 300 assignable sq. ft. for research purposes.
5. Teaching assistants will be allowed 120 assignable sq. ft. per FTE for office space and provided no research space.
6. Instructors (not classified as faculty) will be allowed 200 assignable sq. ft. for office and research purposes per FTE.
7. Laboratory assistants are not provided with office space. They do develop space for research purposes as graduate students.
8. Library space is developed through an allowance of assignable sq. ft. per student clock hour.
9. Administrative space is computed as 10 percent of the total space required.

Output.—The computer shows the following needs expressed in assignable square feet:

	Square feet
⅕ lecture hall for 600, at 12 sq. ft./ss	1,440
3 Chemistry labs for 60, at 40 sq. ft./ss	7,200
1.4 Classrooms for 25, at 16 sq. ft./ss	560
1 Faculty office, at 140 sq. ft	140
1 Faculty Research space, at 300 sq. ft	300
2½ Teaching assistants office, at 120 sq. ft	300
2 Instructors office and research space, at 200 sq. ft	400
Laboratory assistants offices	------
Library space, at sq. ft. per clock hr	10,000
Subtotal	20,340
Administrative space, 10 percent	2,034
Total	22,374

22,374 assignable sq. ft. times 1.67 equals 37,365 gross sq. ft.

37,365 gross sq. ft. times $30 sq. ft. project cost equals $1,120,950 or $1,120 per student enrolled in Chemistry 101.

SPACE FACTORS

4,000 student clock hours in 2,000 sq. ft. in lecture halls and classrooms equals 5.
6,000 student clock hours in 7,200 sq. ft. in labs equals 1.2.
10,000 student clock hours in 20,340 sq. ft. of instructional and library space equals a capacity/enrollment ratio of 203.

Mr. HOWE. A very interesting speech by Dr. Allen Pifer of the Carnegie Corporation in part addresses itself to this subject, which has already caused some very constructive thinking in institutions of higher education.

Mr. QUIE. Isn't the big reason you are reducing money for construction of facilities the same reason that the President proposes for reducing the amount spent for highways? He wants to cool off the economy.

Mr. HOWE. I think it is partly in response to that. I think it is in response to the request by Congress for economy because the Congress does not speak with one voice on the enthusiasm for expenditures that is being expressed here to some extent. There is clearly a response from the administration to direct this budget in the direction requested by the Congress and by significant congressional leadership so that various economic problems can be met and so that a tax bill can be passed.

Mrs. GREEN. I will have to say, if the gentleman will yield, it certainly impresses me that the cuts are made in those areas where you are pretty sure that Congress is going to come back and raise them.

Mr. QUIE. Sort of like proposing cutting appropriations for the school milk program. I don't know who is going to take money away from their institutions for construction.

Mr. HOWE. I think you will find running through the budgets of many Federal agencies is this effort to slow expenditures on capital items. This is not generally an effort to second-guess anyone by expecting these cuts to be restored but, rather, a responsible effort to reach the problems of the economy.

Mrs. GREEN. I, for one, think that the new programs ought to be looked at very carefully, not that they are not good programs, but if we are going to have economy it seems to me there would be great cynicism across the country and in the education community to cut proven and needed programs and at the same moment start new programs, however worthy they might be.

Mr. HOWE. I think there is another view: that we are simply placing in being here, with these new programs, real opportunities for the world of higher education in the years ahead. We are funding them on a small basis to get them started but as additional funding possibilities do become available, these programs will represent a much broader base of legislation on which to mount those added appropriations. They can be extremely significant for higher education.

I think I would argue that it is very important for higher education to have these opportunities in being, even though funded in the begining on a relatively low basis.

Mrs. GREEN. You are asking for a 5-year extension of programs and for forward funding.

As I am sure you are aware, in the Conference Committee on ESEA, the automatic extension provision was knocked out.

It seems to me it might be helpful to you and to the Congress, that you express your views on this, why you request authority for the automatic extension.

Mr. HOWE. At this point, I would very much like to do that.

(Mr. Howe's views follow:)

NEED FOR AUTOMATIC EXTENSION OF THE HIGHER EDUCATION ACT

JUSTIFICATION FOR THE PROVISION IN SECTION 1006 OF H.R. 15067

As is now generally recognized, the effective utilization of Federal support to education has been adversely affected by uncertainties about the level and timing of Federal funding. The impact of such uncertainties is particularly critical during the period immediately before and after an authorization is scheduled to expire. Consequently, although there are a number of measures which can be taken to improve the funding of educational programs, it would be especially desirable to provide that appropriations would be authorized for one additional year in the event that extension legislation has not been enacted by the last year of the then current authorization.

Problems associated with short-term authorizations and late funding were discussed in detail by the Special Subcommittee on Education, chaired by Representative Green, in its study of the United States Office of Education. In response to this report, Secretary John Gardner, at the direction of President Johnson, appointed a special Task Force on the timing of key Federal actions affecting educational programs receiving grant support. This Task Force study underscored the necessity to recognize the requirements of the complex Congressional authorization and appropriation cycle but to reconcile those requirements with the requirements of the cycles of Federal, State and local (school and college) implementation.

Short-term program authorizations present a basic funding problem. The Appropriations Committee only includes within the regular appropriation bill for the Department of Health, Education and Welfare programs for which there is legislative authorization. If the authorization for a program is scheduled to expire before the upcoming fiscal year, legislation extending the program is generally not enacted in time for the program to be included in the regular appropriation bill. Since a subsequent supplemental appropriation is required, funds are often not available until October or November—substantially after the academic year has already begun and many months after the budget planning process has generally been completed.

When institutions of higher education are confronted with late extensions of expiring legislation—and therefore late appropriations—the resulting compression in the time schedule for utilization of Federal funds produces a number of undesirable consequences:

1. Initiation of new or expanded programs is delayed until well into the school year when they cannot produce the most effective programmatic results.
2. Program accomplishments fall short of initial expectations because the institutions are not able to utilize fully and most effectively funds which are not available until after the school year has begun.
3. Institutions are not able to estimate accurately the matching funds they will need to budget to take advantage of Federal programs.
4. Careful evaluation of Federally assisted programs is hampered by the lateness of available information concerning the nature and effectiveness of educational improvements which such assistance has made possible.

Both the present Chairman of the House Appropriations Committee, Mr. Mahon, and his predecessor Mr. Cannon, have attributed this problem not to the appropriations process, but to the lack of program authorizations.

In 1963, Mr. Cannon spoke on the House floor in response to newspaper criticism of delays in the appropriation bills. He stated:

"* * * The reason [for the delay] is a very simple one and is both statutory and parliamentary. The Committee on Appropriations cannot appropriate a dollar—and no official of the Government can spend a dollar until its appropriation and expenditure is authorized by law."

Mr. Mahon echoed these sentiments during the last session of Congress, in explaining the need for a resolution to authorize continuing funds until the remaining appropriation bills are enacted when he said that:

"* * * The Committee on Appropriations generally is ready to present these bills but since we are lacking authorizations, * * * we are not in a position, under the rules, to present the bills to the House.

"* * * There will probably be, as always, a closing supplemental bill. We cannot say when it will come to the floor, but it will consist vary largely of items deferred from earlier appropriation bills for lack of legislative authorization at the time those bills were reported."

With the increasing flow of Federal money, the number of Federal educational support programs has grown and with this growth the number of cases of late extension and authorization have also increased. Both the Elementary and Secondary Education Act and the Higher Education Facilities Act illustrate the time lags that occur. In the case of the Elementary and Secondary Education Act, the original Act authorized appropriations only for fiscal year 1966. Approved in April 1965, supplemental funds were not appropriated until late September of that year, and allocations were not made by the Office of Education until one month later—half a year after most school budgets were completed. Extension of the Act the following year was not completed until November, more than four months after the original expiration date. Funds become available to local school districts in mid-November, again more than 6 months after the completion of typical school budgets.

In the case of the Higher Education Facilities Act, the original 1963 Act authorized appropriations for fiscal years 1964, 1965, and 1966. Because the Act was passed so late in the year, no funds were appropriated until fiscal year 1965. Almost $64 million of the first year's appropriation lapsed. Though the Act expired at the end of June 1966, it was not extended until November 1966. Funds appropriated for fiscal year 1967 were not available until November 1966.

Unless affirmative action is taken to preclude its recurrence, the same circumstance will occur in the case of the Higher Education Act. This law was enacted in November 1965, and supplemental funds for most programs authorized under the Act were not available until that month, well into the school year. One title of the Act (Title III) was authorized for only one fiscal year; it expired at the end of June 1966, and was not extended until November 1966. Virtually the entire Act is scheduled to expire this June.

$738 million has been included in the 1969 President's Budget for the Office of Education for amounts associated with programs which expire at the end of June 1968:

Higher Education Act	$403,000,000
National Defense Education Act	335,000,000
Total	738,000,000

With authorizations still uncertain for FY 1969, there is currently some doubt whether the appropriations subcommittees will hear the administration's budget request for expiring programs. If "automatic extension" legislation had been in effect, there would be no question about the appropriations committees reviewing OE budgets in the normal course, rather than possibly in supplemental requests.

The heavy workload of Congressional legislative and appropriation committees makes it questionable whether legislative authorization and appropriations can be speeded up to any appreciable extent. Nor would it be desirable to attempt to curtail or inhibit the thoughtful process of evaluation attendant to extensions of authorization for expiring programs. The best solution, we believe, is to provide for orderly program development and continuity while allowing the authorization and appropriation process to proceed at its normal pace through the provision of the Higher Education Amendments of 1968 which call for an automatic extension for one year. Under this provision, all expiring provisions would be extended for one year at the same authorization level if the Congress did not complete action on the programs. This automatic extension provides a bridge between expiring legislation and extension legislation and enables the programs to function smoothly until Congressional action on extension is completed. It also enables the Appropriations Committees to provide funds in a timely fashion, rather than in the Supplemental request process, knowing that its appropriations will be required for authorized programs.

Mrs. GREEN. One other question in relation to the proposals which you are making for disadvantaged children.

Haverford College is running a program providing for a fifth year; of undergraduate work.

Would your recommendations provide grants for that kind of program?

Mr. HOWE. As long as it was operated by Haverford College.

Mr. MOORE. Yes, ma'am.

Mrs. GREEN. I would also ask unanimous consent to place in the record at the time, a chart showing administration appropriations requests for fiscal years 1968 and 1969 in the various titles.

(The information follows:)

ESTIMATED FUNDING OF HIGHER EDUCATION PROGRAMS, FISCAL YEAR 1968-69

[In thousands of dollars]

Existing or revised programs	1967 carryover	1968 appropriation	1968 estimated obligations	1968 carryover	1969 appropriations request	1969 estimated obligations
Educational opportunity grants program	1,427	140,600	133,027	9,000	140,600	149,600
Talent search		4,000	4,000		8,500	8,500
College work-study program		139,900	134,300	5,600	139,900	145,500
National defense student loan program		193,400	187,400		193,400	193,400
Federal capital contribution		(190,000)	(184,000)		(190,000)	(190,000)
Loans to institutions		(2,000)	(2,000)		(2,000)	(2,000)
Teacher cancellation		(1,400)	(1,400)		(1,400)	(1,400)
Guaranteed loan program (total)	30,453	43,600		32,295	77,400	109,695
Higher education			50,621			
Interest and fees		(40,000)	(41,758)			[1] (95,195)
Computer services						[1] (2,000)
Advances			(8,863)			[1] (12,500)
Vocational education			(6,048)			
Interest		(3,600)	(4,470)			
Advances			(1,578)			
Graduate fellowship program		86,600	86,600		86,600	86,600
Prospective teacher fellowship program		12,500	12,500		15,160	15,160
Institutional assistance grants		7,500	7,500		11,000	11,000
Graduate facilities program	577	50,000	33,000	17,577	8,000	25,577
Developing institutions program		30,000	30,000		35,000	35,000
Education Professions Development Act, title V-E (including HEA, VI-B)		2,500	2,500		15,000	15,000
Grants for undergraduate facilities	7,452	400,000	274,452	133,000	67,000	200,000
Sec. 103		(100,000)	(67,000)	(33,000)	(34,000)	(67,000)
Sec. 104	(7,452)	(300,000)	(207,452)	(100,000)	(33,000)	(133,000)
State administrative expenses and planning		7,000	7,000		7,000	7,000
Loans for undergraduate and graduate construction	100,000	[2]	150,000	50,000	100,000	150,000
Participation sale insufficiencies		2,625	2,625		4,975	4,975
Equipment grants program		14,500	14,500		14,500	14,500
Land grant colleges		14,500	14,500		14,500	14,500
Program support [3]			0		1,320	1,320
New programs:						
Special services for disadvantaged students					15,000	15,000
Grants to strengthen graduate education					10,000	10,000
Increase in cost of education allowance					10,000	10,000
Networks for knowledge					8,000	8,000
Education for public service					5,000	5,000

[1] Combined garanteed loan program for fiscal year 1969.

[2] HEAF-III lending leveel, $200,000; including $100,000 carryover from 1967 appropriation and $100,000 from participating sales.

[3] Funds for evaluation and consultants.

Mrs. GREEN. Unless there are other questions, the committee will stand adjourned until February 19th, and this afternoon there will be an executive session, informal, off-the-record discussion of the implications of the current draft-policy on graduate education.

(The complete text of Mr. Howe's formal statement follows:)

PREPARED STATEMENT BY HON. HAROLD HOWE II, U.S. COMMISSIONER OF EDUCATION

Madame Chairman and members of the subcommittee, a year ago I appeared before this Subcommittee in support of H.R. 6232, the Higher Education Amendments of 1967. Title V of that bill became Public Law 90–35, the Education Professions Development Act of 1967. The remainder of the proposal—the early extension and technical amendments to the National Defense Education Act of 1958 and the Higher Education Act of 1965—was not reported to the full Committee.

Today I appear in support of H.R. 15067—the Higher Education Amendments of 1968. Much of this proposal is already familiar to the Subcommittee, as it is identical in many instances to H.R. 6232. Again, I urge the extension for 5 years, through Fiscal Year 1973, of two of the most important pieces of Federal assistance to higher education—the National Defense Education Act and the Higher Education Act. This year, however, my support for such extension is even more urgent, as the provisions of both laws expire at the end of this fiscal year.

This Subcommittee is no stranger to the problems caused by the disparity in the Federal fiscal year and the academic year. School administrators from all levels of our educational system and from all parts of the country testified on the problems they had faced with late and erratic Federal funding, during this Subcommittee's study of the Office of Education. The first report issued during your study stressed the urgency of a revised pattern of Federal funding, as necessary for sound educational planning.

Basic to the stability of support which educational institutions seek is the early extension of program authorizations. That you have scheduled this hearing so early in the session reflects the Subcommittee's concern for this problem. If program authorizations are extended at this time, colleges and universities across the country will have assurances that such programs will continue past this coming June and a basis for planning for the 1968–69 academic year.

I will not repeat my lengthy testimony of a year ago, detailing the accomplishments of the NDEA and the Higher Education Act and describing each technical amendment. Rather, I would like to introduce supplementary information for the record at this point. The provisions of H.R. 15067 differ from those of H.R. 6232, insofar as the extensions and technical amendments to existing titles are concerned, in only a few instances. For example, title VI of NDEA would be extended 5 years, through Fiscal Year 1973, like the other titles we propose to extend. In addition, technical amendments would be made to the recently passed Education Professions Development Act of 1967. Most important of these would be an amendment to Part B, allowing State education agencies to use a portion of their allocated funds to support projects which they would administer directly. The Higher Education Facilities Act of 1963 would be extended for 5 years, through Fiscal Year 1974.

In addition, the proposed Higher Education Amendments of 1968 would make several substantive changes in existing financial aid programs and would authorize a series of new programs and titles:

Title III of the Higher Education Act would be amended by the addition of a new Part B—Improvement of Graduate Programs—and by an increase in the cost of education allowances accompanying Office of Education fellowships;

Title IV of the Higher Education Act would be amended by the addition of a new Part C—Special Services for Disadvantaged Students;

A new title IX—Networks for Knowledge—would encourage the sharing of educational resources among colleges and universities; and

A new title XII—Education for the Public Service—would authorize a program of institutional grants and graduate fellowships designed to improve the preparation of young men and women who seek careers in Federal, State, and local governments.

I will discuss each of these proposals in some detail at a later time. I would first like to describe the proposed combined student aid program, which the President has called the Educational Opportunity Act of 1968.

EDUCATIONAL OPPORTUNITY ACT OF 1968

This year marks the tenth anniversary of the National Defense Education Act of 1958 and the landmark student loan program contained therein. During that 10 year-period, additional programs for student aid have been added to create a comprehensive, federally supported, package of student aid made up of loans, direct grants, and work-study grants. In a 10-year span the number of participating institutions in these student aid programs has doubled, from 1,100 to 2,200. The dollar amount of funds provided to students has increased tenfold, from $59 million in loans in the first full year of the NDEA loan program to an estimated $510 million this year in the three parallel programs of NDEA loans, student employment, and Educational Opportunity Grants. The number of students served by these programs has increased nearly sevenfold over the 115,000 borrowers in the first year of NDEA student loan activity.

Such developments should not be measured in terms of Federal dollars alone. These 2,200 institutions of higher education also administer an amalgam of institutional, State, and private student aid programs estimated at in excess of $550 million for the current year. When combined with the 1967–68 Federal programs, undergraduate student assistance alone exceeds $1 billion.

Of more recent establishment and in a somewhat different context than the three college-administered programs is the Guaranteed Student Loan Program. The major objective here is to provide long-term deferred-payback commercial loans to assist middle-income families in offsetting the increasing cost of higher education. Administrative arrangements are centered on State loan guarantee agencies, with the Federal government providing an interest subsidy for students whose adjusted family income is less than $15,000 per year.

The growth of this program has been equally phenomenal. The number of State guarantee agencies has increased from 17 in 1965 to 35 in 1967. Additionally, in five other States, work is now underway in both executive and legislative departments on the creation of State loan authorities, leaving only 10 in which action is yet to be taken. Despite rising costs of money and consequent upward pressures on interest rates, more than 700,000 loans at the 6 percent simple interest rate, totaling two-thirds of a billion dollars, have been made between November 1965 and December 1967.

Against this backdrop of growth and development, let me outline the direction and purpose of the Administration's 1968 proposals for modification and consolidation of these programs into the Educational Opportunity Act:

First, to move effectively toward the overall goal of providing "educational opportunities beyond secondary school to all our youth that desire such opportunities and can benefit from them." This is to be accomplished, at least in part, by providing "substantial assistance to students" so that "no student of ability will be denied an opportunity to develop his talents because of financial inability to meet basic higher education costs."

Second, in the three college-based programs, to achieve a measure of consolidation and, in so doing, to achieve greater flexibility and convenience at the institutional administrative level.

Third, within this consolidated framework to retain the major objectives and program characteristics already established.

Fourth, in the Guaranteed Student Loan Program, to clarify the role of the State as the key administrative element and to indicate more clearly the State responsibility for continuing provision of part of the guarantee funds.

Fifth, in the context of the re-insurance proposals, to provide a second adjustment period to allow States an opportunity to modify existing legislation or, as the case may be, constitutional provisions in order to establish the re-insurance program.

Parenthetically, let me emphasize that the Administration's position has been and continues to be that of supporting and maintaining the central role of the State guarantee agency in this program. The current utilization of direct Federal insurance in 17 States is simply an interim device until such time as the guarantee function can be established in the State itself.

Key recommendations for changes in the college-based program are as follows:

1. There will be a single appropriation item for Federal capital in the National Defense Student Loan fund and for the College Work-Study Program with a 90–10 Federal institutional matching ratio, and a single appropriation for the Educational Opportunity Grant Program which does not require program matching funds.

2. The fund distribution pattern would be altered from the three separate allotment formulas, which differ in each program, to a national pool funding basis with a limitation that no State could receive more than 12½ percent of any single appropriation.

3. There will be a provision that during any year an institution may transfer not to exceed 20 percent of the Federal money allocated for any one program to another. At the Commissioner's discretion, this 20 percent level would be exceeded in an emergency situation. This would provide a much-needed authority for institutions to rebalance their programs during the year.

4. A $1,000 per annum maximum would be set on an Educational Opportunity Grant award to any one student and the present $800 maximum and the mandatory $200 award for students in the upper half of the class in the prior year would be eliminated.

5. The annual ceiling on NDEA loans to undergraduates would be elevated to $1,500 as a reflection of cost increases over the past 10 years.

6. For all three programs, there would be a common requirement for continuation of institutional expenditures in its own student aid program, to replace the two different and separate authorities in the existing EOG and Work-Study Programs.

7. In place of the varied pattern of administrative overhead allowances presently contained in the loan and work-study programs, a common maximum of 3 percent of the total Federal funds granted to an institution would be provided with an overall maximum of $125,000 per year to any single institution.

8. An overall student financial aid advisory council is proposed to replace the four separate advisory committees contained in the present statutes.

9. It is the intent of the Administration to accomplish uniform forward financing of these programs beginning with Fiscal Year 1970.

The consolidation of these three programs authorized under a single part A of title IV also allows us to request a program authorization extension of 5 years commencing in 1970. To cover the interim year, Fiscal Year 1969, single-year extensions are requested for title II, NDEA, and for titles IV–A and IV–C of the Higher Education Act of 1965.

The 6-year request, if granted, would for the first time provide the Nation's colleges and universities with a firm, permanent operating base and would eliminate the confusion and uncertainity which institutions are facing at the present.

THE GUARANTEED LOAN PROGRAM

The basic objectives for the Guaranteed Student Loan Program are—

To provide a program of long-term loan assistance to *all* post-secondary students, with Federal interest benefits provided for most of them;

To provide that the program should be operated by State agencies, the function of the Federal Government should be to assist the States to do a good job—through payment of a portion of the interest on behalf of eligible students and through the use of Federal credit to help provide the necessary backing for the loans;

To provide the lenders with an adequate return so as to encourage their active participation;

To provide the lenders with maximum assistance—from the colleges, the States, and the Federal government—through interchange of information, a minimum of paperwork, and the establishment of common procedures; and

To see that colleges are involved to the extent of providing full and adequate information to the lenders.

Prior to the passage of the Higher Education Act, guaranteed loan programs were in operation in 17 States. Recognizing that legislation would likely be needed at the State level, the Congress provided a two-year interim period and encouraged the development of adequate State programs by authorizing Federal advances of "seed money" to establish or help strengthen the reserve fund of the agencies. The Act further provided that if a State would not be able to

establish such a program during any year, the Office of Education could contract with a nonprofit private agency to do the job. In the event that neither approach would provide students reasonable access to loans, the Congress authorized a stand-by program of Federal insurance.

Since November of 1965, guarantee agencies have been created in 18 additional States, bringing the total of State-based programs to 35. In the remainder of the country and in those States that did not provide for students attending college out-of-State, the Office of Education contracted with United Student Aid Funds, Inc., to administer the program. Twelve of the State agencies further contracted with USAF to operate their program.

However, the reserve funds of 17 States were not sufficient to enable continuation of their operation, and the Federal Insured Student Loan Program has been established on an interim basis in order to continue the loan guarantee function until such time as the States' reserves can be increased.

Madam Chairman, at this point I will ask my colleagues to give you a brief visual presentation to clarify the picture I have just presented of the different kinds of participation characterizing the several States.

In order to promote the continuation of existing State guarantee agencies and to encourage the development of adequate State programs where none now exist, we are proposing that the Act be amended to provide for what has come to be called Federal "reinsurance" of loans guaranteed by State agencies. Under this proposal, the Commissioner would be authorized to reimburse an agency for 80 percent of claims paid by that agency to the lender when a loan went into default. As the agency would be responsible only for payment of only 20 cents on the dollar, this would have the effect of multiplying the guarantee capacity in the State's reserve fund by a factor of four. This would be consistent with current Federal fiscal policy of using Federal credit rather than dollars.

However, in order to involve the States further in sharing the funding requirements of such a program and in order to strengthen further the reserve funds of these agencies, we are proposing an additional $12.5 million in seed money, to be matched on an equal basis by State appropriations.

To make the program more attractive to the lenders and the guarantee agencies, especially with a view to increasing the return to the lenders and reducing the paperwork and complexity of the program to all concerned, we are recommending the following amendments:

1. A system of application fees, each fee not to exceed $35 per year, to be paid to the lender for each loan made, and a single conversion fee when all loans for a given student are converted to an installment basis. Lenders assure us that at the present rate of 6 percent simple interest, these loans are a losing proposition and that they cannot continue forever on this basis in the long run.

2. Merger of the National Vocational Student Loan Insurance Act into the Higher Education Act. The present two Acts have resulted in parallel paperwork and duplicate effort for all parties concerned. Merging the two Acts will do much to streamline the program and provide readier access to students in vocational education.

3. At the option of the lender, the Commissioner may defer payment of Federal interest benefits until the loan is paid in full, at which time they will be paid in a lump-sum with interest. This would further reduce the paperwork of the lender's billing the Office of Education throughout the life of the loan, as well as solve his problems of separating the 3 percent paid by the student from the 3 percent paid by the government.

Additional proposals include:

1. Encouraging the State agencies to defer repayment by students for periods of service in the military, Peace Corps, and VISTA or for students who have left school but return as full-time students. For such periods of deferment, the government would pay the lenders the full 6 percent interest rate on behalf of the student.

2. Increasing available lending funds so that certain pension funds can be made eligible lenders under the program, and so that savings and loan associations can be permitted to make vocational loans, in the same way they can make guaranteed loans.

3. Making the program consistent whether the loans be State or privately guaranteed or federally insured. There are now differences with respect to maximum amounts of individual loans, assurances of installment obligations and minimum amounts of installment repayment.

4. Extending provision for Federal interest benefits for 5 years, through Fiscal Year 1973.

Finally, we propose that authorizations for the federally insured program be extended 2 years, through Fiscal Year 1970. Although there are now 35 State agencies and although several new agencies are under consideration in the remaining States, it is certain that a State program will not be established in every State by June 30, 1968. Additional action needs to be taken by the legislatures in a number of States, some of which have no scheduled session until next year. Additional changes will probably be required in some existing State programs before the reinsurance system can be adopted or appropriations made for the matching requirement of additional seed money.

If the Federal program is permitted to lapse on June 30, as it would without the extension we propose, it is highly likely that loans will not be available for the next academic year for students in a number of States, some of which already have access to the Federal program. Although the re-insurance proposal may make it unnecessary to continue the Federal insurance, it may take a period of time before regulations and procedures can be established and the program made operative.

In order that the administration of the program may continue through existing State agencies, even when it is the federally sponsored program, we propose a final change that would authorize the Federal Government to contract for the issuance of Federal insurance to an existing State agency. In 4 of the 17 States (New Jersey, Hawaii, Indiana, and Vermont) where the Federal insurance is now operative, the majority of the paperwork and contact with lenders is being administered through the State agency, but with the final issuance of the insurance commitment being made by one of the nine Office of Education regional offices. The change we are requesting would enable a State official to perform this task.

Thus, these amendments in the Part A and B programs of title IV of the Higher Education Act, covering as they do the four major student financial aid programs operated by the Federal government, will provide a responsive and sensitive mechanism through which institutions of higher education, State agencies, and the Federal government may jointly strive toward the day when no qualified student who desires a program beyond high school will be denied that opportunity because of economic disadvantage or family background.

IMPROVEMENT OF GRADUATE PROGRAMS

The purpose of this new program is to broaden and strengthen the institutional base for high-quality doctoral programs in the nation. The program is aimed specifically at those institutions with already established doctoral programs not generally considered to be among the top doctoral producers of the country, but with a demonstrated capacity for high quality work in a limited range of fields. Adoption of the program will strengthen the institutional capacity of American graduate education to produce qualified individuals for research and teaching, and will greatly increase the accessibility of graduate centers of excellence to the rapidly expanding number of American students expected to enroll in advanced programs of graduate training.

During the past decade, undergraduate enrollments in American higher education have doubled; graduate enrollments have increased two and a half times. With this numerical growth has come a rising level of educational aspiration, so that today more than two-thirds of all undergraduates indicate their intention to continue their formal education in post-baccalaureate graduate and professional programs.

One consequence of this demand has been a great shortage of qualified faculty for both graduate and undergraduate instruction. A recent survey (1967) sent to university presidents in 150 institutions indicates that this faculty shortage is expected to persist in most fields at least into the mid-seventies. And if higher education through the first two years of college is to be made accessible to all qualified American youth, the anticipated shortages will become even more acute. Already the nation's burgeoning junior and community colleges are experiencing difficulty in finding qualified staff, and their needs for additional faculty have been estimated in a recent study to total 100,000 by 1975.

In addition to the demand generated by an expanding system of higher education, the need for graduate trained men and women on the part of other sectors of American society is also expanding at unprecedented rates. In 1962,

the Gilliland report cited 11 major objectives of national policy, ranging from economic progress and military security to the exploration of space and improvements in medical and environmental health. In the judgment of the committee, the achievement of all of these required "a concerted program for expanding the Nation's capabilities in graduate education and training." [1]

The Education Professions Development Act will provide one resource for meeting these problems. As appropriations under it expand beyond the additional $52 million the President has requested for Fiscal 1969, it will become the major instrument for helping graduate education meet the requirements of education itself. But there is another and equally significant need—the need to strengthen the institutional base of graduate education so that a larger proportion of graduate study is characterized by excellence in its service to all aspects of the American society and economy.

The proposed program for the strengthening of graduate education is designed to meet these needs. We envisage a program of institutional grants. For the individual graduate school, grants would be gradually increased for several years, followed by diminishing Federal support, during which time the institution will take up the slack through the use of its own resources.

Grants under this program would be available for the following purposes:

(1) The establishment, expansion or improvement of courses of study leading to the Ph. D. or equivalent degree;

(2) The addition of faculty, or the up-grading of existing faculty;

(3) The acquisition of curriculum or research materials appropriate to the fulfillment of the activities in clause (1) above;

(4) The establishment or improvement of administrative procedures or services in doctoral programs either within the institution or in cooperative arrangements with other institutions at the doctoral level.

Grants would *not* be available for the construction of buildings or traineeship support of students; and no portion of the grants could be used for the support of sectarian religious training or purposes.

As envisaged, the plan does not duplicate other federal programs designed to support advanced level training. Other related federal programs are designed either to advance substantive research, or to support individual students. The present program, however, is aimed at institutional expansion and improvement, and seeks in this achievement the best way of enlarging and improving advanced educational opportunity of high quality.

The universe of institutions of primary eligibility for this program comprises about 100. Ineligible would be those top quality institutions generally conceded to be among the leaders in American graduate and professional education. Institutions ranking at the lowest end of the scale in doctorate production would be accorded a lower priority in eligibility, because of the limited contribution they could make to a significant expansion of highly trained individuals. This leaves 95 to 100 middle-range institutions which would be accorded top priority for grants. The precise number which will receive grants cannot be predicted exactly because each applicant would have to justify its request by the merit of its individual proposal, its past record, and the realism and quality of its plans for improvement. We would plan to administer these grants in a fashion to give enough funds to each institution to bring the leverage for a change in the quality of its program. As in other OE programs, panels of experts will appraise the merits of all applications submitted, within the broad policy directives determined by the Advisory Council on Graduate Education.

INCREASE IN COST OF EDUCATION ALLOWANCE

Also included in the proposed new part to improve graduate education are amendments to Title IV of the NDEA and Title V–C of the Higher Education Act which would provide flexibility in determining the amount of the institutional cost of education allowance accompanying fellowships awarded under these authorities.

At present, institutional allowances for the NDEA Graduate Fellowship Program and the programs of Fellowships for Prospective and Experienced Elementary and Secondary School Teachers and Related Educational Personnel are statutorily set at $2,500, or an amount not to exceed $2,500, less tuition and non-

[1] Meeting Manpower Needs in Science and Technology, a Report of the President's Science Advisory Committee, Dec. 12, 1962, pp. 1–3.

refundable fees for each Fellow enrolled. For all other Federal fellowship programs, however, the institutional allowances are not set by statute, but by administrative action. The institutional allowances for all but these two programs can thereby be established at amounts which are not only comparable but which are consistent with appropriation levels, type and level of graduate program, and actual institutional costs of education.

Amending Section 525 of the Higher Education Act and Section 404 of the National Defense Education Act to permit the institutional allowances to be set at amounts comparable to those of other Federal fellowship programs would provide: (1) the means to establish a greater degree of consistency among all Federal fellowship programs; and (2) the flexibility to increase allowances, appropriations permitting, to more adequately meet the actual institutional costs of education. The desirability of providing comparability or consistency among Federal fellowship programs should be evident. The need for a more flexible authority to allow a higher level of institutional support should also be evident in view of the increasing costs of higher education.

All available evidence shows that the present $2,500 institutional allowance by no means covers even the present institutional costs of graduate education. That the difference between the allowance and the actual cost of education is steadily increasing reinforces the need to provide for this authority now—as we seek a five-year extension of the NDEA Graduate Fellowship Program and several technical corrections in the Education Professions Development Act.

In speaking of the economic problems of higher education several months ago, McGeorge Bundy noted that "with the tools now available, we cannot really prove our case." The truth of this statement is nowhere more obvious than when seeking hard data concerning the costs of graduate education, but there is agreement on one fact: graduate education is expensive.

One private university, estimating that its direct and indirect costs related to undergraduate study are $3,000 per student, estimated that its costs per graduate student are one and a half to three times that much. Most institutions, however, cannot even estimate these costs—some noting that they realize they will have to begin doing so, while others state that it will never be possible to isolate the costs of graduate education from the total costs of higher education. One finds the same varied picture when looking at State formulas for the support of the different levels of higher education. In an attempt to base State support on a recognition of the essential differences in the expenditure requirements of various levels of study, the Ohio Board of Regents recommended per full time equivalent student institutional support ranging from $350 for lower division, to $1,000 in upper division, to $4,800 in Ph.D. programs for 1967–69. Most other States, while merely noting that the costs graduate education are higher than those for undergraduate education, would probably be in agreement with a 1965 report of the Ohio Board of Regents:

"It is a fact of long-standing recognition among university administrators that medical education and graduate study are the two most expensive instructional activities of a university's operations. The exact order of magnitude of this expense varies from institution to institution. But we would not be far from the mark if we say that graduate study at the Ph.D. level and medical education require public support in a public university about *ten times* that required for the average array of undergraduate courses."

One State higher education commission reflected that this was the minimum difference between undergraduate and graduate education costs in its report of recommendations on institutional appropriations requests, going as high as a 25-to-1 ratio in some fields of study.

When we note that present institutional expenditures per full time equivalent student average $1,506, and are projected to increase to $1,670 five years from now—and that these averages are weighted by the fact that graduate students comprised only 13.5 per cent of total opening resident enrollment this past fall—it is readily apparent that graduate education is expensive. It is also apparent that the present $2,500 institutional allowances does not cover the actual costs of education. We recognize that colleges and universities compete for the NDEA Graduate Fellowships, as well as those provided under the Education Professions Development Act, but we are also aware that this is often a competition for institutional deficits. One obvious way to fulfill the purposes of this part—to improve graduate education—is to provide the means of assuring that the receipt of fellowship allocations will not always be a losing proposition for our colleges and universities.

Without knowing the exact cost of graduate education, we are convinced that the present $2,500 cost of education allowance is at least $1,000 too low. The Administration, therefore, proposes to move toward a $3,500 cost of education allowance for all Federal fellowship programs beginning with Fiscal Year 1969. We will be proposing the $3,500 figure for all new Office of Education-sponsored fellowships beginning next fall if this new flexible authority is granted. This would mean that within 3 years all fellowships new and continuing would be covered by the higher figure.

While this will not turn our colleges and universities into profitmaking organizations, it should add a degree of equity to our support and ease somewhat the burden on these institutions.

SPECIAL SERVICES FOR DISADVANTAGED STUDENTS

The Disadvantaged Student

During the last decade, a number of economic, social, and cultural factors have combined to bring to the forefront of public attention the condition of the poor and disadvantaged in our Nation. These disadvantaged families have in common such characteristics as depressed economic status, low social status, inferior educational achievement, tenuous or no employment, confined participation in community organizations, and limited ready potential for upward mobility. In many instances, they are further handicapped by the attitudes of others toward their ethnic or racial status. Many of these socially disadvantaged either live in isolated rural poverty areas, or are concentrated, in ever increasing numbers, in the inner city of our metropolitan centers.

Children living under these depressed economic, social, and cultural circumstances, have acquired from their families and peers attitudes, motivations, and values different from those of the community at large. Furthermore, it is widely acknowledged that these students often receive inferior elementary and secondary education. For example, the Panel on Education Research and Development has reported: "By all known criteria, the majority of urban and rural slum schools are failures. In neighborhood after neighborhood across the country, more than half of each age group fails to complete high school, and 5 percent or fewer go on to some form of higher education." (Zacharias, 1964).

As a result of these conditions, in school these children show disproportionately higher rates of academic retardation, social maladjustment, behavioral disturbance, and physical disability than the more financially fortunate students.

However, this apparent academic and social handicap of disadvantaged students has nothing to do with intellect or potential. Although statistical information currently available is inadequate, existing compensatory practices demonstrate that many of the academic and other deficiencies characteristic of the disadvantaged student can be overcome. Imaginative and innovative programs can make the difference between a college graduate and a college dropout just as they can in high school. Several examples of programs successfully providing special compensatory services for disadvantaged college students are as follows:

During 1966, the "Berkeley Education Opportunity Program" was set up with the objective to provide massive amounts of aid to disadvantgaed students in three key areas: Admission to the university, all the financial support necessary to attend college, and the academic assistance needed to remain in college. Some 175 disadvantaged students, primarily from minority groups, most of whom under normal circumstnaces would probably not have attended any college, were admitted to the institution. Of these 175 students, 12 percent were dismissed for continued poor grades, and an additional 12 percent left for personal reasons other than finance. (The dropout rate of 24 percent compares favorable with the 25 percent ratio of all students usually not continuing after the freshman year at the university.) However, by the third quarter of the school year, the remaining students were performing as well as, or better than, regularly admitted students.

During 1966, a demonstration program was initiated at Antioch College to determine the plausibility and success that may be expected of a program that focuses on counseling and remediation techniques for the disadvantaged college students in a highly competitive academic climate. Students whose performance in high school and on standard intelligence or achievement tests gave little indication of success at Antioch, were supported by financial aid, counseling, and tutorial assistance. The program has been remarkably successful. Of the original

38 students, all high risk in terms of attrition and academic success, 36 are still enrolled. One of the two dropouts has transferred to a nearby state college.

At West Virginia Institute of Technology, it was determined after review of the 1965–66 records of 63 freshmen from low income (Appalachian) homes that 36 of 57 percent were not making satisfactory academic progress. While their records showed academic potential to achieve, they did not know how to use their academic abilities. In addition to their educational difficulties, these students generally suffered a "cultural shock" often resulting in withdrawal of the students from college.

Consequently, during 1966 a project designed to identify techniques and procedures to help college students from culturally deprived homes to deal constructively with the problems encountered in the college community was undertaken. The assistance given to these students primarily involved supplementary counseling services, including academic remedial and social adjustment counseling as well as parental involvement through home visits by the counseling staff. These efforts created an atmosphere that stimulated the following successes:

1. The grade point average of 2.00 for the project students compared to an average of 1.73 for the total freshman class.
2. The attrition rate of 5 percent of the project students compared to 13 percent for the total freshman class.

It becomes apparent that the disadvantaged can achieve academic success, but to do so he needs specialized assistance designed to expose and stimulate his latent, unrecognized abilities.

PAST AND PRESENT EFFORTS TO ASSIST THE DISADVANTAGED STUDENT

In recent years colleges and universities have focused increased attention on disadvantaged students. Feeling the need to involve themselves with contemporary problems and also recognizing the value of a diverse student body, institutions of higher education have accelerated their efforts to identify and to enroll students from disadvantaged backgrounds. As a result of institutional efforts and activities conducted under Federal programs, an ever increasing number of disadvantaged students is attending colleges and universities. One of the great challenges facing these institutions is to insure that the academic careers of these students will be rewarding and succesful.

However, up to this point in time, too little emphasis has been placed on providing needed academic and other assistance necessary to help the disadvantaged student stay and succeed in his college career. Relatively few colleges and universities, in terms of the need, have thus far developed compensatory programs and most of those that have are serving very small numbers of disadvantaged students. For example, a survey conducted in 1964 of compensatory practices among institutions of higher education indicates that of 610 institutions responding, 386 or 63 percent reported they had no compensatory programs of any kind, although many indicated they hoped to be able to provide such special services in the future.

The need for remedial programs and special services for disadvantaged students has also been recognized by both institutions of higher education and non-profit educational organizations in their proposals to the Educational Talent Search Program.

The following statements illustrate the concern raised by these institutions and organizations:

A spokesman for Oakland University of Rochester, Michigan, states that, "Our experience with specially admitted, disadvantaged students has been that admission and financial barriers can be overcome without too much difficulty, but that these students need considerable help once they have been enrolled. It is our hope that we can receive the necessary funds under Talent Search legislation to provide the support our project students need to survive in a demanding educational program." The University proposes to continue a program, initiated in cooperation with public schools and the business and professional community, to admit more disadvantaged, under-achieving students for the fall of 1968. The students will be given the necessary financial aid; participate in pre-college community and study skills programs that will focus on reading, study and writing tasks which the participants will face as freshman students; and receive continued skill development during the academic year. A counseling program also will be provided to help the participants adjust to university life and to achieve "self-direction."

Mid-Appalachia College Council, Inc., an inter-state consortium of 13 private liberal arts institutions of higher education and a present contractor with the Educational Talent Search Program, has presented for over a year a penetrating and convincing story to allow its activities to include remedial services. The Project Director of the Mid-Appalachian Youth Education Opportunities Project emhasized in his report that the fulfillment of the objectives of Talent Search in this region requires more than the encouragement of the enrollment in college of students who have recently graduated from high school. Students from some of these remote high schools enter college unprepared to meet the competition of students who have gone to larger high schools, and who have graduated from secondary schools in the more populous centers. The fact is that their reading comprehension is far below average, so far, indeed, that they cannot keep up with their fellow students in freshman courses requiring the reading and understanding of the English language. It can be shown that some high school graduates in this region have a vocabulary of 1,000 words or less. As a result, these students have little or no chance of surviving in college, and most of them drop out during their freshman year. While the Educational Talent Search Program staff was responsive to the *needs* of these students, realizing that "*Talent Searching*" in itself is insufficient, no affirmative answer for summer remediation programs could be given. As the Honorable Carl D. Perkins has indicated—"The waste of talent resulting from the inability of thousands of Appalachian youngsters *to continue* their education in college is both terrible and unconscionable. I have little patience with people who bellow about the waste of money on one hand, but on the other are quite complacent and unmoved by the waste of human talent and potential that goes on all around them. I certainly hope that Talent Search can do something to impress upon people just what a dreadful waste this is."

These quotations from Oakland University of Rochester, the Mid-Appalachia College Council, and the Honorable Carl O. Perkins underscore the fact that getting disadvantaged students into college and arranging for adequate financial aid are only two components of an effective institutional assistance program. A necessary and complementary element is to provide special compensatory services designed to correct their deficiencies such as low reading ability, low general school achievement, low interest and motivational level, poor health status, etc. Without such concentrated efforts, the student will remain marginal in his performance, and it is of no benefit to the student, the college or society if he enrolls only to drop out within the first year or two.

RELATED FEDERAL PROGRAMS

Several Federal programs are now in existence which provide greater opportunity for needy and disadvantaged students to enter college. Student aid programs authorized under the National Defense Education and the Higher Education Act are now providing financial assistance to many thousands of disadvantaged students. Two programs in particular, are noteworthy: the Educational Opportunity Grants Program, which provides financial assistance to academically qualified high school graduates of exceptional need to enable them to attend college, and the College Work-Study Program, which provides for part-time employment for students attending institutions of higher education who are in need of earnings to pursue their course of study.

The Educational Talent Search Program seeks to identify, through a program of grants and contracts to institutions and other educational agencies, talented students from disadvanteged backgrounds and to encourage them to enter or re-enter higher educatoin.

The Upward Bound Program is a pre-college program, operated largely by colleges and universities, for poverty high school students. It is designed to remedy poor preparation and motivation in secondary school, and thus increase the student's chances of enrolling in college.

The proposed program would complement the Federal programs already in existence and would in effect, increase their effectiveness, by providing the necessary additional special compensating services to the disadvantaged student after he has been admitted to college and assure that he will succeed in his academic career.

DESRCIPTION OF PROGRAM

It is the purpose of this proposal to meet the need for special services to the disadvantaged student so that he can readily adjust to his new environment and

academic life, and at the same time to encourage the college to attempt new solutions and to search for new educational techniques which are especially suited to the needs of the disadvantaged student.

It is our belief that, as these techniques are further developed, colleges will willingly admit a larger proportion of students they now regard as academic risks and find ways to make them successful. Emphasis would also be placed on programs designed to encourage students from disadvantaged backgrounds to pursue graduate and professional education by: (1) identifying capable students with aspirations to attend graduate school, and (2) providing counseling and guidance services to prospective graduate students concerning opportunities available to them.

Effective in the fiscal year ending on June 30, 1969, the Special Services for Disadvantaged Students Program, as a part of the Higher Education Amendments of 1968, would provide assistance to institutions of higher education and other public and private nonprofit organizations and agencies for the development and maintenance of student personnel service programs to assist disadvantaged students in completing their undergraduate education and in encouraging able students to undertake graduate studies.

The Commissioner of Education would be authorized to make grants to plan for and to implement student personnel service programs, and to award contracts to provide support for the operations of demonstration projects of exemplary student personnel practices.

Funds would be available for the development and operation of comprehensive guidance, counseling, placement, and other student personnel services, including tutoring programs to remedy academic deficiences, and to enable persons to remain in higher education programs.

The program would be authorized for five years through fiscal year 1973. For fiscal year 1969, $15 million in appropriations is being requested, and such sums as may be necessary to attain the objectives of this program for the next four fiscal years.

NETWORKS FOR KNOWLEDGE

As the costs of providing a higher education continue to rise, our Nation's colleges and universities are increasingly developing cooperative arrangements among institutions, as a means of providing high quality education to the greatest number of students. The "knowledge explosion" of the past few years coupled with the vast increase in the number of materials available, have made it almost impossible for even the wealthiest university to afford extensive specialized library collections in all the areas its faculty and students might wish to investigate. It has also become extremely difficult to maintain a faculty fully competent in all the major areas of concentration. Less affluent institutions may even experience difficulty in maintaining an adequate collection of basic library resources and minimum levels of faculty coverage of subject areas.

Similarly, in an age of growing student enrollments, hand-processing of college fiscal and student records is costly and inefficient. Yet many colleges cannot afford—and do not need—a computer on a full-time lease or purchase basis. Again, cooperative arrangements among a group of institutions, each utilizing a central computer for the processing of student and fiscal records, might prove efficient and economical.

A recent study made by the Office of Education showed the existence of nearly 1,300 consortia between institutions of higher education across the country. These cooperative arrangements involved as few as two colleges and as many as eighty or more. They covered everything from faculty and student interchanges to curriculum planning and centralized data processing. Such inter-institutional cooperation must be encouraged if we are to insure that college students receive the best possible education.

A new program—Networks for Knowledge—would become title VIII of the Higher Education Act, designed to encourage such resource-sharing among institutions of higher education. Emphasis would be placed on the stimulation of arrangements whereby institutions of higher education would share technical and other educational facilities and resources, while maintaining institutional identities. The Commissioner of Education would be authorized to make grants to institutions of higher education to support the planning and operation of such sharing agreements. In certain instances, grants might be made to other established agencies and organizations, including professional organizations or academic societies—for example, for the development of a common program in

a special subject field to be used in computer-assisted instruction, the subject-matter professional association might be the most effective grantee.

Funds could be used for development and operation of a series of inter-institutional arrangements:

Collection and sharing of curricular materials and information on modern curricular advances: This could take many forms, such as creation of a curriculum clearinghouse, for a geographic region or a specific subject-matter area. An institution which had conducted in-depth research into a facet of instructional content or technique could share its findings with other interested colleges and universities. Needless duplication in curriculum development could be avoided, if institutions were aware of the curricular materials available to them.

Development of effective systems of processing and maintaining financial and student records: Multi-institutional arrangements for standardization or simplification of record-keeping could prove extremely beneficial to a number of our colleges and universities. Perhaps such a simplified system could be combined with a centralized data processing facility, for which each participant would be assessed a pro rata share.

Joint use of facilities such as classrooms, libraries, or laboratories:

Library networks, providing access to collections of materials in the possession of a number of institutions: Some institutions of higher education have already established library consortia to reduce the costs of maintaining specialized library collections in a large number of fields. However, in the main such consortia have consisted of colleges large enough and wealthy enough that each would have a specialized, expensive library to "contribute" to the system. Federal assistance to a multi-institution library network might assure that the poorer institutions—those who need the most to share library resources—would be able to participate.

Establishment and joint operation of closed-circuit television facilities: Such TV networks would allow institutions to share their faculties by wire and could result in improvement of quality while limiting costs.

Planning and operation of electronic computer networks: Sharing of a single centralized computer by a number of institutions can cut the costs to any single institution significantly, while still providing sufficient computer-time for processing of financial or student records, student course work, or transmission of library or other materials, or providing a resource for faculty research. The scope of the computer's use, as part of an educational network, would be limited only by the imagination of the group of institutions proposing the project.

Exchange of faculty on a part-time or full-time basis: Less wealthy institutions may not be able to afford—or use—the full-time services of a distinguished professor. Again, sharing would enable more schools and more students to benefit from a single faculty member's knowledge.

For Fiscal Year 1969, it is requested that $8 million be authorized to be appropriated for resource-sharing programs, with such sums as might be necessary for the next four fiscal years. Funds are not to be spent for providing capital equipment, library resources, or other assets to a single institution. These are intended, instead, to pay the costs of transmission or other changes incident to establishing a network.

EDUCATION FOR THE PUBLIC SERVICE

I would now like to turn briefly to title XII of the Higher Education Amendments—the Education for the Public Service Act. It is designed to support graduate education for the public service through grants and contracts to institutions of higher education and to authorize a new program of fellowships on the graduate level for young men and women preparing for a career in Federal, State, or local government. It builds on past accomplishments of the Congress, which has enacted a varied and diverse list of fellowships, grants, and awards to help offset critical shortages in different career fields.

In the years between 1946 and 1966, the total number of government employees in the United States rose from 5,595,000 to 10,871,000. In 1946, the Federal government employed 2,254,000 employees, while 3,341,000 were employed by State and local governments. In 1966, the statistical breakdown consisted of 2,564,000 Federal employees, with 8,307,000 individuals working for State and local governments. The manpower demands of these governments are expected to reach 12 million by 1975.

This growth in the number of public service personnel is impressive. Unfortunately, improvement in the qualifications of these personnel has not kept pace with the growth in the demand for the services they provide. Only 24 universities sponsor programs for executive development for mid-career public officials. Colleges and universities do not come close to meeting the need for educational opportunities for persons interested in public service careers, or persons desiring to update their professional competence.

Title I of the Education for the Public Service Act would authorize the Secretary of Health, Education, and Welfare to make grants or contracts with institutions of higher education, and with other designated public or private agencies in special circumstances, assisting them in preparing graduate or professional students to enter the public service. It would also allow grants or contracts for research, development, and demonstration projects of improved methods of educating graduate students. Grants would be equitably distributed throughout the country, among institutions able to use the funds effectively. Preference would be given to programs designed to meet an urgent national need.

Title II of the Act would provide financial assistance in the form of graduate fellowships. These fellowships, up to 3 years in duration, would be awarded to students preparing for careers in public service, to encourage more persons to pursue public service careers.

Obviously the program envisioned by the Education for the Public Service Act cannot fill the enormous manpower needs of our Federal, State, and local governments over the next decade. However, it can contribute significantly to assuring a supply of highly-trained men and women who intend to make a career of government service.

I realize that my presentation of the past two days has covered a large number of programs, old and new. My colleagues and I would be happy to answer any questions you might wish to ask.

Mrs. GREEN. Thank you very much, Commissioner Howe, and Mr. Muirhead, Mr. Moore, and Dr. Alford, and Dr. Huitt.

(Whereupon, at 12:20 p.m., the committee recessed, to reconvene on Monday, February 19, 1968.)

HIGHER EDUCATION AMENDMENTS OF 1968

FRIDAY, FEBRUARY 9, 1968

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

The subcommittee met, pursuant to recess, in room 2261, Rayburn House Office Building, at 10:05 a.m., the Honorable Edith Green (chairman of the subcommittee) presiding.

Present: Representatives Quie, Erlenborn, Esch, Gibbons, and Hathaway.

Also present: William F. Gaul, associate general counsel for the full committee, and Charles W. Radcliffe, minority counsel for education.

Mrs. GREEN. The subcommittee will come to order for the further consideration of the Higher Education Act of 1968, H.R. 15067.

This morning we are turning our attention to that part of the legislation having to do with graduate education and the administration's recommendations in regard to graduate education.

We have felt on the committee that we could not make wise judgments on these recommendations on graduate education until we had more information about the current draft policy and how it might affect our graduate schools and, therefore, on behalf of the committee, I certainly want to express my deep thanks to Jack Morse and to Dr. Pusey, who is no stranger to this committee, Dr. Trytten, and to Dr. Shannon, for coming this morning and helping us get the information which we need in order to make the judgments that we must make.

Dr. Pusey, I understand you are on a very tight schedule and need to catch a 12 o'clock plane, so we will try to hurry along.

Dr. Trytten, we are also grateful to you. I think you are recognized as one of the experts in the field of manpower needs, and have been an adviser in previous times of international crisis on draft policy.

I think I am going to turn to you, Mr. Morse, to start this panel and let you suggest the way in which we should proceed.

STATEMENTS OF DR. NATHAN M. PUSEY, PRESIDENT, HARVARD UNIVERSITY; JOHN F. MORSE, DIRECTOR, COMMISSION ON FEDERAL RELATIONS, AMERICAN COUNCIL ON EDUCATION; DR. MERRIAM H. TRYTTEN, SPECIAL CONSULTANT TO THE PRESIDENT OF THE NATIONAL ACADEMY OF SCIENCES; AND DR. WILLIAM G. SHANNON, ASSOCIATE EXECUTIVE DIRECTOR, AMERICAN ASSOCIATION OF JUNIOR COLLEGES

Mr. MORSE. Thank you, Madam Chairman.

I think the easiest way to get into this would be to start with some figures on what the draft pool of eligible men, age 19 to 26, looks like. For these figures, we are indebted to Mrs. Betty Vetter, a colleague of Dr. Trytten's, who has worked for many, many months developing these figures.

I suppose no one has an exact and precise set of figures, but everyone I know of—and I think this includes those in the Pentagon—believe these are as accurate figures as can be derived.

Before moving into the figures, let me say that the situation under current regulations and current policies for the induction of men into the Armed Forces is to induct the oldest first from among those who do not have deferments for one reason or another.

It is necessary to keep that fact in mind to have these figures mean anything.

In looking at these figures, let me put in a second proviso: As of June 30, the Selective Service Act, at the present time, and the President's Executive order issued last June 30, will end all deferments for those who are now in the first year of graduate study and all deferments for those who are completing their work for an advanced degree, and will provide no deferments for students getting their bachelors' degrees this June. Obviously, in general, those are the oldest men in the draft pool.

After making allowance for veterans and those going into the various medical areas which will continue to have deferments and making allowance for 25-percent disqualification because of physical disability, we end up with a total pool of 226,000 bachelor-degree recipients and first-year graduate students who will lose their deferments. The estimate that we have been working on has been that there would be between 300,000 and 400,000 men called up for the fiscal year beginning July 1. I was informed by the Defense Department last evening that the projected draft call is 240,000. This is a lower figure than we had anticipated, but I must assume that it is right. In either case, it doesn't make any difference whether it is 240,000 or 350,000 so far as these older men are concerned. They will all be the first to be called.

The net effect of the situation, therefore, is that under current regulations and current procedures the first year of the graduate and professional schools and the second year of the graduate and professional schools will be greatly depopulated and there will be in them only physically disqualified men, those over the age of 26, those who have already served in the Armed Forces, and women.

Moving from those figures to some rather specific estimates, I might say that a month or 6 weeks ago we wrote all of our members saying that we felt, though there are other possibilities and various alternatives available to both the President and the Congress, that one eventuality that must be considered is that there will be no change whatever in the current procedures. In suggesting that, I suggested ways by which they might estimate what their potential enrollment in their graduate schools might be for next year.

I might say that Mrs. Vetter, working on her own with the graduate deans, is asking them to do a similar survey so that they will have a cross-check on this.

You have before you the estimate of two institutions, one of which is Washington University in St. Louis. This estimate is broken down by different schools within the university and I think if I run down the first column, which is the graduate school of the School of Arts and Sciences, the figures in the other columns will be meaningful to you.

The estimate for next year's enrollment in the Graduate School of Arts and Sciences would have been, without regard to the draft, 900

men. I should point out this is strictly male enrollment. Women are not included in these figures. It would have been 900 men, of whom 300 would have been first-year graduate students and 225 would be second-year graduate students. The rest would be already entering their third year and their fourth year of graduate study and these men are deferred until they complete their work for a degree. So there is a potential of 525 students in their first 2 years of the Graduate School of Arts and Sciences. The university estimates 131 of them would be physically disqualified. It estimates that 53 of them would be either veterans or over the age of 26 and that would lead to 341 who would be eligible for the draft. In other words, 64.9 percent of the potential first 2 years of graduate students in that particular school would be likely to be drafted in the following 12 months.

You will note that the figures are fairly comparable for all of the other schools with the exception of business. The reason seems to be that graduate schools of business are populated by men who have often put in 2 or 3 years of work before they decide to go on for professional study.

It is probable, too, that if the Graduate School of Arts and Sciences were split apart, the number likely to be drafted from the School of Science would be considerably higher than that from the Schools of Humanities and Social Sciences, largely because engineers and scientists intend to go on immediately to graduate study whereas those in the nontechnical fields tend to enter graduate school later.

Another way of looking at this is by noting some estimates sent to me by Indiana University. You will see that its total enrollment this year, in the first 2 graduate years, I judge, is 7,851.

The enrollment this year is 7,851 students, of whom 2,300 are women, 365 are veterans, 600 are over the age of 26, and 1,125 it estimates would be physically disqualified. So that in this year's graduate school there is a potential of 4,390 who would be able for one reason or another to stay on, but 3,461 would be subject to call under selective service.

Now, the university had projected an enrollment increase of 10 percent for next year. This would bring it a total of 8,600 full-time graduate students. Of these, 4,900, it estimates, would be able to enter for one reason or another. The rest would be likely to be called.

One result of this, at the present time, the university gives teaching and research assistantships to roughly 40 percent of all its graduate students. If the drop in graduate enrollment that the current situation would suggest comes about, it would have to appoint at least 75 percent of all its graduate students to such assistantships and conceivably more, because one of the facts of the situation is that while the law discontinues graduate deferments, it guarantees undergraduate deferments, provided the student requests it, so that there can be nothing but an increase in the undergraduate enrollment, while the graduate enrollment is cut sharply. This leaves a staggering problem for many institutions, particularly the universities which rely on their graduate students to handle a great many of the recitation and all of the laboratory sections of the first 2 years of work.

I am almost through, and I might say I hope you will stop me at any time if there are questions.

One other problem relating closely to the concerns of this committee which I would like to bring up, though I have no conceivable solution to it at the moment, is this: Right now the universities and, indeed,

various agencies of the Federal Government, such as the National Science Foundation, are making their selections for fellowships, Federal fellowships, for this coming fall. These include national defense fellowships, which were created by this committee, the NSF fellowships, and National Institutes of Health fellowships.

The pattern for these is to award the student a fellowship to pay his living expenses and to provide a fee for the cost of education to the institution which he enters. This "cost of education" fee, in general, is $2,500 per year.

These fellowships will be announced in most instances on the 1st of April. The student is required to accept or reject it the 15th of April. If he accepts it and decides to enter graduate school, there is no way for him to tell whether he will be able to finish the year.

If he is called up or indeed, if he enlists, I think there is no one who would not argue that that fellowship ought to be put on ice for him. It certainly should be there waiting for him when he comes back from service.

The problem is that the institutions are committed to faculty and to facilities to teach these students and at least part of the cost of teaching them and providing academic space for them is underwritten by the "cost of education" grant. So if this fellowship is put on ice for him until he returns, presumably the "cost of education" grant will be too, and the institutions will be left with staggering deficits.

As I say, I think everyone would insist that, merely because a youngster is called up or enlists, there would be no reason to discontinue his fellowship and award it to someone else. It has to be there waiting for him when he comes back.

There are various solutions to these problems, if you think these are problems, that are available both by legislation and by Presidential directive, and we would be glad to get into these things, these possible alternatives, if you are interested.

Mrs. GREEN. Thank you, Mr. Morse.

I suggest we call on Drs. Pusey and Trytten first and then return to undergraduate education in a few minutes, Dr. Shannon, if that is satisfactory.

Dr. SHANNON. Yes.

Mrs. GREEN. You understand the problems in the technical schools and, believe me, we are not overlooking those at all.

Dr. Pusey, do you want to add some comments here?

Dr. PUSEY. Thank you, Mrs. Green. I would like to speak both as the president of Harvard and as one of the officers representing the Association of American Universities. I will try, as president of Harvard, to speak specifically about the Harvard situation, but in the general remarks I make I will be speaking for the Association of American Universities. I am sure I don't have to remind this commitee what the Association of American Universities is, other than to recall that all of the major State universities and major private universities are banded together—the ones that have the chief responsibility for graduate education. A very substantial part of all the graduate work is done in the 40 or so universities that belong to this association.

This group spent quite a little time in its meeting last fall talking about this problem and I think each of them is deeply concerned. They would be concerned about the effect on their institutions if nothing is done to correct the legal situation as it exists at the moment, but I think also we are generally concerned about the effect on higher education generally.

It seemed to us, and I think it does to most people who look at this problem, that if we proceed under the existing regulations, it is not really in anyone's interests—I doubt that the military would prefer to have the whole quota taken from the one or two age groups and it is certainly not in the interests of the universities, and if it is not in their interests, I think one can make the case that it is not in the nation's interests either.

From the point of view of the universities, I think the major worry was and is just uncertainty. We are all right now in the business of planning our organization and budgets for next year and it is very important to know how many students we are going to have in the various graduate and graduate professional schools, to know how many teachers we will have and all the rest of it.

There is also the important matter of what income we are going to have and this is another source that is a worry to all of us.

I think we are, beyond that, worried for another reason and it is this: That most of the teachers in colleges and universities, by necessity, must come out of graduate schools—chiefly the graduate schools of arts and sciences, although one can make the case for law schools and business schools and schools of that kind too.

The future teachers are the graduate students and of course, they are terribly important while in graduate school because they are contributing to the education of the current crop of undergraduates through holding positions of teaching fellows and so on, and they are serving their time of practice, or novitiate. If nobody interferes to correct the situation, what we would be faced with is not a percentage decrease in graduate students spread over the whole graduate school, but a complete cutoff of a continuing process. That is, there would be no one student or practically no students entering the graduate school next fall, other than the women and the ones that are 4–F, and another category not mentioned by Mr. Morse, which should be mentioned, of course—foreign students, because there are a lot of them involved too.

Setting those aside, we would lose the entering class in the graduate schools next fall and the group that were there last term would also be taken, so that we would have a hiatus of 2 years—the first 2 years in graduate school. This cuts down the available supply of teachers for undergraduates, but it also cuts off the continuing process of producing teachers for other colleges and universities in the years to come, and I think this is something that the country ought to think about very, very seriously.

Another thing, you would have to live and work in a university to know that you just can't separate these things really, year by year. A graduate student comes in and forms associations with older graduate students, they learn from each other, they contribute to the education of people below them, and it spreads through this whole business so that if you stop that process you are really taking out some of the nourishing forces for the whole enterprise. I think it could not help but be a very serious weakening of graduate instruction.

I think that one ought to keep in mind that we would be stopping the flow of the supply of teachers at a time when undergraduate enrollments need more teachers than we have ever had before and that is one of the very serious things to worry about.

Now, I would like to talk specifically for a moment about how this would affect Harvard as we see it. We have been studying this for some time. Our figures are not yet complete, so that I can't give you the figures as exactly as the figures have been presented for Washington University and Indiana, but our picture is something like this. We have a number of different graduate schools. All of our professional schools are at the graduate level.

Now, certain of these are not involved in this consideration at all—medical schools, dental schools, schools of public health, the divinity school and, for quite a different reason, our Kennedy School of Government, because the average age of students there is 31.

We really come down to about four of our schools, or faculties, that would be seriously affected.

I do have the figures for our graduate school of business and our graduate law school. The business school would expect an entering class of approximately 700 next fall. There are in each year a number of older men and veterans so it wouldn't be a complete erasure of that class by any means, but we think it would be cut down by about a third or more.

The really serious problem, I think, is another unfortunate aspect of the present law, that these people don't know next summer whether or not they are going to be called, or drafted in the following year. So it is possible that a lot of them would just stay out who otherwise would start, but then there is the misfortune of the group who do start and who get pulled out during the course of the year. And the faculty committee that has been studying this in the business school would expect something like 80 people to be pulled out in the course of 12 months, with their careers interrupted. You can imagine the difficulty for the institution in regard to dormitories, teaching assignments and all the rest.

The law school admits an entering class of about 540 and its guess is that perhaps closer to a half—that is, it could be reduced by close to a half, although it might be that the school would keep its enrollments fairly high by making some compromise at the level of quality or something of the student group admitted. This is a financial problem it would have to wrestle with, as well as an intellectual one.

I think the faculty at Harvard where you can see the difficulty most clearly is the Graduate School of Arts and Sciences. That school, which admits all the people who are going to be candidates for the Ph. D. degree in a great many different fields and from whose numbers, as in all graduate schools of the other universities, will come not only the teachers, but a considerable number of the research scientists, social and otherwise, and the scholars in the humanities of the future.

We have admitted a group of about 900. Maybe 700 of these would be men and, again, a number of them would be there because of age, because they are veterans, because of being 4–F, and because a number of foreigners are in the group too. But there would be a substantial cutback in the size of that group, and the loss to the country would be, at least, the loss by postponement of people who were going to go on to become teachers and research scientists.

It does seem to us, for a lot of reasons, that there ought to be some way to not have the draft quota filled entirely by this year's senior class and the first-year group of graduate students, but to spread that quota over the age group in such fashion that we wouldn't have this

devastating cutting off of the continuing process that ought to be thought of as a sort of an ongoing dream.

That is essentially what I wanted to say, Mrs. Green.

Mrs. GREEN. Thank you, Dr. Pusey.

Dr. Trytten.

Dr. TRYTTEN. Much of what I might have said has been said.

I think I would like to make a few points, however.

I might say, first, that I have here a set of the statistics which Mr. Morse referred to.

Mrs. GREEN. By way of identification, Dr. Trytten, you were the adviser on draft policies in World War II and the Korean war?

Dr. TRYTTEN. I was involved in World War II as an officer of the National War Manpower Commission, dealing with particularly physicists so that I had some little experience there. I was, however, the chairman of the group which developed the student deferment policy which went into effect in approximately 1950 in the Korean episode.

Mrs. GREEN. Thank you very much.

Dr. TRYTTEN. We have been interested in it for other reasons over the years, in manpower matters, as you probably know, at the academy, and also in connection with the Scientific Manpower Commission.

I was saying that I have these statistics and if you desire we can leave those to be incorporated in the record.

Mrs. GREEN. We would like to have them and without objection they will be made a part of the record at this point.

(The statistics follow:)

ACE COMMISSION URGES FOUR STEPS TO MEET PROBLEMS OF DRAFT LAW

The Council's Commission on Federal Relations, meeting in Washington this week, urged the adoption of four steps to meet projected problems in the field of graduate study created by the new draft law. Commission Director John F. Morse emphasized that the commission does not favor broad deferments by special category for graduate students, but that it recommended to high government officials the adoption of steps that would subject such students to the draft on an equitable basis.

Commission studies show that, under the new draft law, which eliminates all deferments of graduate students except in certain medical fields, graduate school enrollment next year will be limited in the first two years to women, veterans, men physically disqualified, and those over 25 (see *Bulletin*, Vol XVI, No. 35).

The four steps were drafted by the commission under the chairmanship of Indiana University President Elvis Stahr and are as follows:

1. That for the immediate future a prime age group (age 19) be designated as first to be inducted and that those past age 19 without military service and not entitled to deferment be treated as if they were 19. The order of call within this pool would then begin with the oldest first, by month and day of birth.

2. That legislattion be introduced to provide a random selection system as a long-range solution.

3. That deferments in additional fields of graduate and professional study be provided only in narrow and critically needed specialities such as metallurgy, for example, if there is a severe shortage in that field, rather than in the broad field of the physical sciences.

4. That local boards be urged to postpone the induction of students and teachers classified I–A until the end of the term in which they are studying or teaching. By term is meant a quarter, a semester, or a trimester—not an academic year.

There also were these other developments this week:

A Federal interagency committee completed its review of essential activities and critical occupations used in the Selective Service System in granting deferments. Its report was sent to the National Security Council which, under the

draft law, can identify fields of study which should be deferred in the national interest. NSC recommendations may be made public sometime this month.

The Department of Defense issued a draft call for January of 34,000 men, all of whom will go into the Army. The Department predicted higher draft calls throughout the 1968 calendar year, but declined to be more specific. A Defense Department spokesman pointed out, however, that calls will be higher than in 1967 because "the draft build-up begun in 1965 has run through its two-year cycle." Thus, the calls in 1968 may approach the total of 364,680 who were drafted in 1966. "But," the spokesman said, "we don't know what the re-enlistments will be, and we don't know what the volunteer rate will be. This is one reason we issue calls only on a monthly basis." (Total draft calls in calendar year 1967 were 218,700.)

The total available draft pool for Fiscal Year 1969 (July 1968 through June 1969) is expected to be 1,090,000 men, according to figures compiled this week by Mrs. Betty Vetter, executive director of the Scientific Manpower Commission. Mrs. Vetter emphasized that her data were based on current information, including the limitation of graduate study deferment to medical and allied fields only. Following are her projections:

Total			Preinduction pool	Draft pool
405,000	Male baccalaureates, 1967–68:			
	Deduct:			
	Overage and part time	55,000		
	Divinity students	5,000		
	To graduate school in medical fields	12,000		
	Veterans	10,000		
	Occupational deferment	18,000		
	Fathers in III–A before June 30, 1967	26,000		
	To OCS and Reserves	50,000		
	Volunteers	30,000		
	Subtract: 25-percent disqualified		199,000	149,000
144,000	First-year full-time graduate students, first registered for graduate study in 1967–68 school year		50,000	
	Deduct:			
	To graduate school in medical fields	11,000		
	Veterans	6,000		
	Fathers in III–A before June 30, 1967	7,000		
	To occupational deferment	25,000		
	Reserves	2,000	93,000	
	Subtract: 25-percent disqualified		24,000	69,000
95,000	Male master's degrees:			
	Deduct:			
	Part-time students otherwise deferred	48,000		
	To occupational deferment	20,000		
	Continue toward Ph. D. in medical fields	10,000		
	(These three groups also include 7,000 veterans and 4,000 fathers.)			
	In reserves	6,000	11,000	
	Subtract: 25-percent disqualified		3,000	8,000
20,000	Ph. D.'s granted:			
	Deduct:			
	Occupational deferment	10,000		
	Overage, fathers, part time, etc	10,000		
	College graduates subtotal			226,000
1,880,000	Men born in 1949:			
	Deduct:			
	Voluntary enlistment	360,000		
	Students	684,000		
	College students	670,000		
	High school students	90,000		
	In special schools	51,000		
	Deduct:			
	Drop out of school	70,000		
	Part time	40,000		
	Reservists	15,000		
	Fathers	2,000		
	Deferred (fathers, agriculture, etc.)	126,000		
	Rejected by local board without examination	100,000	610,000	
	Subtract: 45-percent disqualified		274,000	336,000
880,000	Men age 20–26, available but not previously drafted:			
	Deduct:			
	Volunteers (during next 10 months)	350,000		
	Draftees (during next 10 months)	220,000		
	Add:			
	From I–Y	30,000		
	School dropouts (net qualified)	28,000		
	1948-born who become 19 (net qualified)	160,000		528,000
	Total available draft pool			1,090,000

EFFECT OF 1967 CHANGES IN STUDENT DEFERMENT UNDER SELECTIVE SERVICE IN GRADUATE AND PROFESSIONAL (POSTBACCALAUREATE) SCHOOLS, EXCEPT MEDICINE AND DENTISTRY, WASHINGTON UNIVERSITY

Male enrollment	Graduate School of Arts and Sciences	Law	Business	Engineering	Social work	Fine arts	Architecture	Total
1968-69 estimated (under pre-1967 selective service provisions)	900	250	325	435	100	10	60	2,080
1st year	300	100	195	145	50	5	24	819
2d year	225	62	100	109	40	3	20	559
Subtotal	525	162	295	254	90	8	44	1,378
Less estimated 25 percent physically disqualified	131	40	74	63	22	2	11	−343
Subtotal	394	122	221	191	68	6	33	1,035
Less veterans and over 26 (percent varying by school)	[1] 53	[1] 16	[2] 74	[1] 25	[1] 9	[1] 1	[1] 5	−183
Selected for service (drafted)	341	106	147	166	59	5	28	852
Percent of 1st and 2d years drafted	64.9	65.4	50	65	65	62.5	63.6	61.8

[1] 10 percent.
[2] 25 percent.

Dr. TRYTTEN. I would like to comment on one of the points made by Dr. Pusey with respect to the impact on the graduate population of the interruption and to point out that this is particularly serious in certain fields where youth is so important.

The productivity of the graduate student when he comes out is a function of his age, especially in many of the fields which require a high degree of continuity. So that the impact for some of these fields would be quite substantial in view of the interruption.

I might also add that it is a little unrealistic to think in terms of a 2-year interruption for service abroad, even if the level of present military action is not esclated, because of the uncertainty involved in this whole situation, the uncertainty of when the individual goes in has an effect on his commitment to his field. He is uncertain. He may or may not start. If he does start, there is a possibility of being cut off.

There is also the fact that when he comes out of the service he is not necessarily in step with the academic stream. He may come out, let's say, in October, and if he is fortunate enough to get into graduate school it will probably be the following February at the beginning of the term. These things add up to several months beyond the 2 years of actual service.

This is important, I think, in terms of what President Pusey said with respect to the supply of teachers in the future. It isn't only the teachers who are graduate assistant teachers now, but the teachers for the enrollments to come. Figures were recently issued, today or yesterday, issued from the Government indicating the extent of increase in enrollment in the next 5 years, for example. There is to be about a 25-percent increase in undergraduate enrollment. It is the teachers for this group that are now being developed in the graduate schools.

With respect to another matter, let us suppose that some change could be made, such as suggested by President Pusey, in which the calls might come from various age groups of that kind. Much of this uncertainty would still remain because the calls then would come and

the individual would not know whether he was going to be called now or 2 months or 3 months from now, or more.

My principal point is, even if one goes to a more random selection, the individual, if he does elect to enter graduate school and take a chance on finishing the year, if he is drafted, he is no longer protected as he is this year with a 1–SC. That is, if he is called, he must leave immediately and go. This is one part of the uncertainty which clouds this situation and which will increase the effect on the overall effectiveness of the graduate student.

I think for the present that is all I need to say. I am sure many of these things will come up in the questioning period.

Mrs. GREEN. If I understand the policy now, all deferments for graduate students end as of June 30 and that means that all of the graduate students in the first and second year would be transferred to the 19-year-old class. Is that right?

Mr. MORSE. At the moment they would not be transferred to the 19-year-old class. As of now they would be at the top in order of induction because they would be older.

If the President should designate a so-called prime age group which is provided for in the new act, then those who lose their deferments would be treated as if they were 19. That is provided for in the act, but it requires first a designation by the President of the prime age group to be inducted. So, as of now it is the oldest first, by chronological age.

I should say that not all graduate students will lose their deferments. Those who actually enrolled in graduate school prior to June 30, 1967, are allowed to continue graduate studies until they complete their degrees or, in the case of the Ph. D. program, at the end of 5 years. They lose their deferment at the end of 5 years if they haven't received their Ph. D. degrees. They are limited to 1 more year for masters.

Mrs. VETTER. There is no guarantee for the people in their second, third, or fourth year. It will be up to their local boards, but they will be considered for further deferment to complete their degree.

Mr. HATHAWAY. What is our objective here? Is it to allow the graduate students to complete their education and then be drafted regardless of age? Say they start before they are 26 and they end up when they are 28; or, is the objective to grant immunity to students until they are through altogether?

Mr. MORSE. Dr. Trytten was quite instrumental in the development of the student deferment policy as it pertained to the Korean war. We in the American Council on Education at that time strongly supported the idea that it was in the national interest to defer both undergraduates and graduate students until they had completed their work for a degree, but with this one extremely important proviso: that, at the end of their study, they should be just as vulnerable or just as subject to call as those who did not go to college.

This we very strongly stated in 1950 when the deferment policy was first instituted.

Between the Korean period and Vietnam, the Defense Department determined it did not wish to induct anyone over the age of 26 and this is what really destroyed the concept of graduate deferment. I

think no one would defend the idea that by spreading out or lengthening one's graduate program, one might thereby escape obligation for military service, and yet that is what began to happen and this was a kind of race on the part of some students, undoubtedly, to prolong their studies until they passed their 26th birthday, at which point they were home free.

I don't know anyone who would defend that as a policy, but that is what was happening and that is the reason why the Congress—I think quite understandably—decided to eliminate this haven. Am I correct, Dr. Trytten?

Dr. TRYTTEN. I think you have stated it correctly.

I would only call attention to the fact that there was a quality basis for the selection for deferment in the programs which developed in the Korean period.

The individual had to demonstrate certain basic abilities and progress in his field so there was an effort to include the built-in feature.

Mr. HATHAWAY. If we are going to draft them anyway when they are through graduate school, isn't this going to hurt the argument Dr. Pusey was making, that you are going to stop the flow of teachers? What difference does it make whether you draft them before they go to graduate school or afterwards? You are not going to have the flow.

Dr. PUSEY. I think there is a great difference between taking relatively modest numbers out of seven different age groups than taking the whole of two age groups because it is a flow and, like a stream of water, when you cut it off, you cut it off and it takes a long while to get it set up and going again.

I think the plea most of us are making is to find some way to take from seven groups rather than one or two. We are not asking for permament immunity for anybody. We are trying to keep graduate education going with the least disturbance because the health of it is important.

Mr. HATHAWAY. So if we had either a percentage allotment among the seven age groups, or a more random selection, we would be better off as far as your point is concerned?

Dr. PUSEY. That is right.

Mr. HATHAWAY. In other words, it would take a lesser number?

Dr. PUSEY. Yes.

Then there is one other point that I think someone has to find the answer to: I think there has to be some provision that a person who begins a semester may finish that semester because otherwise he is gambling his money for tuition, or the institution is, and lots of people just won't go so we will get a much worse situation. So if we could have that guarantee, that you can finish a term at any rate, and then take them from seven age groups, I think that would work.

Mrs. GREEN. Would you yield?

Mr. HATHAWAY. Yes, Madam Chairman.

Mrs. GREEN. Would you develop at this point the alternatives that you see, Dr. Pusey? You talk about the seven age groups. Now, if you would go into that a little bit more and also the alternative that I understand is being proposed, we would appreciate it.

Dr. PUSEY. There are people in the room who know more about this than I, but I have heard it suggested that the military itself would

prefer to have people from the seven age groups, 19 through 26, and that the local draft boards would make the selection on the basis of the percentage of the people who are subject to the draft at each age group, the percentage that that is to the whole group. Now, this would seem to me to be a reasonable way to go about it so that the dislocation would be spread through the whole of this group and would not fall just on one particuar age, which seems to me unfair to them, among other things. But if you did it that way and did not have some provision that they could not be called every month where they were, I don't think it would work, either. But if a student could finish a term and then go, I think that then young people would not stay out of college and graduate school for fear of losing their money or feeling that the odds were against them. I think the two things have to go together to get a workable program.

I hope I have made that clear.

Mr. HATHAWAY. I think Mrs. Green also wanted your elaboration on the point of the other system of a more random selection, such as when a graduate student finishes, then the President sets a priority age group, say 19, and he is considered as if being 19 but he is drafted only in accordance with his actual birth date in that group. So that if he was born January 1, he is going to be one of the first to go, but he is scattered amongst all the other 19-years-olds, so it would take a lesser percentage than if you take the older ones first based on their actual age. Do you want to comment on that?

Mr. MORSE. Yes. If you will look at the figures that we first looked at at the beginning of this session, you will see that for the coming fiscal year there is an eligible pool of over 1 million men. Now, with the figure given us last evening by the Defense Department of 240,000 to be called, you can see that under a random system of any kind one out of four would be called. So presumably your graduate schools would be depopulated by one-quarter and so would your 19-year-old age group. But under the current conditions, with a pool of 1,090,000 you would take 226,000 graduate students in this year's class of seniors, leaving virtually no call for those who are younger. Now, if you went into any kind of random system at the end of the coming fiscal year, this pool of 1,090,000 would move out of the way, so to speak, and another pool of probably about a million to 1,100,000 men would come into place. So this year's pool would be probably no longer vulnerable to the draft except in a case of greatly stronger mobilization or all-out mobilization.

Mr. QUIE. Will the gentleman yield?

Mr. HATHAWAY. Certainly.

Mr. QUIE. If you use those seven categories and a person, we will say, is in the 23-year-old group now, the next year, of course, he would move out of that group but wouldn't he be over in the 24-year-old group then and, therefore, be subject to one-fourth of the draft?

Mr. MORSE. Yes. I think that is probably right.

Mr. QUIE. At the end of 4 years he goes in.

Mr. MORSE. I am not quite sure, Mr. Quie. The fact is that we have got about four to five times as many people eligible for the draft in every way, as the current demands of the armed services are stated, as they need. Now this is likely to—I shouldn't say that because I don't

suppose anybody can predict—but the pool of draft eligibles gets larger every year because of the birth rate. So assuming a stable military call, a smaller and smaller percentage of men are likely to serve. That is the quandary we are in.

Mr. QUIE. But you get a fresh supply of bodies in the 19-years-olds each year.

Mr. MORSE. Yes.

Mr. QUIE. But the 19-year-old becomes 20 years old and the 20-year-old becomes 21 years old, so that they go over into the next group. It seems to me at the end of 4 years they are picked up then, or 5 years or whatever is the case.

Mr. MORSE. I think I may need some help on this.

Mr. QUIE. Unless you are working toward infinity as one-fourth of the amount that is left over.

Mr. MORSE. Yes, but the thinking has been on any kind of random selection system that the only way it will work is first to designate a prime age group, and everyone assumes that to be 19. Then once in his career, when a student loses his deferment, he is for 1 year treated as if he were age 19. That is his time of greatest liability. If he is not called at the end of that year he presumably does not continue to stay in the 19-year-old pool.

Mr. QUIE. I see. So then the second year, the only ones you would be dealing with would be the graduates of undergraduate schools or ones with baccalaureate degrees.

Mr. MORSE. You would be dealing with the new 19-year-olds and all those who in that year ran out of a student deferment.

Mr. QUIE. So you would not be dealing with 1- or 2-year graduate school people after the first year?

Mr. MORSE. No. Each year there would be an addition to the 19-year-old pool of those who ceased to have a student deferment.

Mr. QUIE. The first year, those who ceased to have a student deferment are not only the ones who have graduated from some 4-year institutions but those who finished their 1 year of graduate work?

Mr. MORSE. Right.

Mr. QUIE. And all of that pool, that will be going on beyond the baccalaureate degree?

Mr. MORSE. That is right.

Mr. QUIE. But the second year all of those who have either been picked or they have been lucky enough to have been selected——

Mr. MORSE. Right.

Mr. QUIE (continuing). So that means the year after would be just those who finished their baccalaureate degree?

Mr. MORSE. Right; plus the 19-year-olds.

Mr. QUIE. Plus the 19-year-olds.

Dr. TRYTTEN. The figures would look about like this: There are 336,000 that would be in the pool from the 19-year-olds and there would be somewhere, I suppose, in the same bracket 226,000 of those emerging from the 2–S deferment. So the chances of being picked up the next year are considerably higher for those who are coming out of college because there would be 226,000 plus 336,000 available in those two groups and it would be almost one out of two, or something like two out of five, chance of being picked up for the college graduate.

Mr. QUIE. But of those 226,000 only 149,000, according to the figures you have, were male baccalaureates.

Mr. MORSE. Physically qualified male baccalaureates, yes.

Mr. QUIE. The figure of those who get thrown into the 19-year-olds who are not actually 19-year-olds would drop back into that 149,000, if you had the same figures each year.

Mrs. GREEN. I do not understand the 149,000 and the 226,000.

Dr. TRYTTEN. The 149,000 is the college graduate contingent of those who would drop into the pool. The rest of them come out of first-year graduate school and so on.

Mr. QUIE. 69,000 in the first-year full-time graduate students, and 8,000 in the male master's degrees?

Mr. TRYTTEN. Right.

Mrs. GREEN. Do I understand if we follow the present policy that the college graduate is going to have much better chance of being drafted than if he has not gone to college?

Dr. PUSEY. If we follow the existing policy and he were physically fit, he would almost certainly be drafted.

Dr. TRYTTEN. Most certainly.

Dr. PUSEY. So there would be no one in the group available for the first year of graduate school, and also those who were in first year of graduate school this year would go, so there would be no second-year graduate students. This is a temporary phenomenon, but it would be a disaster for next year.

Mrs. GREEN. Wouldn't it last more than 1 year?

Dr. PUSEY. It would take a long while to get the thing started up and going, but if we went on to this other basis where all the ones who had enjoyed deferment went into a constructive 19-year-old group and a new group became 19 and they drafted from that, it would take away the uncertainty of a person living under it for 5 or 6 years. I think that would be a workable program thereafter.

Mr. QUIE. You are right under present policy without an Executive order, however.

Mr. ERLENBORN. Will the gentleman yield?

Dr. TRYTTEN. Could I ask Mrs. Vetter to comment on that point?

Mrs. GREEN. Yes. Why don't you come up to the table and join us here.

Mr. ERLENBORN. Would you yield for just a moment? I think we should develop that point.

Mrs. VETTER. The time we are talking about is really a 2-year plan in which for the first year the call would be by the seven age groups. If you see the numbers you have there in front of you, you are calling from a pool of about 1 million men. If you invoke a prime age group provision for the first year you would be calling from a pool of about half that size because you would eliminate the bottom number, the 528,000 down there. The new law says the prime age group must consist of men born in a calendar year plus those who have dropped back from 2–S or 1–SC. This would give you a group of only about 500,000 from which to draw the call and would let escape, if you will, scot free, that pool of 528,000 men who will be between 20 and 26, will be eligible for the draft but will not have served. It would eliminate these. Therefore, the plan they are talking about would for the first year call by seven age groups to pick up men from all these groups.

This bottom group down here are the college dropouts, people who were deferred in fatherhood and then were divorced, people who have been deferred for agricultural reasons and lost the deferment, or deferred in occupational deferments, 2–A; all of these people are now available and would be in the pool for this 1 year. Then the theoretical plan is that the following year it would move to the prime age group provision which would mean that these same men would not be as liable again as they are this year. The prime age group would then consist of the men completing the baccalaureate, the men who have dropped out of school but have been in 2–S since June 30, 1967, when the new law took effect but have lost their student deferments, plus all the available men from, probably at that point, men born in 1950. A prime age group cannot by the law that is passed be 19-year-olds; it must be men born in a calendar year and, under present provisions, whatever call is made by age group, prime age group, or as it now stands, must be oldest first within the pool.

Mrs. GREEN. Mr. Erlenborn.

Mr. ERLENBORN. If you would yield for just a moment, I would like to develop this point. You are talking about a plan that has not yet been adopted?

Mrs. VETTER. That is true.

Mr. ERLENBORN. The present provision is the oldest in chronological age will be drafted first?

Mrs. VETTER. Yes, sir.

Mr. ERLENBORN. If there is no change in this, if no new plan is adopted, it would mean that, each year, those who had lost their student deferment by graduating from undergraduate school would be the oldest in chronological age.

Mrs. VETTER. Yes.

Mr. ERLENBORN. And would be drafted? In other words, without any change in the draft law, if no new plan is adopted, we will be drafting the entire eligible group of graduating seniors every year.

Mrs. VETTER. That is true.

Dr. TRYTTEN. Plus those in the graduate school.

Mr. VETTER. Which we will have for only 1 year.

Mrs. GREEN. So this would be true for every year if we continue under current policy?

Mrs. VETTER. Yes.

Dr. PUSEY. Except you will not have any first year graduate schools after that.

Mrs. GREEN. Yes, but it would be your college graduates?

Dr. PUSEY. Yes.

Mrs. GREEN. You would still be putting a military premium on college graduates. As you said, you would be sure to go.

Mr. ERLENBORN. If you would yield further, I would just like to make the comment that this would seem to give us the best educated army in the world and I am not certain that this is going to be in the best interests of the country. The uncertainty that faces the graduate schools today would seem to me to lead them to a policy of admitting women, the halt, and the lame.

Dr. PUSEY. And the foreign born.

Mr. ERLENBORN. And the foreign.

Mrs. GREEN. May I have 10 minutes at this point on "the women, the halt, and the lame"?

Mr. ERLENBORN. I would be happy to yield to you.

Mr. ESCH. Madam Chairman.

Mrs. GREEN. Yes.

Mr. ESCH. I think it is inconsistent that we have reached February 9, 1968, before we have done anything about this. It is my understanding, and please correct me if I am wrong, that this can be done under present statute. It is conceivable that the problem can be relieved under the present statutory rule by regulation or by the President's determinaion. I think we need to demand immediate clarification of the situation. If need be, Congress should act. I would like to emphasize I think it is very unfortunate we have reached this point, especially in light of the fact that graduate programs are based on projections of enrollment figures and registration figures which are made at this time of the year. Both institutions and individuals are left completely in doubt.

Mrs. GREEN. Would you like your time back?

Mr. HATHAWAY. Just one question to clear up this prime age group situation. This would mean in effect, then, that a person who is going to be subject to call, assuming that the manpower needs do not increase in the service, he is going to be subject to call either when he is 19 or after he has lost his classification.

Mrs. VETTER. Yes.

Mr. HATHAWAY. So would you leave open the option, too, for a person who is 19 and in college to let himself be allowed into this group and take his chance at that time so that he would not have to take the chance later on?

Dr. TRYTTEN. That is true now.

Mr. HATHAWAY. So you are only in once.

Dr. TRYTTEN. If he does not elect the 2–S deferment he is eligible.

Mr. HATHAWAY. Under this new system, if he gets by that first grab, he is not called, then he goes on to graduate school and gets student deferment, he would not be put back into the group.

Mrs. VETTER. No, sir, he has no protection; you are mistaken. If he stays out a year at 19 on the assumption mentioned, then goes back to school, he will have to request a 2–S deferment in order to do it. If he requests a 2–S at any point he immediately throws himself back into the penalties of 2–S, which are dropping back into a prime age group, and the other penalty of all students, he may not be deferred for fatherhood.

Mr. HATHAWAY. We should take care of that situation, too, to make it fair.

Mrs. VETTER. Yes.

Mr. HATHAWAY. Thank you.

Mrs. GREEN. Congressman Quie.

Mr. QUIE. Would it be possible for a 19-year-old who has had 1 year of college to ask his draft board not to give him a 2–S rating and stay on 1–A, and if his birth date is December he has a pretty good chance of being skipped and he goes right on to college and has no problem?

Mrs. VETTER. That is right. As an undergraduate he also has further protection; if he elects to take his chances and stay in 1–A, he cannot

be given 2–S without requesting it. If he takes his chance and stays in 1–A and is ordered in, he has the protection of 1–SC, which has been removed for graduate students. That is what the whole problem is. The 1–SC is the statutory deferment for students, which is granted once only, and now only to undergraduates, to a student ordered for induction while in the school year, and it is good to the end of his school year and allows him to complete so he knows he won't be throwing away his time and tuition. But this provision has been removed for graduate students under the new law. A new student who has requested and received a 2–S deferment after June 30, 1967, and who has completed a baccalaureate degree is no longer eligible for a 1–SC. So this protection for the student who will not be called perhaps as well as for the one who will go, is eliminated for the graduate student, but it is still there for the undergraduate, and the 19-year-old would be well advised to use it that way, I would think.

Mr. ESCH. Would you yield? Then there is discretion with the local boards. Part of the problem is it not, is that there is inconsistency as between local boards? Some local boards still grant these just on a local basis; am I correct in that?

Mrs. VETTER. There is really no discretion in this for the local boards. They are required to draft the oldest available man and to defer only men who have requested the student deferment. But the 1–SC is statutory and must be provided to the undergraduate, under the proper conditions.

Mr. QUIE. Is this going to work, if nothing is done with an Executive order? Is that the present setup?

Mrs. VETTER. Yes, sir.

Mr. QUIE. So that a 19-year-old who gets by the draft in calendar year 1968 is off free; is that right?

Mrs. VETTER. Well, he drops—if we go into a prime age group system he would then drop down into the next order.

Mrs. GREEN. Let's talk just about the present now.

Mrs. VETTER. At the present time it would not make any difference. The order of call now is oldest first, 19 to 26. So the older he got the more subject he would be to call.

Mr. QUIE. In other words, even if he got by his 19th year and 1–A and still was not picked up?

Mrs. VETTER. He would be more likely to be picked up.

Mr. QUIE. So there is no dropoff in age?

Mrs. VETTER. Not unless the prime age group system were involved.

Mrs. GREEN. I would like to ask one question, Dr. Pusey. What is the supply and demand in terms of college teachers now?

Dr. PUSEY. Well, it varies from subject to subject. I think in general it is fair to say that there is a real shortage and in view of the increased undergraduate populations that come along and the larger numbers of the eligible group that go on to college, that we are moving toward a time when they are going to have these massive enrollments everywhere, I think it is just a desperate situation. That is one of the reasons I tried to make the point I did, that to interrupt the flow of the training of college teachers would be one of the things least in the national interest I think anybody could do. That seems to be the situation we have blundered into.

Mrs. GREEN. Before you leave, Doctor, at the present time we defer medical and dental students? They are subject to draft until age 35 but they are deferred to complete their education; is that correct? Would you defer if we go into other alternatives—what is your judgment about special categories of deferment?

Dr. PUSEY. I am personally strongly opposed to the extension of categories for deferment and I believe I am correct in saying that most people in the university world are. The categories presumably would be in the natural sciences, the mathematics, engineering. We have enough trouble in university communities now with rivalry and contention, not to have it acerbated by some kind of a legislative situation saying that these are in the national interest and those are not. I personally would make the case that humanities are as much in the national interest as anything else, but I would hope that they would treat all graduate studies alike. I think that is the only sensible way to do this.

Mrs. GREEN. What if they were all subject to the draft until 35 years of age, after college deferment, wouldn't this erase the present problem?

Mrs. VETTER. It already has. The law says that students will now, anybody who has been deferred in 2–S or 1–SC after the law took effect, will have no magic line at 26. His cutoff now comes at 35. This has already been taken care of. Any student in 2–S this year already has lost the 26 line.

Dr. TRYTTEN. Excepting that the Armed Services may decide that they would not prefer to have people over 26.

Dr. PUSEY. They don't want them over that age.

Dr. TRYTTEN. It is not the law, it is the preference of the military establishment.

Mrs. GREEN. I thought it was this 26 that was creating the problem presently.

Mrs. VETTER. It was, before the law changed, but the law changed that to 35.

Mrs. GREEN. As of last year.

Mrs. VETTER. But only for students, not for everybody else. Everybody else is free and clear at 26. But for students, they will at any point that they cease to be deferred drop back into the prime age group up to 35. There is no cutoff.

Mr. HATHAWAY. I take it from your testimony that if we allow the student to complete a term, that as far as the individual student is concerned it does not hurt him to have to go away for two years and come back? Or do you think it does?

Dr. PUSEY. I think you would have to answer that in each individual case. Some young men would be terribly upset and others would not. Some mature under the process. I do not think you can have a general rule under that. But I think the national service needs people and I think we have to try to find an equitable way to provide them. This would seem to me to be the way to do it.

Mr. HATHAWAY. You don't know from your experience at Harvard whether or not that is so?

Dr. PUSEY. I think it is a mixed bag. There is a kind of person who will not come back then to scholarship if his career is interrupted and

he will be lost permanently from us. There is another kind of fellow who will come back and just run true to form and maybe gain from the experience. I think it is six of one and a half a dozen of another.

Mr. HATHAWAY. It doesn't make any difference—

Dr. PUSEY. I think it makes a great deal of difference for the individual but I don't see how you can have a general rule.

Mr. QUIE. You say that in the national interest you should not designate certain of the graduate schools as being more important than others. What about the military interests? Is the military looking for some people who finish graduate school in certain areas?

Dr. PUSEY. Yes. I think that is a logical and possible approach. If the military could be very precise and say they need a particular kind of engineer or a particular kind of mathematician, this ought to have priority; but just to take all mathematicians and not take the people in other fields, say in Chinese literature which may be much more important for the country now, that is what I think is invidious and should be avoided. If they can be precise, yes.

Mr. QUIE. Have you noticed any special interst in the military to try to secure enlistment of graduates of your graduate school?

Dr. PUSEY. Well, we have a situation, for example, where specialized recruiting goes on in the law school. They come and get people for the Judge Advocate's branch, and they should. Then, of course, there is a high percentage of people graduating from the medical school who are going to be in military service and serve as doctors. That makes good sense to use them that way. So again I think if there are precise needs that can be identified, why, then they should figure in this equation somehow.

Mrs. GREEN. Are there any other questions to Dr. Pusey? One final one: What effect does it have on the young man, this period that we are going through, trying to plan his career?

Dr. PUSEY. I think the uncertainty is very bad for him, and it is just as bad for the institutions. I would like, if I may say a final word for the institutions. It is a fact that we don't know really what to expect for next year that is causing our greatest difficulty. If this could be clarified and we knew what the rules of the game were going to be, then we would have to do our best to adjust, one way or the other. I think it has been made clear that if we go ahead under existing policy, the difficulties for the institutions are going to be enormous. I think the difficulties for a special group of young men, this year's college seniors, are going to be multiplied out of any fair proportion. I think these young men have to know. They have no idea of whether they can go on to graduate school next year or not. I think they need a clear answer as to what their percentage chances are going to be and they ought to get it fairly soon.

Mrs. GREEN. In time, this is extremely urgent.

Dr. PUSEY. We had hoped, many of us, that this would be cleared up last December. I think it ought to be cleared up immediately.

Mrs. GREEN. Thank you very, very much, Doctor.

Dr. PUSEY. Thank you for the chance to come.

Mr. ESCH. I just want to clarify one or two things, if I might. I wonder if the President is aware of this situation.

Mr. MORSE. We have every reason to think so. We have been in fairly close touch with Mr. Cater on the White House staff, and Mr. Cater assures us that the President is aware that there is a problem.

Mr. ESCH. And I am correct that the situation could be alleviated by Executive order?

Mr. MORSE. It certainly could be alleviated by Executive order. Whether that would provide the best system, I think we could all discuss at some length. But certainly the Armed Services Committee has indicated that it believes the President has ample authority to resolve this problem by the designation of a prime age group.

Mr. ESCH. I wonder why the President has not acted. I wonder whether the President or General Hershey is in charge of the country. I think this is a serious matter and I would like to know the reason why he hasn't acted. I think the country would like to know, the young men would like to know, and I think the colleges and universities would like to know.

Mrs. GREEN. Dr. Trytten, for my education, would you outline to me your recommendations in the Korean war? What do you think the best draft policy is in terms of the national interest and in terms of the colleges and universities and young people?

Dr. TRYTTEN. You are asking two questions. Let me take the first one, what the program was at that time.

Let me say that the universities at that time were in a somewhat different position but perhaps not too much different. They had lived through World War II, which very severely strained the institutions financially and in many other ways. So that the drafting of students in any great numbers at that time would have been very disastrous for the institutions, perhaps even more so than at the present time. The question really was this, that you are going to make inroads into the college population, and how do you go about it? What kind of principles should apply? There was appointed to consider this by General Hershey a series of committees which elected to work as one committee. It was that committee that I was chairman of.

It came up eventually with a scheme which would authorize student deferment on the basis of two criteria. One of them, a criterion of quality which would be determined by a test to be given, an aptitude test. That was actually done by the Educational Testing Service in Princeton which administered the test to several hundred thousand students who elected to undergo this.

The other criterion was the standing of the individual in his class, where he rated. He had to be in the upper percentile. I have forgotten now the exact percentile because they differed for the graduate and undergraduate students. So it was a double criterion that was applied. If the individual satisfied either of those criteria the local board was empowered or was advised to defer him.

It was in effect, and quite well accepted, I think, by the educational community, but of course the crisis was a much shorter one, and consequently after a year or two the draft calls became so low that it more or less passed out of active use.

Now, with respect to the present situation, I think it is somewhat different. I am not sure that the same situation would apply here, partly because of the attitude on the college campuses: The fact that

these people in the student bodies have not taken to this idea at the present time.

General Hershey did actually, I believe a year and a half ago or so, start thinking in this direction but the reactions on the campuses, and so on, were inimical to this kind of thing: The fact that the faculty did not want to be a part of the determination of whether a person should go to the military services or not. So that this was not well received as an idea at that time.

Whether the present situation would change their minds or not, I do not know.

Actually, I do not know what I would recommend at this time because the situation is so different and the nature of the present conflict, the reactions to it create a wholly different psychological situation within which policy must be developed. It may be that perhaps the best thing to do at this time is to move in some direction along the line that Jack Morse has talked about here of some kind of a random selection. What I really would like to see, but I suppose it is quite unrealistic, is a moratorium for a year on induction of graduate students to give us time to really think about this and come up with a sounder basis for mobilization for military manpower.

Mrs. GREEN. If I understand you, all three of you are in agreement that if the present policy continues the graduate of a college or university or a first- or a second-year graduate student is almost certain to be drafted.

Mrs. VETTER. Yes.

Mr. MORSE. Yes.

Dr. TRYTTEN. That is right.

Mrs. GREEN. One hundred percent, every one of them. Then am I also correct that the policy today is in exact reverse of what you had in the Korean war? You said then that you deferred on the basis of quality and if they were in the top percentile, but now it is exactly reversed: If you have finished college or capable of going on to graduate work, you are sure not to be deferred.

Dr. TRYTTEN. A complete lack of rational relationship between the undergraduate student deferment and the graduate student. They just are two different philosophies.

Mrs. GREEN. Are you in agreement with the others? I think they used the word "devastating" to our national policy.

Dr. TRYTTEN. Oh, yes.

Mrs. GREEN. Are there other questions here before we turn to Dr. Shannon? We have another problem here with the undergraduate. Dr. Shannon, would you explain what happens to people that are not candidates for a degree?

Dr. SHANNON. Yes. Thank you, Madam Chairman.

I am pleased to have this chance to publicly express our views because we have been working for over 6 months now in sort of a sense of quiet desperation trying to get some attention from the White House to this particular problem which faces us.

The new Selective Service Act provides through the regulations of General Hershey's office a 1–A deferment for students in the occupational field—2–A; pardon me—2–A deferment.

This is as against 2–S deferment for students who are aiming for the baccalaureate degree. But there is a great deal of uncertainty about the 2–A deferment, because as of this time the National Security Council, which is supposed to designate the critical areas, has not done so, at least has not set up a new slate of critical areas so that the student who is aiming for a technician's job after a year or 2 years in a junior college is not sure whether his deferment is going to hold up while he is a student.

The law calls for a deferment of students until they reach 24 years of age, until they drop out of the program for some reason, or until they attain the baccalaureate degree. It seems to us that the present regulations are not a correct interpretation of the law. They seem to be an interpretation which is slanted toward the baccalaureate student but giving a rather discriminatory approach, using a discriminatory approach to the 2–A student or to the occupational student. This has caused a great deal of uncertainty on the part of the students. They do not know what fields they might engage in. In a sense, it puts the pressure on the student as to whether or not it is advisable to enter the baccalaureate program because there is practically an assurance of 4 years of draft deferment. This can create an unnatural situation in the community college where, for many years now—and in the technical institutes—we have been trying to encourage students to go to the technician field and the occupational world, take their training, and then go out into the manpower pool which at the present time is depleted of many of the persons that we need for our industry and technology.

Now, we have tried, as I said, over the past 6 months to get a reinterpretation of the regulations. We have met with General Hershey and his staff. We had met with persons from the White House. We have tried through the Office of the Commissioner of Education to achieve this objective but we have been unsuccessful thus far. We have had interest expressed by many Congressmen and others in this particular cause, but this is our first chance to state our case publicly except for a press release which went out a month ago and which received very favorable response from the colleges and from the press itself. Editors around the country were quite sympathetic with this point of view, but thus far we have not been able to achieve or to obtain any change in the regulation.

I would like to come back to the point Dr. Pusey mentioned about teachers and the relationship of their problem in the undergraduate institution and graduate institutions. Last year 74 new community colleges were opened up. We see a tremendous increase ahead in enrollments from 1.6 million this year to about 3 million within 5 or 6 years. We need many, many teachers. One estimate is that we need 100,000 full-time teachers within the next 7 or 8 years, we need the same number of part-time teachers. Now, most of the junior colleges require or call for or recommend that a teacher have a master's degree in the subject matter, plus some additional graduate work. If the graduate schools are going to have their flow of students cut off in anyway, the flow of teachers to the junior colleges will be severely impaired. This is of particular concern to us as these colleges are multiplying in number and like amoebas, splitting up into multicampus students, and thou-

sands of students who would not otherwise have a chance to go to college are crowding around these campuses all around the country. The students who are particularly affected by the selective service regulations at the present time number about 500,000. This would include students in the technical institutes. In the 4-year institutions also which have these technician programs and in the junior colleges and community colleges, as well as business schools around the country.

There are 900 junior colleges at present. There are several hundred of these other types of institutions. So we are concerned here with a great number of students and many, many institutions across the country.

This particular pattern or, rather, policy of the Selective Service in differentiating between the occupational student and the baccalaureate student, which we think again is not along the intent of congressional action, his some insidious effects in that it tends to separate out the students whom we have been trying to encourage to get into the occupational field, indicating to them that this is just as valuable an area of work in society as is the work of the history professor or the artist, et cetera. We are trying to keep the doors open in our colleges so that students can return after they have had a job and upgrade themselves, but this type of second class citizenship stamp on the occupational student is a very demeaning one in many respects. At the same time, the policy is a discriminatory one in that many of the students attracted to the community colleges come from the lower and minority groups. These students have tended to move into the occupational field. So if your policy tends to lean in that direction and take most of those students, then this automatically becomes a discriminatory pattern of operation. We have seen its effects across the country.

We do feel, to come back to what Mr. Esch was asking before, we do feel that an administrative decision or administrative action could correct the situation. We believe that there is leeway in the law to allow for this type of correction. We do not believe that Congress intended that the policy of 20 years' standing should be modified to the extent that it has been modified.

Beyond these points there is a tremendous amount of discrepancy between the operation of the various boards, the Selective Service boards. We have differences as between States and within States. In the State of Ohio, to illustrate some students have received a 2–A deferment automatically, some have received a 2–S. In the case of one student who moved from Ohio to a Kentucky college, was given an Ohio designation, whereas the student in the same classroom was given a Kentucky designation which was entirely different. There was no sense to that. We have seen instances where draft boards have given students the 2–A deferment even when they are in the baccalaureate program. There seems to be no consistency across the country. This has been a tremendously upsetting thing to the colleges, the administrators, especially to the students.

Mr. ERLENBORN. If I might just make a comment at this time. The variation in what the draft boards do is not necessarily as widespread as between States. In my own home county we have two draft boards. At least up until recently, one draft board, serving the eastern part of the county, felt that anyone in graduate school, if they were not study-

ing to go on to be a physician or dentist, should not receive a deferment, so they were being drafted. The board in the western half of the county gave deferments to anyone in graduate school. So this has been an intolerable situation where, with getting a deferment depended on whether you lived in the eastern or western half of the county.

Dr. SHANNON. I have asked Mr. Gaul to pass out to the committee members, Madam Chairman, a copy of a document entitled "AAJC Approach," which is an editorial appearing in the latest issue of "Junior Colleges" over the signature of Dr. Gleazer, our executive director. This explains pretty much the situation as I have explained it here. We are hopeful that some change will be made in the policy. We do know that Congressman Patman has introduced an amendement but, as far as we know, we are not sure what the schedule for that particular amendment is. It attempts to achieve the objectives, as I have outlined them here, of some change or modification in the Selective Service Act itself. But we feel that there are many implications here for manpower development that should be looked at very carefully. For example, the Vocational Education Act attempts to encourage people to enter the very fields which are being discriminated against in this policy. We know many of the antipoverty programs reach out to the students who are being discriminated against in these institutions now under the policy. So on down the line. I noticed in the release sent to us just yesterday from HEW that there is a new high priority given to health programs in community colleges. Many of our students enrolling in these programs would be subject to a great deal of uncertainty and then perhaps to call should any of the areas they are engaged in not be classified by the National Security Council as essential to the national interest. Persons in police science, electronic technician work, in all sorts of business fields are completely uncertain now as to what direction they might take in their own career development.

So we see this effect right down to the student level when he is working with his counselor, when he is talking to his parents about what career he ought to select. We see the uncertainty here being a tremendously damaging kind of thing. We would hope that this committee and the Congressmen here would help us obtain a correction in the policy.

Mrs. GREEN. Thank you, Dr. Shannon.

I see Dr. Warlow, executive secretary of the American Association of University Professors. Dr. Warlow, do you want to add anything? I know of the concern of your organization.

Dr. WARLOW. No, thank you. And I am not the executive director, Madam Chairman; I am just a staff associate. I am listening.

Mrs. GREEN. Fine.

Are there any other questions now?

Mr. QUIE. Yes. I would like to ask Dr. Shannon a question. If we went to the system of having seven categories now being suggested, taking the oldest in each category, would this pretty well take care of your problem; that is, the problem in the junior colleges?

Dr. SHANNON. There would have to be, to correct this particular situation, a consideration by the Selective Service that students were students as long as they were enrolled full time in the colleges.

If the system as suggested is applied, I am not sure how it would really work if the occupational groups are given a different classification from that given the baccalaureate.

Mr. QUIE. They have as good a chance as some of the 19-year-olds.

Dr. SHANNON. The 2–A and 2–S students are both subject to the draft till 35.

Mrs. VETTER. To the age 35 liability, but not to the penalty.

Dr. SHANNON. They are subject until age 35.

Mrs. VETTER. This is the reason they are placed in 2–A. The law does not provide for vocational students. I think it was meant to. I am sure the people who wrote it intended that it should. It is the law itself which specifically states that men shall be deferred in 2–S until reaching age 24, dropping out or receiving a baccalaureate. Men who are not in the baccalaureate program, therefore, are just omitted—I think by error when they wrote the law. They had no protection at all, and General Hershey sent out a directive to the local boards saying: "Defer these men in 2–A. They can't be deferred in 2–S as the law stands."

At least this is his interpretation, and I understand this. I do not see any difference in it. He did not want them drafted. I do not look upon a 2–A deferment as anything less than a 2–S, because that is the classification of all our scientists and engineers who are deferred when they get through.

The important part of it is that in one way what General Hershey was trying to do was to say that the student who is to be deferred for 4 years to get a baccalaureate must accept the penalties of the student deferment, and there are two, and they are severe. The student who is going to be in school for only 2 years obtaining a technical level degree, a 2-year degree, should not have to suffer the same penalties as the boy who is deferred for 4 years. Therefore, let us defer them in 2–A, and there they will be safe.

It is true the National Security Council can at any time change the list of critical occupations, the list of essential activities. It also, of course, has authority to change the list of deferments for graduate study. It has not done any of these things. I think it as likely that they will change the occupational deferments as the educational deferments, which is almost nil at this point.

Mrs. GREEN. You think it is almost nil?

Mrs. VETTER. Yes, I do. I think they will not take any action unless some pressure is applied to see that they do.

Mr. QUIE. I just wanted to finish on this. If a person is in 1–A until he is 19 years of age, of course it would be a problem for him if his birthday was in January. Other than that, he would not have any troubles at all. If you stay in 1–A and get past that age, therefore you would not be subject to call.

Mrs. VETTER. It is only if the prime age group is invoked. They are not in 1–A. They are in 2–A, which is deferable. They are in an occupational deferment rather than a student deferment.

Mr. QUIE. His problem is taken care of then.

Mrs. VETTER. His problem is taken care of, yes, because he will be drafted. If he stays in 1–A, he will be drafted, provided he is available.

Mr. QUIE. They are talking about seven categories.

Mrs. VETTER. This would not protect him if he stayed in 1–A.

Mr. ESCH. I think, Madam Chairman, we are at the heart of the matter pertaining to the vocational students. First of all, as evidenced by some testimony here, the 2–A classification will not be clarified in any way in terms of needed occupational skills. At least, we have no evidence that such clarification will be forthcoming. So, there is confusion as to what is a necessary occupational area under 2–A. There is confusion with local boards as to what we mean when we put a person in 2–A who is going to a technical school and, therefore, there is confusion among the young people we are trying to help the most.

It is inconsistent that within the last month or two we have had emphasis placed upon need for vocational and technical training and that we are, at the same time, discriminating against those people who are taking technical and vocational training. I believe it was not the intent of Congress to discriminate in any way against those who are in community colleges and involved in technical training.

We must have an immediate clarification.

Mr. MORSE. I would not disagree with Mrs. Vetter, because whenever I do, I find I am wrong, and in this particular instance I believe it fair to say that the legal counsel for Selective Service does interpret the law as Mrs. Vetter described, but that there is a considerable body of legal opinion in HEW and I believe in the Attorney General's Office that the law could be read at the present time to provide a 2–S deferment for those students who are not in a baccalaureate program, because one of the criteria outlined in the Draft Act is that a student is subject to call when he ceases to pursue a full-time course of study, and in that phrase there is not mention of the baccalaureate degree.

None of us here is a lawyer, but I do know there is dispute among the lawyers as to the meaning of that law.

Mrs. GREEN. We are talking in terms of protection. I do not know whether that is the right term. As I understand it, the technical student or the student who is not enrolled to get a degree has more protection than the college graduate or the freshman and sophomore graduate student. Is that not right?

Mr. MORSE. Sure.

Mrs. GREEN. They have no protection. They are in.

Dr. SHANNON. Assuming that the National Security Council does not declare some particular fields in the national interest and others not. We have no assurance whatsoever that students of police science or business courses, many of the engineering-related or health fields, will be in these particular areas. There is a great deal of uncertainty. We have not been given any assurances by anyone that they will even be considering this.

Mrs. GREEN. I understand that, and I agree with it.

For the benefit of Congress, do any of you people at the table know if a recommendation has been made? Has the National Security Council made a recommendation, to the best of your knowledge?

Mrs. VETTER. Not officially, at any rate.

Mr. HATHAWAY. Dr. Shannon, would you go along with having 2–A considered the same as 2–S and taking the recommendations being made by the other people testifying here that then they would come into some sort of random selection for the draft, which it is estimated means one of four would be called?

Dr. SHANNON. Yes, sir, we believe that the students ought to be treated equitably across the line, without any regard for the particular field they are in at the moment. One of the problems we face is that the students change their mind in the first 2 years. A student may begin in an occupational field and transfer to the baccalaureate or begin in the baccalaureate and transfer to 2–A. There are obstacles in the transfer process which we are trying to work out with the draft boards, but here again, you are working with 4,000 boards.

Mrs. GREEN. Are there any other questions?

I wonder if we might have an executive session.

Dr. SHANNON. I want to mention I brought along Dr. John Mallon and Mrs. Anne Trosch of our staff, who are working on a survey of the effect of Selective Service policy on colleges and students, and we will be glad to make information from that survey available if you would like to have it.

Mrs. GREEN. We will look forward to hearing you on the entire educational bill, too, Dr. Shannon, and at that time perhaps it will be helpful.

Dr. TRYTTEN. Mention was made of the assessment of the effect on graduate schools being carried out by the Council of Graduate Schools and by Mrs. Vetter. When that comes in, I presume you would be interested in having it.

Mrs. GREEN. We would very much like to have it.

You have some figures you are going to leave us now.

My sincere thanks to you, Mrs. Vetter, for your help, and to Mr. Morse, Dr. Trytten, and Dr. Shannon.

If we may go into an executive session.

(Whereupon, at 11:40 a.m., the subcommittee proceeded in executive session.)

HIGHER EDUCATION AMENDMENTS OF 1968

TUESDAY, FEBRUARY 20, 1968

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

The subcommittee met at 10:15 a.m., pursuant to recess, in room 2261, Rayburn House Office Building, Hon. Edith Green (chairman of the subcommittee) presiding.

Present: Representatives Brademas, Gibbons, Burton, Quie, Reid, Erlenborn and Esch.

Present also: Representative Meeds.

Staff members present: William F. Gaul, associate general counsel, and W. Phillips Rockefeller, minority research specialist.

Mrs. GREEN. The subcommittee will come to order for the consideration of H.R. 15067, The Higher Education Amendments of 1968.

This morning we are going to turn our attention to title XII of the bill, the part which is known as the Education for the Public Service Act.

This morning we are glad to welcome again Dr. Ralph Huitt, and accompanying him is Donald Simpson, the Assistant Secretary for Administration in the Department of Health, Education, and Welfare.

Mr. Simpson, it is my understanding that you have a statement and you are going to lead off. Is that correct?

Mr. SIMPSON. That is correct.

Mrs. GREEN. Fine. You may proceed as you wish.

STATEMENT OF HON. DONALD F. SIMPSON, ASSISTANT SECRETARY FOR ADMINISTRATION, DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE; ACCOMPANIED BY HON. RALPH K. HUITT, ASSISTANT SECRETARY FOR LEGISLATION; PRESTON VALIEN, DEPUTY ASSOCIATE COMMISSIONER, BUREAU OF HIGHER EDUCATION, OFFICE OF EDUCATION; AND WARD STEWART, DIRECTOR, FIELD SERVICES, BUREAU OF HIGHER EDUCATION, OFFICE OF EDUCATION

Mr. SIMPSON. Thank you very much. I am happy to have this opportunity to testify further to Commissioner Howe's statement in support of title XII, the Education for the Public Service Act, as contained in H.R. 15067, the Higher Education Amendments of 1968.

Permit me, Madam Chairman, to introduce my colleagues. Immediately on my left, Dr. Preston Valien, Associate Deputy Commissioner,

Bureau of Higher Education, and Dr. Ward Stewart, Director of Field Services in the Bureau of Higher Education.

Mrs. GREEN. We are delighted to have Dr. Valien and Mr. Stewart, both.

Mr. SIMPSON. The need for this legislation has become increasingly urgent and is well-documented.

In 1962, the Municipal Manpower Commission in its report, "Governmental Manpower for Tomorrow's Cities," documented the critical shortage of able administrative, professional, and technical manpower in State and local government.

Since then, a number of reports, including the reports of the Committee for Economic Development on "Modernizing Local Government To Secure a Balanced Federalism (1966)" and "Modernizing State Government (1967)," the Bureau of Labor Statistics publication, "Manpower in State and Local Governments, 1965 and 1975," and the report of the Presidential Task Force on Career Advancement have thoroughly substantiated this view.

The Bureau of Labor Statistics now estimates that, between 1965 and 1975, State and local governments will need to recruit an additional 2.9 million new administrative, professional, and technical personnel—key staff required to perform increasingly complex and technical governmental services. (This figure excludes needs for new teachers.)

Although the Federal Government's requirements for new administrative, professional, and technical personnel are not as large, it also needs ot recruit a substantial number by 1975—900,000.

This demand stems not only from the large numbers who will be retiring in the next 10 years, but also from the growth and increasing complexity of our society, its expanding urbanization and suburbanization, and the rapid technological and economic change in all of our social institutions.

Additional and more highly educated personnel are required for provision of the expanded services demanded of Government in developing educational opportunity at the highest and lowest levels; protecting our people, industries, and natural resources from the ravages of environmental pollution; raising our standards of housing, health, and economic opportunity; preventing individual and family degeneration; rehabilitating the physically and mentally disabled; improving our systems of transportation; and training large segments our our population for jobs and careers ranging from semiskilled factory workers to research scientists.

Another index of the growing demand for more and better public servants is reflected in the growing Federal, State, and local investment in these programs.

Over the past 10 years, State and local expenditures have risen by $30 billion—from $57 billion to $87 billion per annum, including the Federal contribution from grant-in-aid programs.

The latter totaled more than $15 billion in 1967. By 1975, the total outlay (local, State, and Federal grants) is expected to be approximately $128 billion.

To insure efficient application of these public funds, well-educated and creative planners and managers must be developed for all levels of government.