instructional facilities for Fiscal Year 1968. Another $200 million was to be made available from the revolving fund for Title III loans for these facilities. What happened was that the Government reduced its actul obligations for Titles I & II to a total of $300 million—as compared to the $450 million appropriated for the Titles, and will hold down the loans under Title III to $150 million as compared to the $200 million authorized. And the picture is not brighter for Fiscal 1969. The Government had requested only $75 million for Titles I & II and authority for only $100 million in new loans under Title III. We are told, however, that there will be an expenditure of the funds held back in Fiscal 68, bringing total obligations for all Titles next year to $375 million.

I believe the subcommittee is aware that this program will fall far short of the needs.

Let me direct the attention of the members to my own State of Hawaii. In the survey conducted by the Office of Education, the private and public institutions of higher learning indicated they would need new instructional facilities by 1970 estimated to cost $49.5 million. And since 1965, schools in Hawaii have received a total of $5.3 million in grants and $6.1 million in loans under all Titles of the Higher Education Act. I believe you see the gap between the needs and the funds made available to satisfy these needs.

The recommendation I make would be for a system of low-interest loans through private financial institutions to supplement the money made available by the Federal government through appropriations and government loans for construction. I am not recommending a replacement for the grant funds.

It would be an interest subsidy on facilities loans obtained through the private market in which the Federal government would make up the difference between three per cent and the rate colleges must pay on the commercial loans. This would be similar to the provision contained in H.R. 8647 which I introduced last year for college housing loans and which will be considered this year by the House Banking and Currency Committee. Incidentally, a similar provision has been included in the housing and urban development bill approved by the Senate Banking and Currency Committee.

My suggestion is totally to supplement the existing loan and grant programs and to provide the needed facilities at a cost within the reach of the institutions without imposing a serious burden on the Federal budget. It would be done through private financing, with the government providing only that margin of assistance necessary to give colleges the benefit of the same three per cent financing available under the existing loan program of Title III.

The approach would be very simple:

The University would arrange to borrow these funds from the private market. Then the University and the Department of Health, Education, and Welfare would enter into a contract whereby HEW would make an annual payment of the difference between the actual debt service and the debt service at a three per cent interest rate. The three per cent direct loan authorization in existing law for Title III would remain available.

An annual authorization should be stipulated in the legislation and should be made available to institutions for this interest subsidy for each of the fiscal years. The impact on the Federal budget in any year under the supplemental interest payment approach would be very small. For example, assuming an average private market interest rate of 5½ per cent for private and public universities together, an annual supplement of less than $10 million would achieve the effect of three per cent interest subsidy for $300 million of college housing financing.

I am pleased to have Mr. Keith Spalding, the President of Franklin and Marshall College, endorse this proposal for his own college and the many associations of educational institutions he represented in his appearance before this subcommittee.

I am encouraged by the initial reaction to my proposal and I believe that we do have with this suggestion a feasible and workable plan whose early inception at such a minimal cost to the government can do so much to relieve the present worsening situation in construction of new instructional facilities. I sincerely hope that this committee will give its careful consideration to this plan as a positive approach that will draw the approval of educators and the business community in unison, while meeting an overlooked need in making a well-rounded education available to the hundreds of thousands of students who will be swelling college enrollments in the years ahead.