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EDUCATION AMENDMENTS OF 1971

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HEARINGS

BEFORE THE

SUBCOMMITTEE ON EDUCATION

OF THE

COMMITTEE ON

LABOR AND PUBLIC WELFARE

UNITED STATES SENATE

NINETY-SECOND CONGRESS

FIRST SESSION

ON

S. 659

TO AMEND THE HIGHER EDUCATION ACT OF 1965, THE VOCATIONAL EDUCATIONAL ACT OF 1963, AND RELATED ACTS, AND FOR OTHER PURPOSES

AND RELATED BILLS

MARCH 3, 1971

PART 1

Printed for the use of the
Committee on Labor and Public Welfare

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WASHINGTON : 1971

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EDUCATION AMENDMENTS OF 1971

WEDNESDAY, MARCH 3, 1971

U.S. SENATE,
SUBCOMMITTEE ON EDUCATION OF THE
COMMITTEE ON LABOR AND PUBLIC WELFARE,
Washington, D.C.

The Subcommittee met at 10 a.m., in room 4232, New Senate Office Building, Senator Claiborne Pell (Chairman of the subcommittee) presiding.

Present: Senators Pell, Javits, and Beall.

Staff members present: Stephen J. Wexler, Counsel; Richard D. Smith, Associate Counsel; and Roy H. Millenson, Minority professional staff member.

Senator PELL. The Subcommittee on Education hearings on the Education Amendments of 1971 will come to order.

Today the subcommittee will hear the views of the administration on the problems of higher education, vocational education, the proposed National Institute of Education, the proposed National Foundation on Higher Education, Indian education, and other education matters that are deemed to require action this year.

Our hearing today will deal specifically with Federal assistance to higher education. Present authorizations expire June 30 of this year. In order to be timely and discharge our responsibilities, both to the Congress and to the country, we should enact a bill not only before the expiration of the fiscal year but in good time so that the Appropriations Committees can take the results of our action into their purview in order to make funds available for the next school year. And I say this with cognizance of the automatic extension legislation enacted in Public Law 91–230.

The higher education portions of the bills will in all possibility generate the most controversy. My own bill, S. 659, cosponsored by Messrs. Williams, Randolph, Kennedy, Mondale, Nelson, Eagleton, Cranston, Hughes, and Stevenson, and the administration's proposal which has not yet been introduced, appear to take two different approaches and views as to the role and scope of Federal assistance to higher education.

(A copy of S. 659 and related bills and other pertinent information follow:)

92D CONGRESS
1ST SESSION

S. 659

IN THE SENATE OF THE UNITED STATES

FEBRUARY 8 (legislative day, JANUARY 26), 1971

Mr. PELL (for himself, Mr. WILLIAMS, Mr. RANDOLPH, Mr. KENNEDY, Mr. NELSON, Mr. MONDALE, Mr. EAGLETON, Mr. CRANSTON, Mr. HUGHES, and Mr. STEVENSON) introduced the following bill; which was read twice and referred to the Committee on Labor and Public Welfare

A BILL

To amend the Higher Education Act of 1965, the Vocational Educational Act of 1963, and related Acts, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act, with the following table of contents, may be cited as the "Education Amendments of 1971".

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PART G—ACADEMIC FACILITIES

Sec. 161. Transfer of the provisions of the Higher Education Facilities Act of 1963.
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TITLE III—ESTABLISHMENT OF A NATIONAL FOUNDATION FOR HIGHER EDUCATION AND A NATIONAL INSTITUTE FOR EDUCATION

Sec. 301. Amendment to the General Education Provisions Act.

TITLE IV—MISCELLANEOUS

Sec. 401. Administration of programs and projects.
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TITLE I—HIGHER EDUCATION

PART A—AMENDMENTS RELATING TO COMMUNITY SERVICE AND CONTINUING EDUCATION PROGRAMS

EXTENSION OF AUTHORIZATION OF APPROPRIATIONS

SEC. 101. (a) Section 101 of the Higher Education Act of 1965 is amended by striking out all that follows "authorized to be appropriated" and inserting in lieu thereof the following: "$60,000,000 for the fiscal year ending June 30, 1972, and for each of the succeeding fiscal years ending prior to July 1, 1976.".

(b) The amendment made by subsection (a) shall be effective after June 30, 1971.

SPECIAL PROGRAMS AND PROJECTS RELATING TO NATIONAL AND REGIONAL PROBLEMS

SEC. 102. (a) (1) Sections 106, 107, 108, 109, 110,

and 111 of the Higher Education Act of 1965, and all references thereto, are redesignated as sections 107, 108, 109, 110, 111, and 112, respectively. Title I of such Act is amended by inserting after section 105 the following new section:

"SPECIAL PROGRAMS AND PROJECTS RELATING TO NATIONAL AND REGIONAL PROBLEMS

"SEC. 106. (a) The Commissioner is authorized to reserve from the sums appropriated pursuant to section 101 for any fiscal year an amount not in excess of 10 per centum of the sums so appropriated for that fiscal year for grants pursuant to subsection (b).

"(b) (1) From the sums reserved under subsection (a), the Commissioner is authorized to make grants to, and contracts with, institutions of higher education (and combinations thereof) to assist them in carrying out special programs and projects which are designed to seek solutions to national and regional problems relating to urbanization, technological and social changes, and environmental pollution.

"(2) No grant or contract under this section shall exceed 66⅔ per centum of the cost of the program or project for which application is made.".

(2) Section 103 (a) of such title I is amended by striking out that part of the language which precedes ", the Com-

missioner" and by inserting in lieu thereof "From the sums appropriated pursuant to section 101 for any fiscal year which are not reserved under section 106 (a)".

(b) The amendments made by subsection (a) shall be effective with respect to appropriations for fiscal years beginning after the enactment of this Act and then only to the extent that the appropriation for any such fiscal year exceeds $9,500,000.

METROPOLITAN AREA PROGRAMS

SEC. 103. (a) Sections 110, 111, and 112 (as so designated by section 102) of the Higher Education Act of 1965, and all references thereto, are redesignated as sections 111, 112, and 113, respectively. Title I of such Act is amended by inserting after section 109 the following new section:

"METROPOLITAN AREA PROGRAMS

"SEC. 110. (a) The Commissioner is authorized to make grants to institutions of higher education (and combinations thereof) which are located within, or adjacent to, standard metropolitan statistical areas to assist such institutions in planning, developing, and carrying out comprehensive programs specifically designed to apply the resources of higher education to the problems of the urban communities within standard metropolitan statistical areas.

"(b) For the purposes of making grants under this sec-

tion, there are authorized to be appropriated $5,000,000 for the fiscal year ending June 30, 1972, and for each of the succeeding fiscal years ending prior to July 1, 1976.".

(b) The amendments made by subsection (a) shall be effective after June 30, 1971.

EVALUATION OF ACTIVITIES

SEC. 104. (a) During the period beginning with the date of enactment of this Act and ending July 1, 1973, the Commissioner shall conduct a review of the programs and projects carried out with assistance under title I of the Higher Education Act of 1965 prior to July 1, 1971. Such review shall include an evaluation of specific programs and projects with a view toward ascertaining which of them have shown (1) the greatest promise in achieving the purposes of such title, and (2) the greatest return for the resources devoted to them. Such review shall be carried out by direct evaluations by the Commissioner, by the utilization of other agencies, institutions, and groups, and by the use of independent appraisal units.

(b) Not later than July 1, 1974, the Commissioner shall submit to the Chairman of the Committee on Labor and Public Welfare of the Senate and the Chairman of the Committee on Education and Labor of the House of Representatives a report on the review conducted pursuant to subsection (a). Such report shall include (1) an evaluation

of the program authorized by title I of the Higher Education Act of 1965 and of specific programs and projects assisted under such title, (2) a description and an analysis of programs and projects which are determined to be most successful, and (3) recommendations with respect to the means by which the most successful programs and projects can be expanded and replicated.

(c) Sums appropriated under section 401 (c) of the General Education Provisions Act for the purposes of section 402 of such Act shall be available to carry out the purposes of this section.

PART B—COLLEGE LIBRARY PROGRAMS

AUTHORIZATION OF APPROPRIATIONS

SEC. 121. (a) Title II of the Higher Education Act of 1965 is amended by striking out "PART A—COLLEGE LIBRARY RESOURCES" and by striking out all of section 201 and inserting in lieu thereof the following:

"COLLEGE LIBRARY PROGRAMS; TRAINING; RESEARCH

"SEC. 201. (a) The Commissioner shall carry out a program of assistance—

"(1) to assist and encourage institutions of higher education in the acquisition of library resources, in accordance with part A; and

"(2) to assist with research and training persons in librarianship, in accordance with part B.

"(b) For the purpose of making grants under parts A and B, there are authorized to be appropriated $130,000,000 for the fiscal year ending June 30, 1972, and for each of the succeeding fiscal years ending prior to July 1, 1976. Of the sums appropriated pursuant to the preceding sentence for any fiscal year, 70 per centum shall be for the purposes of part A and 30 per centum shall be for the purposes of part B, except that the amount available for the purposes of part B for any fiscal year shall not be less than the amount appropriated for such purposes for the fiscal year ending June 30, 1971.

"(c) For the purposes of this title—

"(1) the term 'library resources' means books, periodicals, documents, magnetic tapes, phonograph records, audiovisual materials, and other related library materials, including necessary binding; and

"(2) the term 'librarianship' means the principles and practices of the library and information sciences, including the acquisition, organization, storage, retrieval, and dissemination of information, and reference and research use of library and information resources.

"PART A—COLLEGE LIBRARY RESOURCES".

(b) Section 202 of such title II is amended by striking out that part of the first sentence which precedes "institutions

of higher education" and inserting in lieu thereof the following: "From the amount available for grants under this part pursuant to section 201 for any fiscal year, the Commissioner shall make basic grants for the purposes set forth in section 201 (a) (1) to".

(c) Section 203 of such title II is amended by striking out that part of the first sentence which precedes "supplemental grants" and inserting in lieu thereof the following: "From that part of the sums appropriated pursuant to section 201 for the purposes of this part for any fiscal year which remains after making basic grants pursuant to section 202, and which is not reserved for the purposes of section 204, the Commissioner shall make", and by striking out "section 201" where it appears after "set forth in" and inserting in lieu thereof "section 201 (a) (1)".

(d) (1) Section 204 (a) (1) of such title II is amended to read as follows:

"(1) From the sums appropriated pursuant to section 201 for the purposes of this part for any fiscal year, the Commissioner is authorized to reserve not to exceed 25 per centum thereof for the purposes of this section.".

(2) Section 204 (a) (2) of such title II is amended by striking out that part of the first sentence which precedes "may be used to make" and inserting in lieu thereof "sums reserved pursuant to paragraph (1)".

(3) Section 204(a) of such title II is amended by striking out paragraph (3).

(e) (1) Part B of such title II is amended by striking out sections 221 and 222 and inserting in lieu thereof the following:

"TRAINING AND RESEARCH PROGRAMS

"SEC. 221. From the amount available for grants under this part pursuant to section 201 for any fiscal year, the Commissioner shall carry out a program of making grants in accordance with sections 222 and 223. Of such amount, 66⅔ per centum shall be available for the purposes of section 222 and 33⅓ per centum shall be available for the purposes of section 223."

(2) Such part B is further amended by striking out section 225; and sections 223 and 224 of such part, and all references thereto, are redesignated as sections 222 and 223, respectively.

(f) The amendments made by this section shall be effective after, and only with respect to appropriations for fiscal years beginning after, June 30, 1971.

WAIVER OF MAINTENANCE OF EFFORT REQUIREMENT

SEC. 122. (a) Section 202 of title II of the Higher Education Act of 1965 is amended by redesignating clauses (c) and (d), and all references thereto, as clauses (2) and

(3), respectively, and by striking out clauses (a) and (b) and inserting in lieu thereof the following:

"(1) provides satisfactory assurance that the applicant will expend during the fiscal year for which the basic grant is sought, from funds other than funds received under this part—

"(A) for all library purposes (exclusive of construction), an amount not less than the average annual amount it expended for such purposes during the two fiscal years preceding the fiscal years for which assistance is sought under this part, and

"(B) for library resources, an amount not less than the average amount it expended for such resources during the two fiscal years preceding the fiscal year for which assistance is sought under this part,

except that if the Commissioner determines, in accordance with regulations, that there are special and unusual circumstances which prevent the applicant from making the assurances required by this clause (1), he may waive the requirement for one or more of such assurances;".

(b) The second sentence of such section 202 is amended by striking out "not exceed" and inserting in lieu thereof

the following: ", for any fiscal year, be equal to the amount expended by the applicant for library resources during that year from funds other than funds received under this part, except that no basic grant shall exceed".

(c) The amendments made by this section shall be effective after, and only with respect to appropriations for fiscal years beginning after, June 30, 1971.

INCREASE IN MAXIMUM AMOUNT OF SUPPLEMENTAL GRANTS

SEC. 123. (a) Section 203 (a) of the Higher Education Act of 1965 is amended by striking out "$10" and inserting in lieu thereof "$20".

(b) The amendment made by subsection (a) shall be effective with respect to appropriations made for fiscal years beginning after June 30, 1971.

AUTHORIZATION OF APPROPRIATIONS FOR COLLEGE AND RESEARCH LIBRARY RESOURCES

SEC. 124. (a) Section 231 of the Higher Education Act of 1965 is amended by striking out "and the succeeding fiscal year" and inserting in lieu thereof "and $15,000,000 for each of the succeeding fiscal years ending prior to July 1, 1976".

(b) The amendment made by subsection (a) shall be effective after June 30, 1971.

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PART C—DEVELOPING INSTITUTIONS

EXTENSION OF AUTHORIZATION

SEC. 131. Section 301 (b) (1) of the Higher Education Act of 1965 is amended by inserting "each" after "$91,000,000" and by inserting after "1971," the following: "and the fiscal year ending June 30, 1972,".

REVISION OF TITLE III (STRENGTHENING DEVELOPING INSTITUTIONS)

SEC. 132. (a) Title III of the Higher Education Act of 1965 is amended to read as follows:

"TITLE III—STRENGTHENING DEVELOPING INSTITUTIONS

"AUTHORIZATION

"SEC. 301. (a) The Commissioner shall carry out a program of special assistance to strengthen the academic quality of developing institutions which have the desire and potential to make a substantial contribution to the higher education resources of the Nation but which are struggling for survival and are isolated from the main currents of academic life and which enroll a high percentage of students who have been educationally deprived.

"(b) (1) For the purpose of carrying out this title, there are authorized to be appropriated $100,000,000 for the fiscal year ending June 30, 1972, and each if the succeeding fiscal years ending prior to July 1, 1976.

"(2) Of the sums appropriated pursuant to this subsection for any fiscal year, 23 per centum shall be available only for carrying out the provisions of this title with respect to developing institutions which are community or junior colleges, and not less than 50 per centum shall be available only for carrying out the provisions of this title with respect to developing institutions which the Commissioner determines meet the criterion set forth in clause (4) (C) of section 302 (a).

"ELIGIBILITY FOR SPECIAL ASSISTANCE

"SEC. 302. (a) For the purposes of this title, the term 'developing institution' means an institution of higher education in any State which—

"(1) is legally authorized to provide, and provides within the State, an educational program for which it awards a bachelor's degree, or is a junior or community college;

"(2) is accredited by a nationally recognized accrediting agency or association or is, according to such an agency or association, making reasonable progress toward accreditation;

"(3) in the case of an institution awarding a bachelor's degree, has admitted as regular students only persons having a certificate of graduation from a secondary school, or the recognized equivalent thereof, and has

awarded such degree during the five academic years preceding the academic year for which it seeks assistance under this title; and

"(4) meets such other requirements as the Commissioner shall, with the advice of the Council, prescribe by regulation, which requirements shall include at least a consideration of whether the institution—

"(A) is making a reasonable effort to improve the quality of its teaching and administrative staffs and of its student services,

"(B) is, for financial or other reasons, struggling for survival and is isolated from the main currents of academic life, and

"(C) enrolls a high percentage of students who may have had inadequate secondary school preparation and who come from educationally, culturally, or economically deprived backgrounds.

"(b) Any institution desiring special assistance under the provisions of this title shall submit an application for eligibility to the Commissioner at such time, in such form, and containing such information, as may be necessary to enable the Commissioner to evaluate the need of the applicant for such assistance. The Commissioner shall, with the advice of the Council, approve any application for eligibility under this subsection, which indicates that the applicant is

a developing institution meeting the requirements set forth in subsection (a) and, not later than thirty days after the beginning of any fiscal year ending after June 30, 1970, establish a list of developing institutions eligible for special assistance under the provisions of this title.

"(c) For the purposes of clause (1) of subsection (a) and of paragraph (2) of section 301(b), the term 'junior or community college' means an institution of higher education which does not provide an educational program, for which it awards a bachelor's degree but (1) does provide an educational program of not less than two years which is acceptable for full credit toward such a degree, or (2) offers a two-year program in engineering, mathematics, or the physical or biological sciences, which is designed to prepare a student to work as a technician and at the semiprofessional level in engineering, scientific, or other technological fields, which require the understanding and application of basic engineering, scientific, or mathematical principles of knowledge.

"ADVISORY COUNCIL ON DEVELOPING INSTITUTIONS

"SEC. 303. (a) There is hereby established an Advisory Council on Developing Institutions (in this title referred to as the 'Council') consisting of fifteen members appointed by the Commissioner with the approval of the Secretary.

"(b) The Council shall advise the Commissioner with respect to policy matters arising in the administration of this title, and, in particular, it shall assist the Commissioner—

"(1) in developing the criteria for defining developing institutions under clause (4) of section 302 (a);

"(2) in establishing the list of eligibles under section 302 (b);

"(3) in identifying developing institutions through which the purposes of this title may be achieved; and

"(4) in establishing the priorities and criteria to be used in making grants under section 304 (a).

"USES OF FUNDS: COOPERATIVE ARRANGEMENTS, NATIONAL TEACHING FELLOWSHIPS, AND PROFESSORS EMERITUS

"SEC. 304. (a) The Commissioner is authorized to make grants and awards, in accordance with the provisions of this title, for the purpose of strengthening developing institutions. Such grants shall be used solely for the purposes set forth in subsection (b).

"(b) Funds appropriated pursuant to section 301 (b) shall be available for—

"(1) grants to institutions of higher education paying part of the cost of planning, developing, and carrying out cooperative arrangements between developing institutions and other institutions of higher education, and

between developing institutions and other organizations, agencies, and business entities, which show promise, as effective measures for strengthening the academic program, and the administrative capacity of developing institutions, including such projects and activities as—

"(A) exchange of faculty or students, including arrangements for bringing visiting scholars to developing institutions,

"(B) faculty and administration improvement programs, utilizing training, education (including fellowships leading to advanced degrees), internships, research participation, and other means,

"(C) introduction of new curriculums and curricular materials.

"(D) development and operation of cooperative education programs involving alternate periods of academic study and business or public employment,

"(E) joint use of facilities such as libraries or laboratories, including necessary books, materials, and equipment;

"(2) National Teaching Fellowships to be awarded by the Commissioner to highly qualified graduate students and junior faculty members of institutions of higher education for teaching at developing institutions; and

"(3) Professors Emeritus Grants to be awarded by

the Commissioner to professors retired from active service at institutions of higher education to encourage them to teach and to conduct research at developing institutions.

"(c) (1) Applications for assistance of the type described in subsection (b) (1) shall be approved only if they—

"(A) set forth a program for carrying out one or more of the activities described therein, and set forth such policies and procedures for the administration of the program as will insure the proper and efficient operation of the program and the accomplishment of the purposes of this title;

"(B) set forth such policies and procedures as will insure that Federal funds made available under this section for any fiscal year will be so used as to supplement and, to the extent practical, increase the level of funds that would, in the absence of such Federal funds, be made available for the purposes of the activities described in subsection (b) (1), and in no case supplant such funds;

"(C) set forth policies and procedures for the evaluation of the effectiveness of the program in accomplishing its purpose;

"(D) provide for such fiscal control and fund ac-

counting procedures as may be necessary to insure proper disbursement of accounting for funds made available under this title to the applicant; and

"(E) provide for making such reports, in such form and containing such information, as the Commissioner may require to carry out his functions under this title, and for keeping such records and affording such access thereto, as he may find necessary to assure the correctness and verification of such reports.

"(2) (A) Applications for awards of the type described in subsection (b) (2) and (3) may be approved only upon a finding by the Commissioner that the program of teaching and research set forth therein is reasonable in the light of the qualifications of the applicant and of the educational needs of the institution at which the applicant intends to teach.

"(B) No application for a National Teaching Fellowship or a Professors Emeritus Grant shall be awarded for a period exceeding two academic years.

"(C) Each person awarded a National Teaching Fellowship or a Professors Emeritus Grant shall receive a stipend for each academic year of teaching of not more than $6,500, as determined by the Commissioner upon the advice of the Council, plus an additional amount of $400 for each such year for each dependent of such person.

"ASSISTANCE TO DEVELOPING INSTITUTIONS UNDER OTHER PROGRAMS

"SEC. 305. (a) Each institution which has been placed on the list of eligible developing institutions shall be eligible for priority consideration and waivers in accordance with subsection (d).

"(b) (1) In the case of an application by a developing institution for assistance under any program specified in paragraph (2), the Commissioner is authorized, if such application is otherwise approvable, to waive any requirement for a non-Federal share of the cost of the program or project, or to give, or require to be given, priority consideration of the application in relation to applications from institutions which are not developing institutions.

"(2) The provisions of this section shall apply to any program authorized by title II, IV, VI, or VII of this Act.".

(b) The amendments made by subsection (a) shall be effective only with respect to appropriations made for fiscal years beginning after June 30, 1972.

PART D—STUDENT ASSISTANCE

AUTHORIZATION FOR EDUCATIONAL OPPORTUNITY GRANTS

SEC. 141. The first sentence of section 401 (b) of the Higher Education Act of 1965 is amended by striking out that part which precedes "to enable the Commissioner" and inserting in lieu thereof: "There are hereby authorized to

be appropriated $170,000,000 for the fiscal year ending June 30, 1972, and for each of the succeeding fiscal years ending prior to July 1, 1976,".

(b) The amendments made by subsection (a) shall be effective after June 30, 1971.

BASIC EDUCATIONAL OPPORTUNITY GRANTS

SEC. 142. (a) (1) Section 401 (a) of the Higher Education Act of 1965 is amended to read as follows:

"SEC. 401. (a) It is the purpose of this part to assist in making available the benefits of higher education to qualified high school graduates by providing (1) basic educational opportunity grants (hereinafter referred to as 'basic grants') to all eligible high school graduates, and (2) supplementary educational opportunity grants (hereinafter referred to as 'supplementary grants') to those high school graduates of exceptional need who, for lack of financial means of their own or of their families, would be unable to obtain such benefits without a supplementary grant."

(2) (A) Section 401 of such Act is amended by redesignating subsection (b) thereof, and all references thereto, as subsection (c) and by inserting after subsection (a) the following new subsection:

"(b) There are hereby authorized to be appropriated for the fiscal year ending June 30, 1972, and for each of the succeeding fiscal years ending prior to July 1, 1976,

such sums as may be necessary for basic grants under this part."

(B) Subsection (c) of such section 401 (as designated in this section (A)) is amended by striking out "educational opportunity" each time it appears therein and inserting in lieu thereof "supplementary".

(b) (1) Section 402 of such Act is amended to read as follows:

"BASIC EDUCATIONAL OPPORTUNITY GRANTS AND SUPPLEMENTARY EDUCATIONAL OPPORTUNITY GRANTS; AMOUNTS AND DETERMINATIONS

"SEC. 402. (a) (1) The Commissioner shall pay to each student who is in good standing at an institution of higher education (according to the prescribed standards, regulations, and practices of that institution) for each academic year during which that student is in full-time attendance (as determined by the Commissioner by regulation) at that institution, as an undergraduate, a basic grant in the amount for which that student is eligible, as determined under paragraph (2).

"(2) (A) The amount of the basic grant for which a student is eligible under this part for any academic year shall be $1,200, less an amount equal to the amount of the tax imposed for the tax year by chapter I of the Internal Revenue Code of 1954 on the taxpayer.

"(B) For the purposes of this paragraph, the term—

"(i) 'tax year' means the taxable year used by the taxpayer for the purposes of subchapter A of chapter I of the Internal Revenue Code of 1954 which ends prior to the beginning of the academic year for which the basic grant is awarded; and

"(ii) 'taxpayer' means the individual upon whom the student receiving a basic grant is dependent for the purposes of section 152 of the Internal Revenue Code of 1954 or, in the case of such a student who is not so dependent upon another individual, the student.

"(b) (1) Each eligible institution which awards a supplementary grant to a student under this part shall pay to that student for each academic year during which he is in need of such a grant to pursue a course of study at the institution an amount determined by the institution for such student with respect to that year, in accordance with paragraph (2).

"(2) The amount of a supplementary grant under this part shall not exceed the lesser of $1,000 or one-half the sum of the amount of student financial aid (including assistance under other parts of this title and compensation paid under a work-study program assisted under part C of this title) provided such student under any scholarship program established by a State or a private institution or organization, as determined in accordance with regulations of the Commissioner. If

the amount determined under paragraph (1) for any academic year is less than $200 for a student, no payment shall be made for a supplementary grant for that year.

"(3) The Commissioner shall, subject to the limitations of this subsection, prescribe, for the guidance of participating institutions, basic criteria or schedules (or both) for the determination of the amount of any such supplementary grants, taking into account the objective of limiting supplementary grants to students of exceptional financial need and such factors, including the number of dependents in the family, as the Commissioner may deem relevant.

"(4) Payments to students for supplementary grants under this section shall be made from funds received by the institution under an agreement pursuant to section 407 and shall be made only in accordance with the terms of such agreement."

(2) Section 406 of such Act is amended to read as follows:

"APPLICATIONS; ALLOCATIONS OF ALLOTMENTS OF FUNDS TO INSTITUTIONS

"SEC. 406. (a) The Commissioner shall from time to time set dates by which eligible institutions and students must file applications for funds under this part.

"(b) (1) Each student desiring a basic grant for any year must file an application therefor containing such infor-

mation and assurances as the Commissioner may deem necessary to enable him to carry out his responsibilities under this part.

"(2) If the appropriations pursuant to section 401 (b) for any fiscal year are insufficient to pay the full amount of the basic grants for which all students are eligible in that year, the payment to each student shall be ratably reduced, except that if such payment is reduced to an amount less than $200 for any student no payment shall be made to that student.

"(c) (1) The eligible institutions of each State desiring funds for supplementary grants must file an application for an allocation to such institutions of funds from the allotment to that State (including any reallotment thereto) for any fiscal year pursuant to section 405 to be used for the purposes specified in the first sentence of section 401 (c). The Commissioner shall allocate the allotments in accordance with equitable criteria which he shall prescribe in order to achieve such distribution of funds among eligible institutions within a State as will most effectively carry out the purposes of this part.

"(2) The Commissioner shall further, in accordance with regulations, allocate to eligible institutions, in any State, from funds apportioned or reapportioned pursuant to section

405 (b), funds to be used for supplementary grants specified in the third sentence of section 401 (b).

"(3) The Commissioner shall, subject to the limitations of this subsection, prescribe, for the guidance of participating institutions, basic criteria or schedules (or both) for the determination of the amount of any such supplementary grant, taking into account the objective of limiting supplementary grants to students of exceptional financial need and such other factors, including the number of dependents in the family, as the Commissioner may deem relevant.

"(d) Payments under this section shall be made in accordance with regulations promulgated by the Commissioner."

(3) (A) The caption heads of sections 403, 404, and 405 of such Act are each amended by striking out "EDUCATIONAL OPPORTUNITY" and inserting in lieu thereof "SUPPLEMENTARY".

(B) Such sections 403, 404, 405, and 407 are each amended—

(i) by striking out "educational opportunity" wherever it appears before "grant" or "grants" and inserting in lieu thereof "supplementary"; and

(ii) by striking out "section 406" wherever it appears and inserting in lieu thereof "section 406 (c)".

(c) (1) Part A of title IV of such Act is amended by redesignating section 409, and all references thereto, as section 410 and by inserting after section 408 the following new section:

"COST OF INSTRUCTION ALLOWANCES

"SEC. 409. In addition to the amounts paid to institutions for supplementary grants, the Commissioner shall pay to each eligible institution a cost of instruction allowance for each student in attendance at such institution who is a recipient of a grant under this part. No cost of instruction allowance paid under this section shall exceed $1,200, less any tuition charged to the student for whom the allowance is paid."

(2) Section 401 of such Act is amended by adding at the end thereof the following new subsection:

"(d) There are authorized to be appropriated for the fiscal year ending June 30, 1972, and for each of the succeeding fiscal years ending prior to July 1, 1976, such sums as may be necessary to carry out the purposes of section 409.".

(d) The amendments made by this section shall be effective after June 30, 1971.

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IDENTIFYING QUALIFIED LOW-INCOME STUDENTS; PREPARING THEM FOR POSTSECONDARY EDUCATION; SPECIAL SERVICES FOR SUCH STUDENTS IN INSTITUTIONS OF HIGHER EDUCATION

SEC. 143. Section 408 (d) of the Higher Education Act of 1965 is amended by striking out "the fiscal year ending June 30, 1971" and inserting in lieu thereof "each of the succeeding fiscal years ending prior to July 1, 1976".

INSURED STUDENT LOANS—EXTENSION OF PROGRAM

SEC. 144. (a) Section 424 (a) of the Higher Education Act of 1965 is amended by striking out "three succeeding fiscal years" and inserting in lieu thereof "succeeding fiscal years ending prior to July 1, 1976".

(b) Such section 424 (a) is further amended by striking out "June 30, 1975" and inserting in lieu thereof "June 30, 1980".

(c) Paragraph (4) of section 428 (a) of such Act is amended (A) by striking out "June 30, 1971" and inserting in lieu thereof "June 30, 1980" and (B) by striking out "shall end at the close of June 30, 1975" and inserting in lieu thereof "shall end at the close of June 30, 1980".

(d) Section 433 (c) of such Act is amended by striking out "two succeeding fiscal years" and inserting in lieu thereof "succeeding fiscal years ending prior to July 1, 1976".

SECONDARY MARKET FOR STUDENT LOANS

SEC. 145. Part B of title IV of the Higher Education Act of 1965 is amended by adding at the end thereof the following new section:

"EDUCATION WAREHOUSE LOANS

"SEC. 438. (a) (1) The Commissioner is authorized to make an education warehouse loan to an eligible lender under the conditions set forth in this section. No such loan shall be made after June 30, 1973.

"(2) An education warehouse loan may be made only to an eligible lender who is determined by the Commissioner, in accordance with criteria established by regulation—

"(A) to hold qualifying insured loans;

"(B) to have issued to the Commissioner an educational warehouse certificate evidencing the loan; and

"(C) to have entered into a satisfactory agreement with the Commissioner which meets the requirements set forth in the second sentence of this paragraph.

An agreement pursuant to clause (c) of the first sentence of this paragraph must—

"(i) identify the qualifying student loans covered by the agreement;

"(ii) set forth such policies, procedures, and assurances as the Commissioner may deem necessary to insure that the eligible lender will use the proceeds of

the educational warehouse loan for making insured student loans;

"(iii) provide for such reports and amendments as may be necessary in order to meet the requirements of paragraph (4);

"(iv) include such provisions as the Commissioner determines necessary to protect the financial interest of the United States;

"(v) provide for making such reports, in such form and containing such information as the Commissioner may require, and for keeping such records and affording such access thereto as the Commissioner may find necessary; and

"(vi) contain an assurance that the lender will not use any practice, policy, or procedure which has the effect of discriminating against particular classes or categories of students, including the requirement that, as a condition to the receipt of an insured student loan, the student or his family maintain a business relationship with the lender other than a relationship necessary for the servicing and repayment of the loan.

"(3) An education warehouse loan shall be repaid in such manner and at such time or times as the Commissioner may agree to in the loan agreement, and shall bear interest at a rate prescribed by the Commissioner at the time the

loan agreement is signed, taking into consideration the yield on education warehouse certificates negotiated, assigned, or sold by the Commissioner under subsection (b).

"(4) If one or more insured student loans identified for the purposes of clause (A) of paragraph (2) in the education warehouse loan agreement cease to be qualifying insured student loans during any month (or are not held by such lender at the close of such month), then the eligible lender to whom the education warehouse loan is made shall at the close of such month make a report to the Commissioner with respect to such insured student loans, and shall, prior to the end of the succeeding month, either (A) repay a portion of such education warehouse loan equal to 80 per centum of the outstanding principal balance (determined at the beginning of such preceding month) of the insured student loans which ceased to be qualifying insured students (or are no longer held), or (B) substitute for purposes of the requirement of such clause (A) one or more qualified insured student loans, the aggregate principal amount of which is not less than the aggregate principal amount of the insured student loans for which they were substituted. Any loan so substituted shall be identified in an amendment to the loan agreement and shall, for purposes of applying this paragraph in any month after the month of substitution, be considered to be a loan identified in the loan agreement.

"(b) For the purposes of obtaining funds to finance his operations under subsection (a) and of establishing a secondary market for education warehouse certificates, the Commissioner is hereby authorized—

"(1) to assign, negotiate, or sell education warehouse certificates which he has acquired under subsection (a); and

"(2) to reacquire such certificates.

The terms upon which such certificates are assigned, negotiated, sold, or reacquired shall be determined by the Commissioner in accordance with regulations promulgated by him.

"(c) (1) There is hereby created within the Treasury an education warehouse revolving fund which shall be available to the Commissioner without fiscal year limitation as a revolving fund for the purposes of this section.

"(2) The Commissioner is authorized, in order to obtain capital for the fund, to issue to the Secretary of the Treasury notes or other obligations in such forms and denominations, bearing such maturities, and subject to such terms and conditions as may be prescribed by the Commissioner with the approval of the Secretary of the Treasury. Such notes or other obligations shall bear interest at a rate determined by the Secretary of the Treasury, taking into consideration the average yield to maturity, on the basis of daily closing mar-

ket bid quotations or prices during the month preceding the issuance of the notes or other obligations, on all outstanding marketable obligations of the United States having a maturity date of five years from any day of such month, and by adjusting such estimated average annual yield to the nearest one-eighth of 1 per centum. The Secretary of the Treasury is authorized and directed to purchase any notes and other obligations issued under this subsection and for that purpose he is authorized to use as a public debt transaction the proceeds from the sale of any securities issued prior to July 1, 1972, under the Second Liberty Bond Act, as amended, and the purposes for which securities may be issued under that Act, as amended, are extended to include any purchase of such notes and obligations. Any securities issued for purposes of this subsection by the Secretary of the Treasury under the Second Liberty Bond Act shall be known as education bonds. The Secretary of the Treasury may at any time sell any of the notes or other obligations acquired by him under this paragraph. All redemptions, purchases, and sales by the Secretary of the Treasury of such notes or other obligations shall be treated as public debt transactions of the United States. Sums borrowed under this paragraph shall be deposited in the fund and redemption of such notes and obligations shall be made by the Commissioner from such fund. The aggregate principal amount of education bonds issued in a

fiscal year may not exceed any limitation placed thereon in an appropriation Act for such fiscal year.

"(3) All amounts received by the Commissioner as interest payments or repayments of principal on education warehouse loans, and any other moneys, property, or assets derived by him from his operations in connection with this section shall be deposited in the fund.

"(4) All loans, expenses, and payments pursuant to operations of the Commissioner under this section shall be paid from the fund. If at any time the Commissioner determines that moneys in the fund exceed the present and any reasonably future requirements of the fund, such excess may be transferred to the general fund of the Treasury.

"(d) The following definition apply to terms used in this section:

"(1) 'Insured student loan' means a student loan—

"(A) insured by the Commissioner under this section; or

"(B) insured by a State or nonprofit private loan insurance program covered by an agreement made under section 428(b).

"(2) 'Qualifying insured student loan' means an outstanding insured loan on which repayment of principal has neither been made nor been required to be made under the loan agreement between the lender and the student.".

EXTENSION OF THE EMERGENCY INSURED STUDENT LOAN ACT OF 1969

SEC. 146. Section 2 (a) (7) of the Emergency Insured Student Loan Act of 1969 is amended by striking out "July 1, 1971" and inserting in lieu thereof "July 1, 1973".

COLLEGE WORK STUDY PROGRAM

SEC. 147. Section 441 (b) of the Higher Education Act of 1965 is amended by striking out "the fiscal year ending June 30, 1971" and inserting in lieu thereof "each of the succeeding fiscal years ending prior to July 1, 1976".

COOPERATIVE EDUCATION

SEC. 148. (a) Section 451 (a) of the Higher Education Act of 1965 is amended by striking out "the fiscal year ending June 30, 1971" and inserting in lieu thereof "each of the succeeding fiscal years ending prior to July 1, 1976".

(b) Section 451 (b) of such Act is amended by striking out "two succeeding fiscal years" and inserting in lieu thereof "succeeding fiscal years ending prior to July 1, 1976".

FEDERAL LOANS TO STUDENTS IN INSTITUTIONS OF HIGHER EDUCATION

SEC. 149. (a) Section 201 of the National Defense Education Act of 1958 is amended by inserting "each" after "$375,000,000", and by inserting after "June 30, 1971,"

the following: "and for the fiscal year ending June 30, 1972,".

(b) Title IV of the Higher Education Act of 1965 is amended by striking out part F. Part E and sections 461, 462, 463, 464, and 469 of such title IV, and all references thereto, are redesignated as part F and sections 491, 492, 493, 494, and 499, respectively. Such title IV is further amended by inserting after part D the following new part:

"PART E—FEDERAL LOANS TO STUDENTS IN INSTITUTIONS OF HIGHER EDUCATION

"APPROPRIATIONS AUTHORIZED

"SEC. 461. (a) The Commissioner shall carry out a program of stimulating and assisting in the establishment and maintenance of funds at institutions of higher education for the making of low-interest loans to students in need thereof to pursue their courses of study in such institutions.

"(b) For the purpose of enabling the Commissioner to make contributions to loan funds established under this part, there are hereby authorized to be appropriated $375,000,000 for the fiscal year ending June 30, 1972, and for each of the succeeding fiscal years ending prior to July 1, 1976.

"(c) In addition, there are hereby authorized to be appropriated such sums for the fiscal year ending June 30,

1977, and each of the three succeeding fiscal years as may be necessary to enable students who have received loans for school years ending prior to July 1, 1976, to continue or complete courses of study.

"(d) Any sums appropriated pursuant to this section for any fiscal year shall be available for apportionment pursuant to section 462 and for payments of Federal capital contributions thereform to institutions of higher education which have agreements with the Commissioner under section 463. Such Federal capital contributions and all contributions from such institutions shall be used for the establishment, expansion, and maintenance of student loan funds.

"APPORTIONMENT OF APPROPRIATIONS

"SEC. 462. (a) (1) From the sums appropriated pursuant to section 461 (b) for any fiscal year, the Commissioner shall apportion to each State an amount which bears the same ratio to the amount so appropriated as the number of persons enrolled on a full-time basis in institutions of higher education, as determined by the Commissioner for the most recent year for which satisfactory data are available to him, in such State bears to the total number of persons so enrolled in all the States.

"(2) Any sums appropriated pursuant to section 461 (c) for any fiscal year shall be apportioned among institu-

tions of higher education in such a manner as the Commissioner determines will best accomplish the purpose for which they were appropriated.

"(b) (1) Any institution of higher education desiring to receive payments of Federal capital contributions from the apportionment of the State in which it is located for any fiscal year shall make an agreement under section 463 and shall submit an application therefor to the Commissioner, in accordance with the provisions of this part. The Commissioner shall, from time to time, set dates before which such institutions must file applications under this section.

"(2) The Commissioner shall pay to each applicant under this subsection which has an agreement with him under section 463, from the amount apportioned to the State in which it is located, the amount requested in such application. Such payment may be made in such installments as the Commissioner determines will not result in unused accumulations of capital in the student loan fund of the applicant established under its agreement under section 463.

"(c) (1) (A) If the total amount of Federal capital contributions requested in the applications from a State for any fiscal year exceeds the amount apportioned to that State, the request from each institution shall be reduced ratably.

"(B) In case additional amounts become available for payments to student loan funds in a State in which requests

have been ratably reduced under subparagraph (A), such requests shall be increased on the same basis as they were reduced, except that no request shall be increased above the request submitted under subsection (c) (1).

"(2) If the amount of an apportionment to a State for any fiscal year exceeds the total amount of Federal capital contributions requested in applications from that State, such excess shall be available for reapportionment from time to time on such date or dates as the Commissioner shall fix. From the aggregate of such excess for any fiscal year, the Commissioner shall reapportion to each State in which requests suffered a reduction under paragraph (1) (A) an amount which bears the same ratio to such aggregate as the total amount of reductions so suffered in that State bears to the total amount of such reductions in all the States.

"(d) The aggregate of the amounts of Federal capital contributions paid under this section for any fiscal year to proprietary institutions of higher education may not exceed the amount by which the sums appropriated pursuant to section 461 (b) for that fiscal year exceed $190,000,000.

"AGREEMENTS WITH INSTITUTIONS OF HIGHER EDUCATION

"SEC. 463. (a) An agreement with any institution of higher education for the payment of Federal capital contributions under this part shall—

"(1) provide for the establishment and maintenance

of a student loan fund for the purposes of this part;

"(2) provide for the deposit in such fund of—

"(A) the Federal capital contributions,

"(B) a capital contribution by such institution in an amount equal to not less than one-ninth of the amount of such Federal contributions,

"(C) collections of principal and interest on student loans made from such fund,

"(D) charges collected pursuant to regulations under section 464(c)(1)(G), and

"(E) any other earnings of the fund;

"(3) provide that such student loan fund shall be used only for—

"(A) loans to students, in accordance with the provisions of this part,

"(B) administrative expenses, as provided in subsection (b),

"(C) capital distributions, as provided in section 466, and

"(D) costs of litigation, and other collection costs authorized by the Commissioner by regulation in connection with the collection of a loan from the fund (and interest thereon) or a charge assessed pursuant to regulations under section 464(c)(1)(G), and

"(4) include such other provisions as may be necessary to protect the financial interest of the United States and promote the purposes of this part as are agreed to by the Commissioner and the institution.

"(b) An institution which has entered into an agreement under subsection (a) shall be entitled, for each fiscal year during which it makes student loans from a student loan fund established under such agreement, to a payment in lieu of reimbursement for its expenses in administering its student loan program under this part during such year. Such payment shall be made in accordance with section 493.

"TERMS OF LOANS

"SEC. 464. (a) (1) Loans from any student loan fund established pursuant to an agreement under section 463 to any student by any institution shall, subject to such conditions, limitations, and requirements as the Commissioner shall prescribe by regulation, be made on such terms and conditions as the institution may determine.

"(2) The total of such loans for any academic year (or its equivalent) made by institutions from student loan funds assisted under this part shall not exceed—

"(A) $2,500, in the case of any graduate student or professional student (as defined by regulation); or

"(B) $1,000, in the case of any other student.

The aggregate of the loans for all years from such funds shall

not exceed $10,000 in the case of any such graduate or professional student, or $5,000 in the case of any other student.

"(3) Regulations of the Commissioner under paragraph (1) shall be designed to prevent the impairment of the capital of student loan funds to the maximum extent practicable.

"(b) A loan from a student loan fund assisted under this part may be made only to a student who—

"(1) is in need of the amount of the loan to pursue a course of study at such institution;

"(2) is capable, in the opinion of the institution, of maintaining good standing in such course of study;

"(3) has been accepted for enrollment as an undergraduate, graduate, or professional student in such institution or, in the case of a student already in attendance at such institution, is in good standing; and

"(4) is carrying at least one-half the normal academic workload, as determined by the institution.

In any case in which a student has been determined to be eligible for a loan under the preceding sentence, and such student thereafter fails to maintain good standing, the eligibility of such student shall be suspended, and further payments to, or on behalf of, such student shall not be made until such student regains good standing.

"(c) (1) Any agreement between an institution and a

student for a loan from a student loan fund assisted under this part—

"(A) shall be evidenced by a note or other written instrument which, except as is provided in paragraph (2), provides for repayment of the principal amount of the loan, together with interest thereon, in installments over a period (i) beginning nine months after the student ceases to carry at least one-half the normal full-time academic workload at an institution of higher education and (ii) ending ten years and nine months after such date;

"(B) shall include provision for acceleration of repayment of the whole, or any part, of such loan, at the option of the borrower;

"(C) may provide, at the option of the institution in accordance with regulations of the Commissioner, that during the repayment period of the loan, payments of principal and interest by the borrower with respect to all outstanding loans made to him from student loan funds assisted under this part shall be at a rate equal to not less than $15 per month;

"(D) shall provide that the loan shall bear interest, on the unpaid balance of the loan, at the rate of 3 per centum per annum, except that no interest shall accrue (i) prior to the beginning date of repayment determined

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under clause (A) (i), or (ii) during any period in which repayment is suspended by reason of paragraph (2);

"(E) unless the borrower is a minor and the note or other evidence of obligation executed by him would not, under applicable law, create a binding obligation, shall provide that the loan shall be made without security and without endorsement;

"(F) shall provide that no note or evidence of obligation may be assigned by the lender, except upon the transfer of the borrower to another institution participating under this part (or, if not so participating, is eligible to do so and is approved by the Commissioner for such purpose), to such institution; and

"(G) may, pursuant to regulations of the Commissioner, provide for an assessment of a charge with respect to the loan for failure of the borrower (i) to pay all or part of an installment when it is due or (ii) to file timely and satisfactory evidence of an entitlement of the borrower to a deferment of repayment benefit or a cancellation benefit provided under this part.

"(2) (A) No repayment of principal of, or interest on, any loan from a student loan fund assisted under this part shall be required during any period in which the borrower—

"(i) is carrying at least one-half the normal full-

time academic workload at an institution of higher education or at a comparable institution outside the United States which is approved for this purpose by the Commissioner;

"(ii) is a member of the Armed Forces of the United States;

"(iii) is in service as a volunteer under the Peace Corps Act; or

"(iv) is in service as a volunteer under title VIII of the Economic Opportunity Act of 1964.

The period during which repayment may be deferred by reason of clause (ii), (iii), or (iv) shall not exceed three years.

"(B) Any period during which repayment is deferred under subparagraph (A) shall not be included in computing the ten-year maximum period provided for in clause (A) of paragraph (1).

"(3) The Commissioner is authorized, when good cause is shown, to extend, in accordance with regulations, the ten-year maximum repayment period provided for in clause (A) of paragraph (1) with respect to individual loans.

"CANCELLATION OF LOANS FOR CERTAIN PUBLIC SERVICE

"SEC. 465. (a) (1) The per centum specified in paragraph (3) of the total amount of any loan made after

June 30, 1972, from a student loan fund established under this part shall be canceled for each complete year of service after such date by the borrower under circumstances described in paragraph (2).

"(2) Loans shall be canceled under paragraph (1) for service—

"(A) as a full-time teacher in a public or other nonprofit elementary or secondary school in a State, in an institution of higher education, or in an elementary or secondary school overseas of the Armed Forces of the United States;

"(B) as a full-time teacher in a public or other nonprofit elementary or secondary school in the school district of a local educational agency receiving assistance under title I of the Elementary and Secondary Education Act of 1965 if such school is determined (according to criteria established by regulation which shall permit such determination with respect to not more than 50 per centum of such schools in any State) to be serving an attendance area in which there is a high concentration of children from low-income families;

"(C) as a full-time teacher of handicapped children in a public or other nonprofit elementary or secondary school system;

"(D) as a member of the Armed Forces of the United States, and notwithstanding the provisions of paragraph (1).

For the purposes of this paragraph, (i) the term 'handicapped children' means children who are mentally retarded, hard of hearing, deaf, speech-impaired, visually handicapped, seriously emotionally disturbed, or other health-impaired children who by reason thereof require special education, and (ii) the term 'children from low-income families' means children from families with a family income which is not in excess of the low-income factor determined under section 103 of title I of the Elementary and Secondary Education Act of 1965.

"(3) (A) The per centum of a loan which shall be canceled under paragraph (1) is—

"(i) in the case of service described in paragraph (2) (A), not to exceed a total of 50 per centum of such loan at the rate of 10 per centum for each year of such service;

"(ii) in the case of service described in paragraph (2) (B), (2) (C), or (2) (D), 15 per centum for the first or second year of such service, 20 per centum for the third or fourth year of such service, and 30 per centum for the fifth year of such service; and

"(iii) in the case of service described in paragraph

(2) (E), not to exceed a total of 50 per centum of such loan at the rate of 12½ per centum for each year of consecutive service.

"(B) If a portion of a loan is canceled under this subsection for any year, the entire amount of interest on such loan which accrues for such year shall be canceled.

"(C) Nothing in this subsection shall be construed to authorize refunding any repayment of a loan.

"(4) For the purposes of this subsection, the term 'year' where applied to service as a teacher means academic year as defined by the Commissioner.

"(b) The Commissioner shall pay to each institution each fiscal year an amount equal to the aggregate of the amounts of loans from its student fund which are canceled by this section. The Department of Health, Education, and Welfare, in its annual budget request, shall submit an estimate of appropriations necessary to make payments pursuant to this subsection. None of the funds appropriated pursuant to section 461 shall be available for payments pursuant to this subsection.

"DISTRIBUTION OF ASSETS FROM STUDENT LOAN FUNDS

"SEC. 466. (a) After June 30, 1981, and not later than December 31, 1981, there shall be a capital distribution of the balance of the student loan fund established under this part by each institution of higher education as follows:

"(1) The Commissioner shall first be paid an amount which bears the same ratio to the balance in such fund at the close of June 30, 1981 as the total amount of the Federal capital contributions to such fund by the Commissioner under this part bears to the sum of such Federal contributions and the institution's capital contributions to such fund.

"(2) The remainder of such balance shall be paid to the institution.

"(b) After December 31, 1981, each institution with which the Commissioner has made an agreement under this part, shall pay to the Commissioner the same proportionate share of amounts received by the institution after June 30, 1975, in payment of principal and interest on student loans made from the student loan fund established pursuant to such agreement (which amount shall be determined after deduction of any costs of litigation incurred in collection of the principal or interest on loans from the fund and not already reimbursed from the fund or from such payments of principal or interest), as was determined for the Commissioner under subsection (a).".

(c) (1) Upon enactment of this Act, the program authorized by part E of title IV of the Higher Education Act of 1965 as added by subsection (b) is, and shall be deemed to be, a continuation of the program authorized by title II

of the National Defense Education Act of 1958. In accordance with regulations of the Commissioner of Education, all rights, privileges, duties, functions, and obligations under such title II prior to the enactment of this Act shall be deemed to be vested, as may be appropriate, under such part E. Any student loan fund established under an agreement under such title II shall, in accordance with regulations, be deemed to have been established under such part E; and any assets of any such student loan fund of any institution shall be deemed to be the assets of a student loan fund established under an agreement of that institution with the Commissioner under such part E.

(2) Title II of the National Defense Education Act of 1958 is amended by striking out section 206.

ELIGIBILITY FOR STUDENT ASSISTANCE

SEC. 150. (a) Part F of title IV of the Higher Education Act of 1965 is amended by inserting after section 464, the following new section:

"ELIGIBILITY FOR STUDENT ASSISTANCE

"SEC. 495. (a) If an institution of higher education determines, after affording notice and opportunity for hearing to an individual attending, or employed by, such institution, that such individual has been convicted by any court of record of any crime which was committed after the date of enactment of this Act and which involved the use of (or assistance to

others in the use of) force, disruption, or the seizure of property under control of any institution of higher education to prevent officials or students in such institution from engaging in their duties or pursuing their studies, and that such crime was of a serious nature and contributed to a substantial disruption of the administration of the institution with respect to which such crime was committed, then the institution which such individual attends, or is employed by, shall deny for a period of two years any further payment to, or for the direct benefit of, such individual under any of the programs specified in subsection (c). If an institution denies an individual assistance under the authority of the preceding sentence of this subsection, then any institution which such individual subsequently attends shall deny for the remainder of the two-year period any further payment to, or for the direct benefit of, such individual under any program authorized by this title.

"(b) If an institution of higher education determines, after affording notice and opportunity for hearing to an individual attending, or employed by, such institution, that such individual has willfully refused to obey a lawful regulation or order of such institution after the date of enactment of this Act, and that such refusal was of a serious nature and contributed to a substantial disruption of the administration of such institution, then such institution shall deny, for a period

of two years, any further payment to, or for the direct benefit of, such individual under any program authorized by this title.

"(c) (1) Nothing in this Act, or any Act amended by this Act, shall be construed to prohibit any institution of higher education from refusing to award, continue, or extend any financial assistance under any such Act to any individual because of any misconduct which in its judgment bears adversely on his fitness for such assistance.

"(2) Nothing in this section shall be construed as limiting or prejudicing the rights and prerogatives of any institution of higher education to institute and carry out an independent, disciplinary proceeding pursuant to existing authority, practice, and law.

"(3) Nothing in this section shall be construed to limit the freedom of any student to verbal expression of individual views or opinions.".

(b) Effective July 1, 1971, section 504 of Public Law 90-575 is repealed.

PART E—EDUCATION PROFESSIONS DEVELOPMENT

EXTENSION OF AUTHORIZATION OF APPROPRIATIONS

SEC. 151. (a) (1) Section 501 of the Higher Education Act of 1965 is amended by inserting "(a)" after "SEC. 501." and by adding at the end thereof the following new subsection:

"(b) For the purpose of carrying out the provisions of this title, there are authorized to be appropriated $600,000,000 for the fiscal year ending June 30, 1972, and for each of the succeeding fiscal years ending prior to July 1, 1976, of which—

"(1) not less than $500,000 shall be for the purposes of section 504;

"(2) not less than 25 per centum or $37,500,000, whichever is greater, shall be for the purposes of subpart 1 of part B;

"(3) not less than 2 per centum shall be for the purposes of subpart 2 of part B;

"(4) not less than 15 per centum shall be for the purposes of part C;

"(5) not less than 10 per centum shall be for the purposes of part D;

"(6) not less than 10 per centum shall be for the purposes of part E; and

"(7) not less than 10 per centum shall be for the purposes of part F.".

(2) The amendments made by paragraph (1) shall be effective after, and only with respect to appropriations for fiscal years beginning after, June 30, 1971.

(b) (1) Effective on and after July 1, 1971, title V

of the Higher Education Act of 1965 is amended by striking out the following provisions:

(A) Section 502 (f);

(B) Section 504 (b);

(C) Section 511 (b) and "(a)" where it appears after "SEC. 511.";

(D) Section 518 (b) and "(a)" where it appears after "SEC. 518.";

(E) Section 528;

(F) Section 532;

(G) Section 543; and

(H) Section 555.

(2) Section 519 (a) of such title V is amended by striking out that part of the first sentence which precedes ", the Commissioner" and inserting in lieu thereof the following: "From the amount available for grants under this subpart for any fiscal year".

(3) The Department of Health, Education, and Welfare shall, under the authority of section 401 (c) and of part C of the General Education Provisions Act, submit to the Congress an estimate of the sums necessary to carry out section 502 of such title V.

(4) The amendments made by this section shall be effective with respect to fiscal years beginning after June 30, 1971.

FUNCTIONS OF, AND COMPENSATION FOR, THE DIRECTOR OF THE TEACHER CORPS

SEC. 152. (a) Section 512 of the Higher Education Act of 1965 is amended by striking out "grade 17" and inserting in lieu thereof "grade 18" and by striking out "grade 16" and inserting in lieu thereof "grade 17".

(b) The third sentence of such section 512 is amended by inserting before the period at the end thereof the following: ", except that (1) the Commissioner may delegate his functions under this subpart only to the Director, and (2) the Director and Deputy Director shall not be given any duty, function, authority, or responsibility other than those imposed or granted by this subpart".

PART F—INSTRUCTIONAL EQUIPMENT

EXTENSION OF AUTHORIZATION OF APPROPRIATIONS

SEC. 171. Subsections (b) and (c) of section 601 and the Higher Education Act of 1965 are each amended by striking out "two succeeding fiscal years" and inserting in lieu thereof "succeeding fiscal years ending prior to July 1, 1976".

PART G—ACADEMIC FACILITIES

TRANSFER OF THE PROVISIONS OF THE HIGHER EDUCATION FACILITIES ACT OF 1963

SEC. 161. (a) Title VII of the Higher Education Act of 1965 is amended to read as follows:

"TITLE VII—CONSTRUCTION OF ACADEMIC FACILITIES

"PART A—GRANTS FOR THE CONSTRUCTION OF UNDERGRADUATE ACADEMIC FACILITIES

"AUTHORIZATION OF APPROPRIATIONS

"SEC. 701. (a) The Commissioner shall carry out a program of grants to institutions of higher education for the construction of academic facilities in accordance with this part.

"(b) For the purpose of making grants under this part, there are hereby authorized to be appropriated $936,000,000 for the fiscal year ending June 30, 1972 and for each of the succeeding fiscal years ending prior to July 1, 1976.

"(c) Of the sums appropriated pursuant to section 701 (b), not less than 25 per centum nor more than 33⅓ per centum shall be reserved by the Commissioner and allotted among the States under section 702. The remainder of such sums shall be available for allotment among the States under section 703.

"PUBLIC COMMUNITY COLLEGES AND PUBLIC TECHNICAL INSTITUTES

"SEC. 702. (a) Sums reserved pursuant to the first sentence of section 701 (c) shall be available for allotments to States for providing academic facilities for public community colleges and public technical institutes.

"(b) From the sums available for any fiscal year for the purposes of this section, the Commissioner shall allot to each State an amount which bears the same ratio to such sums as the product of—

"(1) the number of high school graduates of the State, and

"(2) the State's allotment ratio,

bears to the sum of the corresponding products for all the States, except that the amount allowed to any State shall not be less than $50,000.

"(c) (1) Except as is provided in paragraph (2), the amount allotted to a State under this section shall be available for the payment of the Federal share of the development cost of approved projects for the construction of academic facilities within such State for public community colleges and public technical institutes.

"(2) Any portion of a State's allotment under this section for any fiscal year for which applications from an institution qualified to receive grants under this section have not been received by the State Commissioner prior to January 1 of such fiscal year, shall, if the State Commissioner so requests, be available for payment of the Federal share of the development cost of approved projects under section 703.

"(d) All amounts allotted under this section for any

fiscal year which are not reserved as provided in section 109 by the close of the fiscal year for which they are allotted shall be reallotted by the Commissioner, on the basis of such factors as he determines to be equitable and reasonable, among the States which, as determined by the Commissioner, are able to use without delay any amounts so reallotted for the purpose set forth in subsection (c) (1). Amounts reallotted under this subsection shall be available for reservation until the close of the fiscal year next succeeding the fiscal year for which they were originally allotted.

"(e) For the purposes of clause (2) of subsection (b), the 'allotment ratio' for any State shall be 1.00 less the product of (A) 0.50 and (B) the quotient obtained by dividing the income per person for the State by the income per person for all the States (not including Puerto Rico, the Virgin Islands, American Samoa, and Guam), except that (i) the allotment ratio shall in no case be less than $0.33\frac{1}{3}$ or more than $0.66\frac{2}{3}$, (ii) the allotment ratio for Puerto Rico, the Virgin Islands, American Samoa, and Guam shall be $0.66\frac{2}{3}$, and (iii) the allotment ratio of any State shall be 0.50 for any fiscal year if the Commissioner finds that the cost of school construction in such State exceeds twice the median of such costs in all the States as determined by him on the basis of statistics and data as the Commissioner shall deem adequate and appropriate. The allotment ratios

shall be promulgated by the Commissioner as soon as possible after enactment of this Act, and annually thereafter, on the basis of the average of the incomes per person of the State and of all the States for the three most recent consecutive calendar years for which satisfactory data are available from the Department of Commerce.

"INSTITUTIONS OF HIGHER EDUCATION OTHER THAN PUBLIC COMMUNITY COLLEGES AND PUBLIC TECHNICAL INSTITUTES

"SEC. 703. (a) Sums appropriated pursuant to section 701 (b) which remain after the reservation provided for in the first sentence of section 701 (c) for any fiscal year shall be available for allotments to States for providing academic facilities for institutions of higher education other than institutions eligible for grants under section 702.

"(b) Sums available for the purposes of this section for any fiscal year shall be allotted among the States as follows:

"(1) The Commissioner shall allot to each State an amount which bears the same ratio to 50 per centum of such sums as the number of students enrolled in institutions of higher education in such State bears to the number of students so enrolled in all the States; and

"(2) The Commissioner shall allot to each State an amount which bears the same ratio to 50 per centum of such sums as the number of students enrolled in grades

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nine through twelve (both inclusive) of schools in such State bears to the total number of students so enrolled in all the States.

The amount allotted to any State under the preceding sentence for any fiscal year shall not be less than $50,000.

"(c) (1) Any amount allotted to a State under this section for any fiscal year shall, except as provided in paragraph (2), be available, in accordance with the provisions of this title, for payment of the Federal share of the development cost of approved projects for the construction of academic facilities within such State for institutions of higher education which are not eligible for grants under section 702.

"(2) Any portion of a State's allotment under this section for any fiscal year for which applications from an institution qualified to receive grants under this section have not been received by the State Commissioner prior to January 1 of such fiscal year, shall, if the State Commissioner so requests, be available for payment of the Federal share of the development cost of approved projects under section 702.

"STATE PLANS

"SEC. 704. (a) Any State desiring to participate in the grant program authorized by this part for any fiscal year shall submit for that year to the Commissioner through the State commission a State plan for such participation. Such

plan shall be submitted at such time, in such manner, and containing such information as may be necessary to enable the Commissioner to carry out his functions under this part and shall—

"(1) provide that it shall be administered by the State commission;

"(2) set forth objective standards and methods, which are consistent with basic criteria prescribed by regulation pursuant to section 706, for—

"(A) determining the relative priorities of eligible projects submitted by institutions of higher education within the State for the construction of academic facilities, and

"(B) determining the Federal share of the development cost of each such project;

"(3) provide that the funds apportioned for any fiscal year under section 702 or 703 shall be used only for the purposes set forth therein;

"(4) provide for—

"(A) assigning priorities solely on the basis of such criteria, standards, and methods to eligible projects submitted to the State commission and found by it otherwise approvable under the provisions of this part, and

"(B) approving and recommending to the

Commissioner, in the order of such priority, application covering such eligible projects, and for certifying to the Commissioner the Federal share of the development cost of the project involved;

"(5) provide for affording to every applicant which has submitted a project to the State commission an opportunity for a fair hearing before the State commission as to the priority assigned to such project, or as to any other determination of the State commission adversely affecting such applicant;

"(6) provide for—

"(A) such fiscal control and fund accounting procedures as may be necessary to assure proper disbursement of, and accounting for, Federal funds paid to the State commission under this part, and

"(B) making such reports, in such form and containing such information, as may be reasonably necessary to enable the Commissioner to perform his functions under this part.

"(b) The Commissioner shall approve any State plan submitted under this section if he determines that it complies with the provisions of this section and other appropriate provisions of this title.

"ELIGIBILITY FOR GRANTS

"SEC. 705. (a) Except as is provided in subsection

(b), an institution of higher education shall be eligible for a grant under this part only if the State commission determines, in accordance with criteria prescribed by regulation, that the construction project for which assistance is sought will, either alone or together with other construction to be undertaken within a reasonable time, result in—

"(1) a substantial expansion of, or

"(2) the creation of,

urgently needed (A) enrollment capacity, (B) the capacity to provide student health care or other student services, or (C) capacity to carry out extension and continuing education programs on the campus of such institution.

"(b) If the Commissioner determines, in accordance with criteria established by regulation, that the student enrollment capacity of an institution of higher education would decrease if an urgently needed academic facility is not constructed, the construction of such a facility may be considered, for the purposes of this section, to result in an expansion of the institution's student enrollment capacity.

"BASIC CRITERIA FOR DETERMING PRIORITIES AND FEDERAL SHARE

"SEC. 706. (a) (1) The Commissioner shall, by regulation, prescribe basic criteria to which the provisions of State plans setting forth standards and methods for determining relative priorities of eligible construction projects,

and the application of such standards and methods to such projects under such plans, shall be subject.

"(2) Such basic criteria shall, at least—

"(A) be such as will best tend to achieve the objectives of this part, while leaving opportunity and flexibility for the development of State plan standards and methods that will best accommodate the varied needs of institutions in the several States;

"(B) give special consideration to the expansion of undergraduate enrollment capacity; and

"(C) give consideration to the expansion of capacity to provide needed health care to students.

"(3) Subject to paragraph (2), such regulations may establish additional and appropriate basic criteria, including—

"(A) provision for considering the degree to which applicant institutions are effectively utilizing existing facilities;

"(B) provision for allowing State plans to group, or to allow grouping, in a reasonable manner, facilities or institutions according to functional or educational type for priority purposes; and

"(C) in view of the national objectives of this title, provision for considering the degree to which applicant institutions serve students from two or more States or from outside the United States.

"(4) In no event shall such basic criteria permit the readiness of an institution to admit out-of-State students to be considered as a priority adverse to such institution.

"(b) (1) The Commissioner shall prescribe, by regulation, the basic criteria for determining the Federal share of the development cost of any eligible project under this part within a State, to which criteria the applicable standards and methods set forth in the State plan for such State shall conform.

"(2) In no case shall such basic criteria permit the Federal share to exceed 50 per centum of the development cost of a project.

"(c) Section 553 of title V, United States Code shall apply to the prescription of regulations under this section, notwithstanding clause (2) of subsection (a) thereof.

"APPLICATIONS FOR GRANTS; AMOUNT OF GRANTS

"SEC. 707. (a) (1) Any institution of higher education which desires to receive a grant under this part shall submit an application therefor at such time or times, in such manner, and containing such information as the Commissioner shall prescribe by regulation.

"(2) The Commissioner shall approve an application for a construction project under this part only if he determines that—

"(A) it meets the requirements prescribed under paragraph (1);

"(B) the project for which assistance is sought is an eligible project under section 705;

"(C) such project has been submitted through, and been approved and recommended by, the appropriate State Commission;

"(D) such State Commission has certified to the Commissioner, in accordance with the State plan, the Federal share of the development cost of the project, and that sufficient funds to pay such Federal share are available from the applicable apportionment of the State;

"(E) such project has, pursuant to the State plan, been assigned a priority that is higher than that assigned to all other projects within the State which are chargeable to the same apportionment, and meet the requirements of this section, and for which Federal funds have not yet been reserved;

"(F) the construction to be carried out under the application will be undertaken in a timely and economic manner and will not be of elaborate or extravagent design or materials;

"(G) in the case of a student health care facility, no assistance will be provided for such facility under title IV of the Housing Act of 1950; and

"(H) the application contains assurances or is supported by satisfactory assurances—

"(i) that title to the site is in accordance with regulations of the Commissioner relating thereto,

"(ii) that Federal funds received by the applicant will be solely used for defraying the development cost of the project covered by the application,

"(iii) that sufficient funds will be available to meet the non-Federal portion of such cost and to provide for the effective use of the academic facility upon completion,

"(iv) that the facility will be used as an academic facility for at least the period of the Federal interest therein, as provided in section 781, and

"(v) that the plans for such facilities comply with such standards as the Secretary may prescribe, or approve, in order to insure that facilities constructed with the use of Federal funds appropriated under this part, shall be, to the extent appropriate in view of the uses to be made of the facility, accessible to, and usable by, handicapped persons.

"(b) Amendments to applications submitted under this section shall, except as the Commissioner may otherwise provide by regulations, be subject to approval in the same manner as original applications.

"(c) (1) Upon his approval of any application under this section, the Commissioner shall reserve from the applicable apportionment available therefor, the amount of such grant, which shall be equal to the Federal share of the development cost of the project covered by the application, and, in accordance with regulations, shall pay the amount reserved to the applicant.

"(2) Upon approval of an amendment of an application, or revision of the estimated development cost of a project, for which there has been a reservation made under paragraph (1), the Commissioner may adjust the amount so reserved, accordingly. If an adjustment under the first sentence of this section results in a greater amount being reserved, he may reserve the Federal share of the added cost only from the applicable apportionment available at the time of such approval.

"ADMINISTRATION OF STATE PLANS; JUDICIAL REVIEW

"SEC. 708. (a) (1) The Commissioner shall not finally disapprove any State plan submitted under this title, or any modification thereof, without first affording the State commission submitting the plan reasonable notice and opportunity for a hearing.

"(2) Whenever the Commissioner, after reasonable notice and opportunity for hearing to the State commission administering a State plan approved under this title, finds—

"(A) that the State plan has been so changed that it no longer complies with the provisions of section 704, or

"(B) that in the adminstration of the plan there is a failure to comply substantially with any such provision,

the Commissioner shall notify such State commission that the State will not be regarded as eligible to participate in the program under this title until he is satisfied that there is no longer any such failure to comply.

"(b) (1) If any State is dissatisfied with the Commissioner's final action with respect to the approval of its State plan submitted under section 704, or with his final action under subsection (a), such State may appeal to the United States court of appeals for the circuit in which such State is located. The summons and notice of appeal may be served at any place in the United States. The Commissioner shall forthwith certify and file in the court the transcript of the proceedings and the record on which he based his action.

"(2) The findings of fact by the Commissioner, if supported by substantial evidence, shall be conclusive; but the court, for good cause shown, may remand the case to the Commissioner to take further evidence, and the Commissioner may thereupon make new or modified findings of

fact and may modify his previous action, and shall certify to the court the transcript and record of the further proceedings. Such new or modified findings of fact shall likewise be conclusive if supported by substantial evidence.

"(3) The court shall have jurisdiction to affirm the action of the Commissioner or to set it aside, in whole or in part. The judgment of the court shall be subject to review by the Supreme Court of the United States upon certiorari or certification as provided in title 28, United States Code, section 1254.

"PART B—GRANTS FOR CONSTRUCTION OF GRADUATE ACADEMIC FACILITIES

"AUTHORIZATION

"SEC. 721. (a) The Commissioner shall carry out a program of making grants to institutions of higher education to assist them in improving existing graduate schools and cooperative graduate centers, and in establishing graduate schools and cooperative graduate centers of excellence, in order to increase the supply of highly qualified personnel needed by communities, industries, and governments.

"(b) For the purpose of making grants under this part, there are authorized to be appropriated $120,000,000 for the fiscal year ending June 30, 1972, and for each of the succeeding fiscal years ending prior to July 1, 1976.

"APPLICATION FOR, AND AMOUNT OF, GRANTS

"SEC. 722. (a) (1) Any institution of higher education desiring to receive a grant under this part shall submit an application therefor at such time, in such manner, and containing such information as the Commissioner may require.

"(2) In determining whether to approve applications under this section, the order in which to approve such applications, and the amount of grants, the Commissioner shall give consideration to the extent to which the projects for which assistance is sought will contribute toward achieving the objectives of this part, and the extent to which they will aid in attaining a wider distribution of graduate schools and cooperative graduate centers throughout the States. In no case shall the total of the payments from appropriations for any fiscal year pursuant to section 721 made with respect to projects in any State exceed an amount equal to 12½ per centum of such appropriations.

"(3) For the purposes of this section, the term 'institution of higher education' includes cooperative graduate center boards.

"(b) The Commissioner shall not approve any application under this section until he has obtained the advice and recommendations of a panel of specialists who are not employees of the Federal Government and who are competent to evaluate such application.

"(c) No grant under this part may be in an amount in excess of 50 per centum of the development cost of the project covered by the application.

"PART C—LOANS FOR CONSTRUCTION OF ACADEMIC FACILITIES

"AUTHORIZATION

"SEC. 741. (a) (1) The Commissioner shall carry out a program of making loans, in accordance with the provisions of this part.

"(2) The Commissioner is authorized to make loans to institutions of higher education and to higher education building agencies, which have submitted approvable applications under part A, for the construction of academic facilities.

"(b) For the purpose of making payments into the fund established under section 444, there are hereby authorized to be appropriated $400,000,000 for the fiscal year ending June 30, 1972, and for each of the succeeding fiscal years ending prior to July 1, 1976. Sums appropriated pursuant to this subsection for any fiscal year shall be available without fiscal year limitations.

"ELIGIBILITY CONDITIONS, AMOUNTS, AND TERMS OF LOANS

"SEC. 742. (a) No loan pursuant to this part shall be made unless the Commissioner finds (1) that not less than 20 per centum of the development cost of the facility will be financed from non-Federal sources, (2) that the applicant

is unable to secure the amount of such loan from other sources upon terms and conditions equally as favorable as the terms and conditions applicable to loans under this part, (3) that the construction will be undertaken in an economical manner and that it will not be of elaborate or extravagant design or materials, and (4) that, in the case of a project to construct an infirmary or other facility designed to provide primarily for outpatient care of students and institutional personnel, no financial assistance will be provided such project under title IV of the Housing Act of 1950.

"(b) A loan pursuant to this part shall be secured in such manner and shall be repaid within such period not exceeding fifty years, as may be determined by the Commissioner; and it shall bear interest at (1) a rate determined by the Commissioner which shall not be less than a per annum rate that is one-quarter of 1 percentage point above the average annual interest rate on all interest-bearing obligations of the United States forming a part of the public debt as computed at the end of the preceding fiscal year, adjusted to the nearest one-eighth of 1 per centum, or (2) the rate of 3 per centum per annum, whichever is the lesser.

"GENERAL PROVISION FOR LOAN PROGRAM

"SEC. 743. (a) Such financial transactions of the Commissioner as the making of loans and vouchers approved by the Commissioner in connection with such financial transac-

tions, except with respect to administrative expenses, shall be final and conclusive on all officers of the Government.

"(b) In the performance of, and with respect to, the functions, powers, and duties vested in him by this part, the Commissioner may—

"(1) prescribe such rules and regulations as may be necessary to carry out the purposes of this part;

"(2) sue and be sued in any court of record of a State having general jurisdiction or in any district court of the United States, and such district courts shall have jurisdiction of civil actions arising under this part without regard to the amount in controversy, and any action instituted under this subsection by or against the Commissioner shall survive notwithstanding any change in the person occupying the office of Commissioner or any vacancy in such office; but no attachment, injunction, garnishment, or other similar process, mesne or final, shall be issued against the Commissioner or property under his control, and nothing herein shall be construed to except litigation arising out of activities under this part from the application of sections 507(b) and 517 and 2679 of title 28 of the United States Code.

"(3) foreclose on any property or commence any action to protect or enforce any right conferred upon him by any law, contract, or other agreement, and bid for

and purchase at any foreclosure or any other sale any property in connection with which he has made a loan pursuant to this part; and, in the event of any such acquisition (and notwithstanding any other provisions of law relating to the acquisition, handling, or disposal of real property by the United States), complete, administer, remodel and convert, dispose of, lease, and otherwise deal with, such property: *Provided,* That any such acquisition of real property shall not deprive any State or political subdivision thereof of its civil or criminal jurisdiction in and over such property or impair the civil rights under the State or local laws of the inhabitants on such property;

"(4) sell or exchange at public or private sale, or lease, real or personal property, and sell or exchange any securities or obligations, upon such terms as he may fix:

"(5) subject to the specific limitations in this part, consent to the modification, with respect to the rate of interest, time of payment of any installment of principal or interest, security, or any other term of any contract or agreement to which he is a party or which has been transferred to him pursuant to this section; and

"(6) include in any contract or instrument made pursuant to this part such other covenants, conditions,

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or provisions (including provisions designed to assure against use of the facility, contructed with the aid of a loan under this part, for purposes described in section 782 (1) as he may deem necessary to assure that the purpose of this part will be achieved.

"REVOLVING LOAN FUND

"SEC. 744. (a) There is hereby created within the Treasury a separate fund for higher education academic facilities loans (hereafter in this section called 'the fund') which shall be available to the Commissioner without fiscal year limitation as a revolving fund for the purposes of this part.

"(b) (1) The Commissioner shall transfer to the fund available appropriations provided under section 741 (c) to provide capital for the fund. All amounts received by the Commissioner as interest payments or repayments of principal on loans, and any other moneys, property, or assets derived by him from his operations in connection with this part, including any moneys derived directly or indirectly from the sale of assets, or beneficial interests or participations in assets of the fund, shall be deposited in the fund.

"(2) All loans, expenses, and payments pursuant to operations of the Commissioner under this part shall be paid from the fund, including (but not limited to) expenses and payments of the Commissioner in connection with sale,

under section 302 (c) of the Federal National Mortgage Association Charter Act, of participations in obligations acquired under this title. From time to time, and at least at the close of each fiscal year, the Commissioner shall pay from the fund into the Treasury as miscellaneous receipts interest on the cumulative amount of appropriations paid out for loans under this title or available as capital to the fund, less the average undisbursed cash balance in the fund during the year. The rate of such interest shall be determined by the Secretary of the Treasury, taking into consideration the average market yield during the month preceding each fiscal year on outstanding Treasury obligations of maturity comparable to the average maturity of loans made from the fund. Interest payments may be deferred with the approval of the Secretary of the Treasury, but any interest payments so deferred shall themselves bear interest. If at any time the Commissioner determines that moneys in the fund exceed the present and any reasonably prospective future requirements of the fund, such excess shall be available for the purposes of part A and shall be deemed to have been appropriated pursuant to section 701 (b).

"ANNUAL INTEREST GRANTS

"SEC. 745. (a) To assist institutions of higher education and higher education building agencies, which have had applications projects approved under part A, to reduce the

cost of borrowing from other sources for the construction of academic facilities, the Commissioner may make annual interest grants to such institutions and agencies.

"(b) Annual interest grants to an institution of higher education or higher education building agency with respect to any academic facility shall be made over a fixed period not exceeding forty years, and provision for such grants shall be embodied in a contract guaranteeing their payment over such period. Each such grant shall be in an amount not greater than the difference between (1) the average annual debt service which would be required to be paid, during the life of the loan, on the amount borrowed from other sources for the construction of such facilities, and (2) the average annual debt service which the institution would have been required to pay, during the life of the loan, with respect to such amounts if the applicable interest rate were the maximum rate specified in section 743 (b) : *Provided,* That the amount on which such grant is based shall be approved by the Secretary.

"(c) (1) There are hereby authorized to be appropriated to the Commissioner such sums as may be necessary for the payment of annual interest grants to institutions of higher education and higher education building agencies in accordance with this section.

"(2) Contracts for annual interest grants under this

section shall not be entered into in an aggregate amount greater than is authorized in appropriation Acts; and in any event the total amount of annual interest grants which may be paid to institutions of higher education and higher education building agencies in any year pursuant to contracts entered into under this section shall not exceed $5,000,000 which amount shall be increased by $6,750,000 on July 1, 1969, and by $13,500,000 on July 1, 1970 and on July 1 of each of the four succeeding years.

"(d) Not more than 12½ per centum of the funds provided for in this section for grants may be used within any one State.

"(e) No annual interest grant pursuant to this section shall be made unless the Commissioner finds (1) that not less than 10 per centum of the development cost of the facility will be financed from non-Federal sources, (2) that the applicant is unable to secure a loan in the amount of the loan with respect to which the annual interest grant is to be made, from other sources upon terms and conditions equally as favorable as the terms and conditions applicable to loans under this title, and (3) that the construction will be undertaken in an economical manner and that it will not be of elaborate or extravagant design or materials. For purposes of this section, a loan with respect to which an interest

grant is made under this section shall not be considered financing from a non-Federal source. For purposes of the other provisions of this title, such a loan shall be considered financing from a non-Federal source.

"PART D—ASSISTANCE IN MAJOR DISASTER AREAS

"AUTHORIZATION

"SEC. 761. (a) The Commissioner shall carry out a program of financial assistance to public institutions of higher education, in accordance with the provisions of this part.

"(b) There are authorized to be appropriated for each fiscal year such sums as may be necessary to carry out the provisions of this part.

"ASSISTANCE FOR CONSTRUCTION OF ACADEMIC FACILITIES

"SEC. 762. (a) If the Director of the Office of Emergency Planning determines that a public institution of higher education is, in whole or in part, within an area which, after June 30, 1971, and before July 1, 1976, has suffered a disaster which is a major disaster, and if the Commissioner determines with respect to such institution that—

"(1) the academic facilities of such institution have been destroyed or seriously damaged as a result of the disaster;

"(2) such institution is exercising due diligence in

availing itself of State and other financial assistance available for restoration or replacement of such facilities; and

"(3) the institution does not have sufficient funds available from such other sources, including proceeds of insurance on the facilities, to provide for the restoration or replacement of such facilities;

the Commissioner is authorized to provide such assistance to such institution as is provided in subsection (b).

"(b) (1) Assistance under this section shall be a grant to an eligible institution, as determined under subsection (a), of an amount necessary to enable the institution to carry out the construction necessary to restore or replace the academic facilities determined to be damaged or destroyed under clause (1) of subsection (a).

"(2) The maximum amount of a grant under this section shall not exceed the cost of construction incident to the restoration or replacement of the facilities determined to be damaged or destroyed under clause (1) of subsection (a) less the amount of additional assistance determined to be available under clause (3) of subsection (a).

"(c) (1) Assistance under this section may include a grant of an amount necessary to enable the institution to lease, or otherwise obtain the use of, such facilities as are

needed to replace, temporarily, facilities which have been made unavailable as a result of a major disaster.

"(2) An institution shall be eligible for assistance under this subsection if it qualifies for assistance under subsection (a), whether or not it receives assistance under subsection (b).

"EQUIPMENT AND SUPPLIES

"SEC. 763. If an institution is eligible for assistance under section 762(a), the Commissioner is authorized, whether or not such institution receives assistance under section 762(b), to make a grant to such institution of not in excess of an amount he determines necessary to replace equipment, maintenance supplies, and instructional supplies (including books, and curricular and program materials) destroyed or seriously damaged as a result of the major disaster.

"REPAYABLE ASSISTANCE IN LIEU OF A GRANT

"SEC. 764. If the Commissioner's determinations under clauses (2) and (3) of section 762(a) indicate that financial resources will become available to an institution otherwise qualified for assistance under section 762 at some future date or dates, he is authorized, subject to such terms and conditions as may be in the public interest, to extend assistance to such institution under section 762(b), 762(c), or

763 (or all such sections) with an agreement with such institution which provides that the institution will repay part or all of the funds received by it under this part.

"APPLICATIONS

"SEC. 765. No payment may be made to a public institution of higher education for academic facilities under this part unless an application therefor is submitted through the appropriate State commission and is filed with the Commissioner in accordance with regulations prescribed by him. In determining the order in which such applications shall be approved, the Commissioner shall consider the relative educational and financial needs of the institutions which have submitted approvable applications. No payment may be made under section 762 (b) unless the Commissioner finds, after consultation with the State commission, that the project or projects with respect to which it is made are not inconsistent with overall State plans, submitted under section 704 (a), for the construction of academic facilities. All determinations made by the Commissioner under this part shall be made only after consultation with the appropriate State commission.

"DEFINITIONS

"SEC. 766. For the purposes of this part—

"(1) the term 'major disaster' means a disaster determined to be a major disaster as defined in section

2(a) of the Act of September 30, 1950 (42 U.S.C. 185a(a)); and

"(2) an institution of higher education shall be deemed to be a 'public institution of higher education' if such institution is found by the Commissioner to be under public supervision and control.

"PART E—GENERAL

"RECOVERY OF PAYMENTS

"SEC. 781. (a) The Congress hereby finds and declares that, if a facility constructed with the aid of a grant or grants under part A or B of this title is used as an academic facility for twenty years following completion of such construction, the public benefit accruing to the United States from such use will equal in value the amount of such grant or grants. The period of twenty years after completion of such construction shall therefore be deemed to be a period of Federal interest in such facility for the purposes of this Act.

"(b) If, within twenty years after completion of construction of an academic facility which has been constructed in part with a grant or grants under part A or B of this title—

"(1) the applicant (or its successor in title or possession) ceases or fails to be a public or nonprofit institution, or

"(2) the facility ceases to be used as an academic

facility, or the facility is used as a facility excluded from the term 'academic facility',

the United States shall be entitled to recover from such applicant (or successor) an amount which bears to the then value of the facility (or so much thereof as constituted an approved project or projects) the same ratio as the amount of such Federal grant or grants bore to the development cost of the facility financed with the aid of such grant or grants. Such value shall be determined by agreement of the parties or by action brought in the United States district court for the district in which such facility is situated.

"DEFINITIONS

"SEC. 782. The following definitions apply to terms used in this title:

"(1) (A) Except as provided in subparagraph (B) of this paragraph, the term 'academic facilities' means structures suitable for use as classrooms, laboratories, libraries, and related facilities necessary or appropriate for instruction of students, or for research, or for administration of the educational or research programs, of an institution of higher education, and maintenance, storage, or utility facilities essential to operation of the foregoing facilities. For purposes of parts A, C, and D, such term includes infirmaries or other facilities designed to provide primarily for outpatient care of students and institutional personnel.

"(B) The term 'academic facilities' shall not include (i) any facility intended primarily for events for which admission is to be charged to the general public, or (ii) any gymnasium or other facility specially designed for athletic or recreational activities, other than for an academic course in physical education or where the Commissioner finds that the physical integration of such facilities with other academic facilities included under this Act is required to carry out the objectives of this Act, or (iii) any facility used or to be used for sectarian instruction or as a place for religious worship, or (iv) any facility which (although not a facility described in the preceding clause) is used or to be used primarily in connection with any part of the program of a school or department of divinity, or (v) any facility used or to be used by a school of medicine, school of dentistry, school of osteopathy, school of pharmacy, school of optometry, school of podiatry, or school of public health as these terms are defined in section 724 of the Public Health Service Act, or a school of nursing as defined in section 843 of that Act. For the purposes of this subparagraph (B), the term 'school or department of divinity' means an institution, or a department or branch of an institution, whose program is specifically for the education of students to prepare them to become ministers of religion or to enter upon some other religious vocation or to prepare them to teach theological subjects.

"(2) The term 'construction' means (A) erection of new or expansion of existing structures, and the acquisition and installation of initial equipment therefor; or (B) acquisition of existing structures not owned by the institution involved; or (C) rehabilitation, alteration, conversion, or improvement (including the acquisition and installation of initial equipment, or modernization or replacement of built-in equipment) of existing structures; or (D) a combination of any two or more of the foregoing. For the purposes of this paragraph and section 763, the term 'equipment' includes, in addition to machinery, utilities, and built-in equipment and any necessary enclosures or structures to house them, all other items necessary for the functioning of a particular facility as an academic facility, including necessary furniture, except books, curricular and program materials, and items of current operating expense such as fuel, supplies, and the like; the term 'initial equipment' means equipment acquired and installed in connection with construction as defined in paragraph (2) (A) or (B) or, in cases referred to in paragraph (2) (C), equipment acquired and installed as part of the rehabilitation, alteration, conversion, or improvement of an existing structure, which structure would otherwise not be adequate for use as an academic facility; and the terms 'equipment', 'initial equipment', and 'built-in

equipment' shall be more particularly defined by the Commissioner by regulation.

"(3) (A) The term 'development cost', with respect to an academic facility, means the amount found by the Commissioner to be the cost, to the applicant for a grant or loan under this title, of the construction involved and the cost of necessary acquisition of the land on which the facility is located and of necessary site improvements to permit its use for such facility. There shall be excluded from the development cost—

"(i) in determining the amount of any grant under part A or B, an amount equal to the sum of (I) any Federal grant which the institution has obtained, or is assured of obtaining, under any law other than this title, with respect to the construction that is to be financed with the aid of a grant under part A or B, and (II) the amount of any non-Federal funds required to be expended as a condition of such other Federal grant; and

"(ii) in determining the amount of any loan under part C, an amount equal to the amount of any Federal financial assistance which the institution has obtained, or is assured of obtaining, under any law other than this title, with respect to the construction that is to be financed with the aid of a loan under part C.

"(B) In determining the development cost with respect to an academic facility, the Commissioner may include expenditures for works of arts for the facility of not to exceed 1 per centum of the total cost (including such expenditures) to the applicant of construction of, and land acquisition and site improvements for, such facility.

"(4) The term 'Federal share' means, in the case of any project a percentage (as determined under the applicable State plan) not in excess of 50 per centum of its development cost.

"(5) The term 'higher education building agency' means (A) an agency, public authority, or other instrumentality of a State authorized to provide, or finance the construction of, academic facilities for institutions of higher education (whether or not also authorized to provide or finance other facilities for such or other educational institutions, or for their students or faculty), or (B) any corporation (no part of the net earnings of which inures or may lawfully inure to the benefit of any private shareholder or individual) (I) established by an institution of higher education for the sale purpose of providing academic facilities for the use of such institution, and (II) upon dissolution of which, all title to any property purchased or built from the proceeds of any loan made under part C will pass to such institution.

"(6) The term 'public community college and public technical institute' means an institution of higher education which is under public supervision and control, and is organized and administered principally to provide a two-year program which is acceptable for full credit toward a bachelor's degree, or a two-year program in engineering, mathematics, or the physical or biological sciences which is designed to prepare the student to work as a technician and at a semiprofessional level in engineering, scientific, or other technological fields which require the understanding and application of basic engineering, scientific, or mathematical principles or knowledge; and the term includes a branch of an institution of higher education offering four or more years of higher education which is located in a community different from that in which its parent institution is located.

"(7) The term 'cooperative graduate center' means an institution or program created by two or more institutions of higher education which will offer to the students of the participating institutions of higher education graduate work which could not be offered with the same proficiency or economy (or both) at the individual institution of higher education. The center may be located or the program carried out on the campus of any of the participating institutions or at a separate location.

"(8) The term 'cooperative graduate center board'

means a duly constituted board established to construct and maintain the cooperative graduate center and coordinate academic programs. The board shall be composed of representatives of each of the higher institutions participating in the center and of the community involved. At least one-third of the board's members shall be community representatives. The board shall elect by a majority vote a chairman from among its membership.".

(b) (1) The programs authorized by title VII of the Higher Education Act of 1965 shall be deemed to be a continuation of the comparable programs authorized by the Higher Education Facilities Act of 1963.

(2) Effective July 1, 1972, the Higher Education Facilities Act of 1963 is amended by striking out titles I and II thereof.

(3) Effective July 1, 1971, such Act is amended by striking out section 306 thereof.

(4) The revolving fund created by section 744 of the Higher Education Act of 1965 shall be deemed to be a continuation of the revolving fund created by section 305 of the Higher Education Facilities Act of 1963. Any funds in the fund for higher education academic facilities created by such section 305 on the date of enactment of this Act shall be transferred to the fund created by section 744 of the Higher Education Act of 1965, and all such funds shall be

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deemed to have been made available for such fund. Notwithstanding any other provision of law, unless enacted in specific limitation of the provisions of this sentence, any sums appropriated pursuant to section 303 (c) for any fiscal year ending prior to July 1, 1972, which have not been loaned under title III of the Higher Education Facilities Act of 1963 shall be deemed to have been appropriated pursuant to section 741 (b) of the Higher Education Act of 1965 for the fiscal year ending June 30, 1972.

EXTENSION OF AUTHORIZATIONS OF APPROPRIATIONS FOR THE HIGHER EDUCATION FACILITIES ACT OF 1963

SEC. 162. Sections 101 (b), 201, 303 (c), and 408 (a) of the Higher Education Facilities Act of 1963 are each amended by striking out "July 1, 1971" and inserting in lieu thereof "July 1, 1972".

STATE HIGHER EDUCATION COMMISSIONS

SEC. 163. Section 1202 of the Higher Education Act of 1965, having been superseded by section 425 of the General Education Provisions Act, is hereby repealed. Title XII of such Act is amended by adding after section 1201 the following new section:

"STATE HIGHER EDUCATION COMMISSIONS

"SEC. 1202. (a) (1) Any State desiring to participate in any program authorized by this Act which requires the use of a State Commission in the administration thereof

shall designate, for such purpose, a State agency which is broadly representative of the public and of the public and private institutions of higher education (including public community colleges and public technical institutes) in the State. If, in the case of any State, no such State agency exists, such State shall create such an agency.

"(2) Each State commission shall be authorized to, and shall carry out, such functions as may be required or authorized with respect to the program in which the State is participating. The Commissioner shall pay to each State commission the amount necessary for the proper and efficient administration of each State plan which is approved by him under this Act.

"(b) (1) The Commissioner is authorized to make grants to State commissions to enable them to make comprehensive inventories of, and studies with respect to, the postsecondary educational resources in the States and means by which such resources may be better planned and coordinated, improved, expanded, or altered in order to insure that all persons within the States who desire, and who can benefit from, postsecondary education may have an opportunity to do so.

"(2) The Commissioner is further authorized to make grants to State commissions to enable them to conduct comprehensive planning for statewide postsecondary education

systems which will achieve the purpose set forth in paragraph (1). Such planning shall include a consideration of a system of comprehensive public community colleges as a means of achieving such purpose.

"(c) There is authorized to be appropriated such sums as may be necessary to carry out the provisions of this section.".

PART H—NETWORKS FOR KNOWLEDGE EXTENSION

EXTENSION OF AUTHORIZATION OF APPROPRIATIONS

SEC. 171. Section 802 of the Higher Education Act of 1965 is amended by inserting before the period at the end thereof "and for each of the succeeding fiscal years ending prior to July 1, 1976".

PART I—GRADUATE PROGRAMS AND FELLOWSHIPS

NEW TITLES IX AND X OF THE HIGHER EDUCATION ACT OF 1965

SEC. 181. (a) The Higher Education Act of 1965 is amended by striking out titles IX and X and inserting in lieu thereof the following:

"TITLE IX—GRADUATE PROGRAMS

"PURPOSES; AUTHORIZATION

"SEC. 901. (a) It is the purpose of this title to make financial assistance available to institutions of higher education—

"(1) to strengthen and improve the quality of grad-

uate programs leading to an advanced degree in such institutions and to increase the number of such programs;

"(2) to establish, strengthen, and support graduate centers for the study of the languages and cultures of foreign countries, areas, or regions;

"(3) to establish, strengthen, and support graduate centers to serve as national and international resources for research and training in international studies; and

"(4) to establish, strengthen, and improve programs designed to prepare graduate and professional students for the public service.

"(b) The Commissioner shall carry out a program of making grants to institutions of higher education to carry out the purposes set forth in subsection (a).

"(c) There are authorized to be appropriated $100,000,000 for the fiscal year ending June 30, 1972, and for each of the succeeding fiscal years ending prior to July 1, 1976.

"APPLICATIONS

"SEC. 902. (a) An institution of higher education desiring to receive a grant under this title shall submit to the Commissioner an application therefor at such time or times, in such manner, and containing such information as the Commissioner may prescribe by regulation. Such application shall set forth a program of activities carrying out one or more of

the purposes set forth in section 901 (a) in such detail as will enable the Commissioner to determine the degree to which such program will accomplish such purpose or purposes, and such other policies, procedures, and assurances as the Commissioner may require by regulation.

"(b) The Commissioner shall approve an application only if he determines—

"(1) that the application sets forth a program of activities which are likely to make substantial progress toward achieving the purposes of this title; and

"(2) that the approval of the application will result in a wider distribution of the programs described in section 901 (a) throughout the States.

"TITLE X—GRADUATE FELLOWSHIPS

"AUTHORIZATION

"SEC. 1001. (a) The Commissioner shall carry out a program of awarding fellowships, in accordance with the provisions of this title, for graduate or professional study leading to an advanced degree for persons who are planning to teach in institutions of higher education or to enter the public service. Such fellowships shall be awarded for such periods, not to exceed three academic years, as the Commissioner may determine.

"(b) Fellowships shall be awarded under this title during the period beginning July 1, 1972, and ending June 30,

1976. The number of fellowships awarded during any fiscal year in such period shall not exceed seven thousand five hundred. There are authorized to be appropriated such sums as may be necessary to enable the Commissioner to award such fellowships.

"ALLOCATION OF FELLOWSHIPS

"SEC. 1002. The Commissioner shall allocate fellowships under this title among institutions of higher education with programs approved under the provisions of this title for the use of individuals accepted into such programs, in such manner and according to such plan as will, insofar as practicable—

"(1) provide an equitable distribution of such fellowships throughout the United States; and

"(2) attract recent college graduates to pursue a career in public serivce or in higher education.

"APPROVAL OF PROGRAMS

"SEC. 1003. The Commissioner shall approve a graduate or professional program of an institution of higher education only upon application by the institution and only upon his findings—

"(1) that the application sets forth a program which is in effect and of high quality, or can readily be put into effect and may reasonably be expected to be of high quality; and

"(2) that the application contains satisfactory assurance that (A) the institution will recommend to the Commissioner, for the award of fellowships under this part for study in such program, only persons of superior promise who have demonstrated to the satisfaction of the institution a serious intent to enter the public service upon completing the program, and (B) the institution will make reasonable continuing efforts to encourage recipients of fellowships under this part, enrolled in such programs, to enter the public service upon completing the program.

"STIPENDS

"SEC. 1004. (a) The Commissioner shall pay to persons awarded fellowships under this title such stipends (including such allowances for subsistence and other expenses for such persons and their dependents) as he may determine to be consistent with prevailing practices under comparable federally supported programs.

"FELLOWSHIP CONDITIONS

"SEC. 1005. A person awarded a fellowship under the provisions of this title shall continue to receive the payments provided in this part only during such periods as the Commissioner finds that he is maintaining satisfactory proficiency and devoting full time to study or research in the field in which such fellowship was awarded in an institution of higher

education, and is not engaging in gainful employment other than employment approved by the Commissioner by or pursuant to regulation.".

(b) Of the sums appropriated pursuant to section 901 (c) of the Higher Education Act of 1963 for any fiscal year an amount equal to at least $18,000,000 shall be for the purposes of sections 901 (a) (2) and (3).

EXTENSION OF TITLES IV AND VI OF THE NATIONAL DEFENSE EDUCATION ACT OF 1958 AND OF THE INTERNATIONAL EDUCATION ACT

SEC. 182. (a) (1) Section 402 (a) of the National Defense Education Act of 1958 is amended by striking out "seven succeeding fiscal years" and inserting in lieu thereof "eight succeeding fiscal years".

(2) Section 603 of such Act is amended by striking out "for the fiscal year ending June 30, 1971," and inserting in lieu thereof "for each of the fiscal years ending June 30, 1971, and June 30, 1972,".

(b) The second sentence of section 105 (a) of the International Education Act of 1966 is amended by striking out "July 1, 1971" and inserting in lieu thereof "July 1, 1972".

PART J—LAW SCHOOL CLINICAL EXPERIENCE PROGRAMS

SEC. 191. Section 1103 of the Higher Education Act of 1965 is amended by striking out "fiscal years ending June 30,

1970, and June 30, 1971" and inserting in lieu thereof "succeeding fiscal years ending prior to July 1, 1976".

TITLE II—VOCATIONAL EDUCATION

GRANTS TO STATES; RESEARCH

SPECIAL PROGRAMS FOR THE DISADVANTAGED

"SEC. 201. (a) Section 102 (a) of the Vocational Education Act of 1963 is amended by inserting "ending prior to July 1, 1975," after "each succeeding fiscal year".

(b) Section 102 (b) of such Act is amended by inserting after "1972," the following: "and for each succeeding fiscal year ending prior to July 1, 1975,".

EXEMPLARY PROGRAMS AND PROJECTS

SEC. 202. Section 142 (a) of the Vocational Education Act of 1963 is amended by striking out "two succeeding fiscal years" and inserting in lieu thereof "succeeding fiscal years ending prior to July 1, 1975,".

RESIDENTIAL VOCATIONAL SCHOOLS

SEC. 203. (a) Section 151 (b) of the Vocational Education Act of 1963 is amended by striking out "the succeeding fiscal year" and inserting in lieu thereof "each of the succeeding fiscal years ending prior to July 1, 1975".

(b) Section 152 (a) (1) of such Act is amended by striking out "July 1, 1972" and inserting in lieu thereof "July 1, 1975".

(c) Section 153 (d) (2) of such Act is amended by striking out "July 1, 1971" and inserting in lieu thereof "July 1 of each of the four succeeding fiscal years".

CONSUMER AND HOMEMAKING EDUCATION

SEC. 204. (a) Section 161 (a) (1) of the Vocational Education Act of 1963 is amended by striking out "the fiscal year ending June 30, 1972" and inserting in lieu thereof "each of the succeeding fiscal years ending prior to July 1, 1975".

(b) Section 161 (c) of such Act is amended by striking out "and the two succeeding" and inserting in lieu thereof "and the five succeeding".

COOPERATIVE VOCATIONAL EDUCATION

SEC. 205. Section 172 (a) of the Vocational Education Act of 1963 is amended by striking out "the fiscal year ending June 30, 1972" and inserting in lieu thereof "each of the succeeding fiscal years ending prior to July 1, 1975".

WORK-STUDY PROGRAMS

SEC. 206. Section 181 (a) of the Vocational Education Act of 1963 is amended by inserting after "June 30, 1972," the following: "and for each of the succeeding fiscal years ending prior to July 1, 1975,".

CURRICULUM DEVELOPMENT

SEC. 207. Section 191 (b) of the Vocational Education Act of 1963 is amended by striking out "July 1, 1972" and inserting in lieu thereof "July 1, 1975".

TITLE III—ESTABLISHMENT OF A NATIONAL FOUNDATION FOR HIGHER EDUCATION AND A NATIONAL INSTITUTE FOR EDUCATION

AMENDMENT TO THE GENERAL EDUCATION PROVISIONS ACT

SEC. 301. (a) The General Education Provisions Act (title IV of Public Law 90–247) is amended—

(1) by redesignating, and all references thereto, parts A, B, and C thereof, as parts B, C, and D and redesignating, and all references thereto, sections 401, 402, 403, 404, 405, 406, 411, 412, 413, 414, 415, 416, 417, 418, 421, 422, 423, 424, 425, 426, 431, 432, 433, 434, 435, 436, 437, 438, as sections 400, 411, 412, 413, 414, 415, 421, 422, 423, 424, 425, 426, 427, 428, 431, 432, 433, 434, 435, 436, 441, 442, 443, 444, 445, 446, 447, and 448, respectively; and

(2) by inserting after section 400 (as so redesignated by clause (1)) the following new part:

"PART A—EDUCATION DIVISION OF THE DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

"THE EDUCATION DIVISION

"SEC. 401. There shall be, within the Department of Health, Education, and Welfare, an Education Division which shall be composed of the Office of Education, the Na-

tional Foundation for Higher Education, and the National Institute for Education, and shall be headed by the Commissioner of Education.

"THE OFFICE OF EDUCATION

"SEC. 402. (a) The Office of Education shall—

"(1) have the primary responsibility for the administration of programs of Federal assistance to educational agencies, organizations, and institutions in the United States;

"(2) collect statistics, and other data, respecting education in the United States, and disseminate information relating thereto;

"(3) promote the improvement of educational opportunities for the people of the United States, in such manner as may be specifically authorized by law; and

"(4) carry out such other responsibilities as may be specified by law or as may be specified by the President in accordance with law.

Nothing in this section, or any other provision of law, shall be construed to grant the Office of Education any authority which is not expressly provided for by statute or implied therein.

"(b) (1) The management of the Office of Education shall, subject to the direction and supervision of the Secretary, be entrusted to a Commissioner of Education, who shall be appointed by the President by and with the advice and

consent of the Senate, and who shall serve at the pleasure of the President.

"(2) There shall be a Deputy Commissioner of Education (referred to in this section as 'Deputy Commissioner') and six Associate Commissioners of Education (referred to in this title as 'Associate Commissioners') who shall be appointed by the President, by and with the advice and consent of the Senate, and shall serve at the pleasure of the President, and who shall perform such duties as the Commissioner may prescribe by regulation. The Deputy Commissioner shall serve as Commissioner during the absence or disability of the Commissioner.

"(3) Persons holding the offices created by paragraphs (1) and (2) shall be compensated at the following rates specified for the Executive Schedule in subchapter II of title 5, United States Code:

"(A) The Commissioner shall be compensated at the rate provided for level III under section 5314 thereof.

"(B) The Deputy Commissioner shall be compensated at the rate provided for level IV under section 5315 thereof.

"(C) Each Associate Commissioner shall be compensated at the rate provided for level V under section 5316 thereof.

Any modification of the rates of pay specified for such Executive Schedule which is the result of actions of the President, after December 16, 1967, pursuant to section 225 of Public Law 90–206, shall be applicable to positions created, and for which rates of pay are specified, by this subsection.

"(4) The Commissioner, the Deputy Commissioner, and the Associate Commissioners may not engage in any other business, vocation, or employment while serving in any such position; nor may any of them, except with the express approval of the President in writing, hold any office in, or act in any capacity for, or have a financial interest in, any organization, agency, or institution to which the Office of Education makes a grant or with which it makes a contract or other financial arrangement.

"NATIONAL FOUNDATION FOR HIGHER EDUCATION

"SEC. 403. (a) (1) The National Foundation for Higher Education (referred to in this section as the 'Foundation'), shall consist of a Higher Education Board (referred to in this section as the 'Board') and a Director. The Foundation shall have only such authority as may be vested therein by this section and shall be subject to the general regulations of the Commissioner promulgated for its management.

"(2) It shall be the purpose of the Foundation—

"(1) to provide a source of funds to encourage excellence, innovation, and reform in higher education;

"(2) to strengthen postsecondary educational institutions or courses of instruction that play a uniquely valuable role in American higher education or that are faced with special difficulties; and

"(3) to provide an organization concerned with the development of national policy in higher education.

"(b) (1) The Board shall consist of fifteen members, appointed by the President, by and with the advice and consent of the Senate, the Director, and such other ex officio members who are officers of the United States as the President may designate. Eight members (excluding ex officio members) shall constitute a quorum. The Chairman of the Board shall be designated by the President from among its members.

"(2) The term of office of members of the Board (other than ex officio members) shall be six years, except that (A) any member appointed to fill a vacancy shall serve only such portion of a term as shall not have been expired at the time of such appointment, and (B) in the case of initial members, five shall serve for terms of four years and five for terms of two years. Any person, whose term of office is subject to this paragraph, who has been a member of the Board for six

consecutive years shall thereafter be ineligible for appointment to the Board during the two-year period following the expiration of such sixth year.

"(3) Subject to such general regulations of the Commissioner promulgated for the management of the Foundation, the Board shall—

"(A) establish policies for the Foundation;

"(B) meet at the call of the Chairman of the Board, except that it shall meet (i) at least one time during each fiscal year, or (ii) whenever one-third of the members request a meeting in writing, in which event one-third of the members (excluding ex officio members) shall constitute a quorum; and

"(C) submit an annual report to the President on the activities of the Foundation and the status of higher education in the United States, which (i) shall include such recommendations and comments as the Board may deem appropriate, and (ii) shall be submitted to the Congress as a part of the Commissioner's annual report.

The Board shall have the primary responsibility for the powers, duties, and authorities vested in the Foundation under this section and is authorized to delegate any of such powers, duties, and authorities as it may deem appropriate to the Director, or other officers, or permanent employees of the Foundation.

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"(c) (1) The Director of the Foundation (referred to in this section as the 'Director') shall be appointed by the President, by and with the advice of the Senate, and shall serve at the pleasure of the President. The Director shall be compensated at the rate provided for level IV of the Executive Schedule under section 5315 of title 5, United States Code. and shall perform such duties and exercise such powers as the Board, subject to general regulations of the Commissioner, may prescribe.

"(2) There shall be a Deputy Director of the Foundation (referred to in this section as the 'Deputy Director') who shall be appointed by the President, by and with the advice and consent of the Senate, and shall serve at the pleasure of the President. The Deputy Director shall be compensated at the rate provided for level V of the Executive Schedule under section 5316 of title 5, United States Code, and shall exercise such powers as the Director may prescribe. The Deputy Director shall serve as Director during the absence or disability of the Director or in the event of a vacancy in the Office of Director.

"(d) The Foundation is authorized to make grants to institutions of higher education (including combinations of such institutions) to improve educational opportunities at the undergraduate and graduate levels by—

"(1) encouraging the reform, innovation, and im-

provement of higher education, and providing equal educational opportunity for all;

"(2) the strengthening of new and developing institutions of higher education that fill unmet needs, as well as established institutions seeking to provide new and useful services;

"(3) the strengthening of postsecondary institutions seeking to expand enrollment of students from minority groups, and from among students whose limited financial resources, for whatever reason, restrict their opportunities for higher education;

"(4) the encouragement of research and experimentation with respect to, and development of, institutions of learning beyond high school which do not concentrate on traditional academic or vocational fields; and

"(5) the development and improvement of postsecondary career education.

"(e) There is authorized to be appropriated, without fiscal year limitations, $200,000,000, in the aggregate, for the period beginning July 1, 1972, and ending June 30, 1976, to carry out the functions of the Foundation. Sums so appropriated shall, notwithstanding any other provision of law, unless enacted in express limitation of this subsection, remain available for the purposes of this section until expended.

"NATIONAL INSTITUTE OF EDUCATION

SEC. 404. (a) (1) The National Institute of Education (hereinafter referred to as the 'Institute') shall consist of a National Council on Educational Research (hereinafter referred to as the 'Council') and a Director of the Institute (hereinafter referred to as the 'Director'). The Institute shall have only such authority as may be vested therein by this section and subject to general regulations of the Commissioner promulgated for its management.

"(2) The Institute shall, in accordance with the provisions of this section, seek to improve education in the United States through—

"(A) helping to solve or to alleviate the problems of, and achieve the objectives of American education:

"(B) advancing the practice of education, as an art, science, and profession;

"(C) the strengthening of the scientific and technological foundations of education; and

"(D) building an effective educational research and development system.

"(b) (1) The Council shall consist of fifteen members appointed by the President, by and with the advice and consent of the Senate, the Director, and such other ex officio members who are officers of the United States as the President may designate. Eight members of the Council (exclud-

ing ex officio members) shall constitute a quorum. The Chairman of the Council shall be designated by the President.

"(2) The term of office of the members of the Council (other than ex officio members) shall be three years, except that (A) any member appointed to fill a vacancy shall serve only such portion of a term as shall not have been expired at the time of such appointment, and (B) in the case of initial members, five shall serve terms of two years and five shall serve terms of one year. Any person who has been a member of the Council for six consecutive years shall thereafter be ineligible for appointment to the Council during the two-year period following the expiration of such sixth year.

"(3) Subject to general regulations of the Commissioner promulgated for the management of the Institute, the Council shall—

"(A) establish policies for, and direct the conduct of, the Institute;

"(B) review, and advise the Commissioner on the status of educational research in the United States;

"(C) meet at the call of the Chairman, except that it shall meet (i) at least six times during each fiscal year, or (ii) whenever one-third of the members request a meeting in writing, in which event one-third of the

members (excluding ex officio members) shall constitute a quorum; and

"(D) submit an annual report to the President on the activities of the Institute, and on educational research in general, which (i) shall include such recommendations and comments as the Council may deem appropriate, and (ii) shall be submitted to the Congress as part of the Commissioner's annual report.

The Council shall have the primary responsibility for the powers, duties, and authorities vested in the Institute under this section, and is authorized to delegate any of such powers, duties, and authorities as it may deem appropriate, to the Director, or other officers, or permanent employees of the Institute.

"(c) (1) The Director of the Institute shall be appointed by the President, by and with the advice and consent of the Senate, and shall serve at the pleasure of the President. The Director shall be compensated at the rate provided for level IV of the Executive Schedule under section 5315 of title 5, United States Code, and shall perform such duties and exercise such powers and authorities as the Council, subject to general regulations of the Commissioner, may prescribe.

"(2) There shall be a Deputy Director of the Institute

(referred to in this section as the 'Deputy Director') who shall be appointed by the President, by and with the advice and consent of the Senate, and shall serve at the pleasure of the President. The Deputy Director shall be compensated at the rate provided for level IV of the Executive Schedule under section 5316 of title 5, United States Code, and shall act for the Director during the absence or disability of the Director and exercise such powers and authorities as the Director may prescribe.

"(d) (1) Within the Institute, there shall be the following divisions:

"(A) There shall be a Division of Institute Programs, which shall (i) identify and describe major educational problems and opportunities, and (ii) organize and manage comprehensive national programs of research, development, experimentation, and evaluation directed toward those problems and opportunities.

"(B) There shall be a Division of Education Studies, which shall (i) conduct studies on the state of education in the United States, (ii) carry out analyses and evaluations of educational policies, and (iii) assist in planning and evaluating educational research and development programs.

"(C) There shall be a Division of Research and Development, which shall organize and manage pro-

grams designed (i) to improve education policies, practices, and techniques, and (ii) to strengthen the scientific and technological foundations of education, and shall identify the need for improvements in educational research and development systems and carry out programs to improve such systems.

"Each of the divisions of the Institute shall be headed by an Assistant Director of the Institute. Such Assistant Directors shall be compensated at the rate prescribed for grade GS–18 in section 5332 of title 5, United States Code, and shall perform such functions as the Director may prescribe.

"(e) (1) In order to carry out the objectives of the Institute, the Commissioner is authorized, through the Institute, to conduct educational research; collect and disseminate the findings of educational research; train individuals in educational research; assist and foster such research, collection, dissemination, or training through grants, or technical assistance to, or jointly financed cooperative arrangements with, public or private organizations, institutions, agencies, or individuals; promote the coordination of such research and research support within the Federal Government; and may construct or provide (by grant or otherwise) for such facilities as he determines may be required to accomplish such purposes. As used in this subsection, the

term 'educational research' includes research, planning, surveys, evaluations, investigations, experiments, developments, and demonstrations (including experimental schools) in the field of education.

"(2) The Commissioner is authorized, in accordance with regulations promulgated by him, to appoint, on a temporary basis, and compensate, without regard to the provisions of title 5, United States Code, governing appointments in the competitive service, and without regard to chapter 51 and subchapter III of chapter 53 of such title, relating to classification and General Schedule rates, such technical and professioinal personnel as may be necessary to accomplish the functions of the Institute.

"(f) There are hereby authorized to be appropriated, without fiscal year limitations, $500,000,000, in the aggregate, for the period beginning July 1, 1972, and ending June 30, 1976, to carry out the functions of the Institute. Sums so appropriated shall, notwithstanding any other provision of law unless enacted in express limitation of this subsection, remain available for the purposes of this subsection until expended.".

(b) (1) The amendments made by subsection (a) shall be effective after June 30, 1972.

(2) (A) Effective July 1, 1972, sections 516 and 517

of the Revised Statutes of the United States (20 U.S.C. 1, 2) are repealed.

(B) Effective July 1, 1972, section 422 of the General Education Provisions Act is amended by striking out "(as set forth in section 516 of the Revised Statutes (20 U.S.C. 1))" and inserting in lieu thereof "(as set forth in section 402(a) of this Act)".

(3) Effective July 1, 1972, the Cooperative Research Act is amended by striking out sections 2 and 3.

TITLE IV—MISCELLANEOUS

ADMINISTRATION OF PROGRAMS AND PROJECTS

SEC. 401. Section 434 of the General Education Provisions Act (title IV of Public Law 90-247) is amended by—

(1) amending the caption head thereof to read "ADMINISTRATION OF EDUCATION PROGRAMS AND PROJECTS";

(2) striking out "(a)" after "SEC. 424." and inserting in lieu thereof "(a)(1)" and striking out "(b)" and inserting in lieu thereof "(2)";

(3) adding at the end thereof the following new subsection:

"(b) Each application for assistance under any applicable program, whether such application is approved by the Commissioner or by an agency administering a State plan

approved by him and each State plan submitted to the Commissioner under any applicable program shall, as a precondition for approval—

"(1) provide for such methods of administration as are necessary for the proper and efficient administration of the program or project for which application is made;

"(2) set forth such policies and procedures as will insure that Federal funds made available under the application will be so used as to supplement and, to the extent practical, increase the level of funds that would, in the absence of such funds, be available for the purposes of the program or project for which application is made, and in no case supplant such funds;

"(3) make provision for such fiscal control and fund accounting procedures as may be necessary to assure proper disbursement of, and accounting for, Federal funds paid to the applicant under the application; and

"(4) provide for making such reports as the Commissioner may require to carry out his functions."

EXTENSION OF AUTHORIZATION OF APPROPRIATIONS OF TITLE III OF THE NATIONAL DEFENSE EDUCATION ACT OF 1958

SEC. 402. (a) The first sentence of section 301 of the National Defense Education Act of 1958 is amended by striking out "for the fiscal year ending June 30, 1971" and

inserting in lieu thereof "for each of the succeeding fiscal years ending prior to July 1, 1976".

(b) The second sentence of such section 301 is amended by striking out "July 1, 1971" and inserting in lieu thereof "July 1, 1976".

STUDY AND REPORT ON RULES AND REGULATIONS

SEC. 403. (a) The Commissioner shall conduct a study of all rules, regulations, guidelines, or other published interpretations or orders issued by him or by the Secretary of Health, Education, and Welfare (or any of their delegates) in connection with, or affecting, the administration of any program to which the General Education Provisions Act applies. Such study shall include a review of each such rule, regulation, guideline, interpretation or order as it relates to the statutory or other legal authority upon which it is based, and of committee reports relating to such statutory authority.

(b) No later than ninety days after the enactment of this Act, the Commissioner shall submit a report on the study conducted pursuant to subsection (a) to the Committee on Labor and Public Welfare of the Senate and the Committee on Education and Labor of the House, which report shall include the specific legal authority of each section, or other division, of each rule, regulation, guideline, interpretation, or other order to which this section applies.

(c) Not earlier than one-hundred twenty days after

the date of the enactment of this Act nor later than one-hundred fifty days after such date all rules, regulations, guidelines, interpretations, or other orders to which this section applies shall be published in the Federal Register. During the thirty-day period following such publication, the Commissioner shall provide interested parties an opportunity for a public hearing on the matters so published.

(d) After a study of comments and recommendations offered to the Commissioner during the thirty-day period specified in subsection (c), he shall submit a report to the Committee on Labor and Public Welfare of the Senate and the Committee on Education and Labor of the House on such comments and recommendations, and any action he has taken as a result thereof, and he shall, not later than one-hundred eighty days after the enactment of this Act, republish all rules, regulations, guidelines, interpretations and orders in the Federal Register, which shall supersede all preceding rules, regulations, guidelines, interpretations and orders issued in connection with, or affecting, any program to which the General Education Provisions Act applies, and become effective thirty days after such republication.

92D CONGRESS
1ST SESSION

S. 659

IN THE SENATE OF THE UNITED STATES

MAY 11, 1971

Referred to the Committee on Labor and Public Welfare and ordered to be printed

AMENDMENT

Intended to be proposed by Mr. PELL to S. 659, a bill to amend the Higher Education Act of 1965, the Vocational Educational Act of 1963, and related Acts, and for other purposes, viz:

On page 28, strike out all that appears on lines 11, 12, and 13, and insert in lieu thereof "allowances paid under this section shall exceed $1,000.".

Amdt. No. 85

92D CONGRESS
1ST SESSION

S. 659

IN THE SENATE OF THE UNITED STATES

FEBRUARY 25 (legislative day, FEBRUARY 17), 1971

Referred to the Committee on Labor and Public Welfare and ordered to be printed

AMENDMENT

Intended to be proposed by Mr. KENNEDY (for himself, Mr. MONDALE, Mr. BYRD of West Virginia, Mr. CANNON, Mr. CRANSTON, Mr. DOMINICK, Mr. EAGLETON, Mr. HART, Mr. HUGHES, Mr. HUMPHREY, Mr. INOUYE, Mr. JAVITS, Mr. MCGOVERN, Mr. MUSKIE, Mr. PASTORE, and Mr. TUNNEY) to S. 659, a bill to amend the Higher Education Act of 1965, the Vocational Education Act of 1963, and related Acts, and for other purposes, viz: On page 120, after line 21, insert the following:

Amdt. No. 6

TITLE V—INDIAN EDUCATION

PART A—REVISION OF IMPACTED AREAS PROGRAM AS IT RELATES TO INDIAN CHILDREN

SEC. 501. (a) The Act of September 30, 1950 (Public Law 874, Eighty-first Congress), is amended by redesignating title III as title IV, by redesignating sections 301 through 303 and references thereto as sections 401 through 403, respectively, and by adding after title II the following new title:

"TITLE III—FINANCIAL ASSISTANCE TO LOCAL EDUCATIONAL AGENCIES FOR THE EDUCATION OF INDIAN CHILDREN

"SHORT TITLE

"SEC. 301. This title may be cited as the 'Indian Elementary and Secondary School Assistance Act'.

"DECLARATION OF POLICY

"SEC. 302. (a) In recognition of the special educational needs of Indian students in the United States, Congress hereby declares it to be the policy of the United States to provide financial assistance to local educational agencies to develop and carry out elementary and secondary school programs specially designed to meet these special educational needs.

"(b) During the period beginning June 1, 1972, and ending June 30, 1977, the Commissioner shall, in order to

effectuate the policy set forth in subsection (a), carry out a program of making grants to local educational agencies which are entitled to payments under this title and which have submitted, and had approved, applications therefor, in accordance with the provisions of this title.

"GRANTS TO LOCAL EDUCATIONAL AGENCIES

"SEC. 303. (a) For the purpose of computing the amount to which a local educational agency is entitled under this title for any fiscal year in the period during which grants are to be made, as specified in section 303 (b), the Commissioner shall determine the number of Indian children who were enrolled in the schools of a local educational agency, and for whom such agency provided free public education, during such fiscal year.

"(b) (1) The amount of the grant to which a local educational agency is entitled under this title for any fiscal year shall be an amount equal to (A) the average per pupil expenditure for such agency (as determined under paragraph (3)) multiplied by (B) the sum of the number of children determined under subsection (a).

"(2) A local educational agency shall not be entitled to receive a grant under this title for any fiscal year unless the number of children under subsection (a), with respect to such agency, is at least ten.

"(3) For the purposes of this subsection, the average

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per pupil expenditure for a local educational agency shall be the aggregate current expenditures, during the second fiscal year preceding the fiscal year for which the computation is made, of all of the local educational agencies in the State in which such agency is located, plus any direct current expenditures by such State for the operation of such agencies (without regard to the sources of funds from which either of such expenditures are made), divided by the aggregate number of children who were in average daily enrollment for whom such agencies provided free public education during such preceding fiscal year.

"(c) In addition to the sums appropriated for any fiscal year for grants to local educational agencies under this title, there is hereby authorized to be appropriated for any fiscal year an amount not in excess of 1 per centum of the amount appropriated for payments on the basis of entitlements under this section for that fiscal year, for the purpose of enabling the Commissioner to provide financial assistance to schools on or near reservations which are not local educational agencies or have not been local educational agencies for more than three years, in accordance with the appropriate provisions of this title.

"USES OF FEDERAL FUNDS

"SEC. 304. Grants under this title may be used, in accordance with applications approved under section 305, for—

"(a) planning for and taking other steps leading to the development of programs specially designed to meet the special educational needs of Indian children, including pilot projects designed to test the effectiveness of plans so developed; and

"(b) the establishment, maintenance, and operation of programs, including, in accordance with special regulations of the Commissioner, minor remodeling of classroom or other space used for such programs and acquisition of necessary equipment, specially designed to meet the special educational needs of Indian children.

"APPLICATION FOR GRANTS; CONDITIONS FOR APPROVAL

"SEC. 305. (a) A grant under this title, except as provided in section 303 (b) (3), may be made only to a local educational agency or agencies, but only upon application to the Commissioner at such time or times, in such manner, and containing or accompanied by such information as the Commissioner deems necessary. Such application shall—

"(1) provide that the activities and services for which assistance under this title is sought will be administered by or under the supervision of the applicant;

"(2) set forth a program for carrying out the purposes of section 304, and provide for such methods of administration as are necessary for the proper and efficient operation of the program;

"(3) in the case of an application for payments for planning, provide that (A) the planning was or will be directly related to programs or projects to be carried out under this title and has resulted, or is reasonably likely to result, in a program or project which will be carried out under this title, and (B) the planning funds are needed because of the innovative nature of the program or project or because the local educational agency lacks the resources necessary to plan adequately for programs and projects to be carried out under this title;

"(4) provide that effective procedures, including provisions for appropriate objective measurement of educational achievement, will be adopted for evaluating at least annually the effectiveness of the programs and projects in meeting the special educational needs of Indian students;

"(5) set forth policies and procedures which assure that Federal funds made available under this title for any fiscal year will be so used as to supplement and, to the extent practical, increase the level of funds that would, in the absence of such Federal funds, be made available by the applicant for the education of Indian children and in no case supplant such funds;

"(6) provide for such fiscal control and fund accounting procedures as may be necessary to assure

proper disbursement of, and accounting for, Federal funds paid to the applicant under this title; and

"(7) provide for making an annual report and such other reports, in such form and containing such information, as the Commissioner may reasonably require to carry out his functions under this title and to determine the extent to which funds provided under this title have been effective in improving the educational opportunities of Indian students in the area served, and for keeping such records and for affording such access thereto as the Commissioner may find necessary to assure the correctness and verification of such reports.

"(b) An application by a local educational agency or agencies for a grant under this title may be approved only if it is consistent with the applicable provisions of this title and—

"(1) meets the requirements set forth in subsection (a);

"(2) provides that the program or project for which application is made—

"(A) will utilize the best available talents and resources (including persons from the Indian community) and will substantially increase the educational opportunities of Indian students in the area to be served by the applicant; and

"(B) has been developed—

"(i) in open consultation with parents of Indian children, teachers, and, where applicable, secondary school students, including public hearings at which such persons have had a full opportunity to understand the program for which assistance is being sought and to offer recommendations thereon, and

"(ii) with the participation and approval of a committee composed of parents of children participating in the program for which assistance is sought, teachers, and, where applicable, secondary school students, of which at least half the members shall be such parents;

"(C) sets forth such policies and procedures as will insure that the program for which assistance is sought will be operated in consultation with, and the involvement of, parents of the children and representatives of the area to be served, including the committee established for the purposes of clause (2) (B) (ii).

"(3) has been submitted to the appropriate State educational agency for comment and recommendations.

"(c) Amendments of applications shall, except as the Commissioner may otherwise provide by or pursuant to

regulations, be subject to approval in the same manner as original applications.

"PAYMENTS

"SEC. 306. (a) The Commissioner shall, subject to the provisions of section 307, from time to time pay to each local educational agency which has had an application approved under section 305, an amount equal to the amount expended by such agency in carrying out activities under such application.

"(b) (1) No payments shall be made under this title for any fiscal year to any local educational agency in a State which has taken into consideration payments under this title in determining the eligibility of such local educational agency in that State for State aid, or the amount of that aid, with respect to the free public education of children during that year or the preceding fiscal year.

"(2) No payments shall be made under this title to any local educational agency for any fiscal year unless the State educational agency finds that the combined fiscal effort (as determined in accordance with regulations of the Commissioner) of that agency and the State with respect to the provision of free public education by that agency for the preceding fiscal year was not less than such combined fiscal effort for that purpose for the second preceding fiscal year.

"ADJUSTMENTS WHERE NECESSITATED BY APPROPRIATIONS

"SEC. 307. (a) If the sums appropriated for any fiscal year for making payments under this title are not sufficient to pay in full the total amounts which all local educational agencies are eligible to receive under this title for that fiscal year, the maximum amounts which all such agencies are eligible to receive under this title for such fiscal year shall be ratably reduced. In case additional funds become available for making such payments for any fiscal year during which the first sentence of this subsection is applicable, such reduced amounts shall be increased on the same basis as they were reduced.

"(b) In the case of any fiscal year in which the maximum amounts for which local educational agencies are eligible have been reduced under the first sentence of subsection (a), and in which additional funds have not been made available to pay in full the total of such maximum amounts under the second sentence of such subsection, the Commissioner shall fix dates prior to which each local educational agency shall report to him on the amount of funds available to it, under the terms of section 306 (a) and subsection (a) of this section, which it estimates, in accordance with regulations of the Commissioner, that it will expend under approved applications. The amounts so available to any local

educational agency, or any amount which would be available to any other local education agency if it were to submit an approvable application therefor, which the Commissioner determines will not be used for the period of its availability, shall be available for allocation to those local educational agencies, in the manner provided in the second sentence of subsection (a), which the Commissioner determines will need additional funds to carry out approved applications, except that no local educational agency shall receive an amount under this sentence which, when added to the amount available to it under subsection (a), exceeds its entitlement under section 303.

"DEFINITION

"SEC. 308. As used in this title, the term 'Indian' means any individual who is an enrolled member of a tribe, band, or other organized group of Indians, or who is a descendant of any such enrolled member, or who is considered by the Secretary of the Interior to be an Indian.".

(b) (1) Paragraph (1) of section 103 (a) of title I of the Elementary and Secondary Education Act of 1965 is amended—

(A) by striking out subparagraph (B), and by striking out "(A)" where it appears after "SEC. 103. (a) (1)";

(B) in the fourth sentence thereof, by striking out "and the terms upon which payment shall be made to the Department of Interior"; and

(C) by striking out the third sentence thereof.

(2) Paragraph (1) of section 303 of the Act of September 30, 1950, is amended—

(A) in the second sentence, by striking out "(A) except for the purposes of section 6, real property held in trust by the United States for individual Indians or Indian tribes, and real property held by individual Indians or Indian tribes which is subject to restrictions on alienation imposed by the United States," and by redesignating clauses (B), (C), and (D) therein, and all references thereto, as clauses (A), (B), and (C), respectively; and

(B) in the fourth sentence, (i) by inserting before the period at the end thereof the following: ", or (C) Indian reservations, or other property held (i) in trust by the United States for individual Indians or Indian tribes or (ii) held by individual Indians or Indian tribes which is subject to restrictions on alienation imposed by the United States", and (ii) by striking out "and (B)" and inserting in lieu thereof ", or (B)".

PART B—SPECIAL PROGRAMS AND PROJECTS TO IMPROVE EDUCATIONAL OPPORTUNITIES FOR INDIAN CHILDREN

AMENDMENT TO TITLE VIII OF THE ELEMENTARY AND SECONDARY EDUCATION ACT OF 1965

SEC. 521. (a) Title III of the Elementary and Secondary Education Act of 1965 is amended by adding to the end thereof the following new section:

"IMPROVEMENT OF EDUCATIONAL OPPORTUNITIES FOR AMERICAN INDIAN CHILDREN

"SEC. 810. (a) The Commissioner shall carry out a program of making grants for the improvement of educational opportunities for American Indian children—

"(1) to support planning, pilot, and demonstration projects, in accordance with subsection (b), which are designed to test and demonstrate the effectiveness of programs for improving educational opportunities for American Indian children;

"(2) to assist in the establishment and operation of programs, in accordance with subsection (c), which are designed to stimulate (A) the provision of educational services not available to American Indian children in sufficient quantity or quality, and (B) the development and establishment of exemplary educational programs to

serve as models for regular school programs in which American Indian children are educated;

"(3) to assist in the establishment and operation of preservice and inservice training programs, in accordance with subsection (d), for persons serving Indian children as educational personnel; and

"(4) to encourage the dissemination of information and materials relating to, and the evaluation of the effectiveness of, education programs which may offer educational opportunities to American Indian children. In the case of activities of the type described in clause (3), preference shall be given to the training of Indians.

"(b) The Commissioner is authorized to make grants to State and local educational agencies and other appropriate public and private educational and research agencies, organizations, and institutions (including federally supported elementary and secondary schools for Indian children) to support planning, pilot, and demonstration projects which are designed to plan for, and test and demonstrate the effectiveness of, programs for improving educational opportunities for American Indian children, including—

"(1) innovative programs related to the educational needs of educationally deprived children;

"(2) bilingual and bicultural education programs and projects;

"(3) special health and nutrition services, and other related activities, which meet the special health, social, and psychological problems of Indian children; and

"(4) coordinating the operation of other federally assisted programs which may be used to assist in meeting the needs of such children.

"(c) The Commissioner is also authorized to make grants to State and local educational agencies and to the National Board of Indian Education to assist and stimulate them in developing and establishing educational services and programs specifically designed to improve educational opportunities for American Indian children. Grants may be used—

"(1) to provide educational services not available to such children in sufficient quantity or quality, including—

"(A) remedial and compensatory instruction, school health, physical education, psychological, and other services designed to assist and encourage Indian children to enter, remain in, or reenter elementary or secondary school;

"(B) comprehensive academic and vocational instruction;

"(C) instructional materials (such as library books, textbooks, and other printed or published or audiovisual materials) and equipment;

"(D) comprehensive guidance, counseling, and testing services;

"(E) special education programs for handicapped and preschool children;

"(F) bilingual and bicultural education programs; and

"(G) other services which meet the purposes of this subsection; and

"(2) for the establishment and operation of exemplary and innovative educational programs and centers, involving new educational approaches, methods, and techniques designed to enrich programs of elementary and secondary education for Indian children.

"(d) The Commissioner is also authorized to make grants to institutions of higher education and to State and local educational agencies, in combination with institutions of higher education, for carrying out programs and projects—

"(1) to prepare persons to serve Indian children as teachers, teacher aides, social workers, and ancillary educational personnel; and

"(2) to improve the qualifications of such persons who are serving Indian children in such capacities.

Grants for the purposes of this subsection may be used for the establishment of fellowship programs leading to an

advanced degree, for institutes and, as part of a continuing program, for seminars, symposia, workshops, and conferences.

"(e) The Commissioner is also authorized to make grants to, and contracts with, public and private agencies, organizations, and institutions (except that no grant may be made to an agency, organization, or institution other than one which is nonprofit) for—

"(1) the dissemination of information concerning education programs, services, and resources available to Indian children, including evaluations thereof; and

"(2) the evaluation of the effectiveness of federally assisted programs in which Indian children may participate in achieving the purposes of such programs with respect to such children.

"(f) Applications for a grant under this section shall be submitted at such time, in such manner, and shall contain such information, and shall be consistent with such criteria, as may be established as requirements in regulations promulgated by the Commissioner. Such applications shall—

"(1) set forth a statement describing the activities for which assistance is sought;

"(2) in the case of an application for the purposes of subsection (c), subject to such criteria as the Commissioner shall prescribe, provide for the use of funds

available under this section, and for the coordination of other resources available to the applicant, in order to insure that, within the scope of the purpose of the project, there will be a comprehensive program to achieve the purposes of this section;

"(3) in the case of an application for the purposes of subsection (c), make adequate provision for the training of the personnel participating in the project; and

"(4) provide for an evaluation of the effectiveness of the project in achieving its purposes and those of this section.

The Commissioner shall not approve an application for a grant under subsection (b) or (c) unless he is satisfied that there has been participation by tribal communities and parents of the children to be served in the planning and development of the project, and that there will be such a participation in the operation and evaluation of the project. In approving applications under subsection (a) or (b), the Commissioner shall not approve an application from non-Indian educational agencies, organizations, and institutions until all approvable applications from Indian educational agencies, organizations, and institutions have been approved.

"(g) For the purpose of making grants under this section there are hereby authorized to be appropriated $25,000,-

000 for the fiscal year ending June 30, 1972, and $35,000,-000 for each of the four succeeding fiscal years.".

(b) (1) Effective after June 30, 1972, the Elementary and Secondary Education Act of 1965 is amended—

(A) in section 202(a)(1), by striking out "(A) the Secretary of the Interior the amount necessary for such assistance for children and teachers in elementary and secondary schools operated for Indian children by the Department of the Interior, and (B)" and by striking out "Secretary of the Interior and the".

(B) in section 302(a)(1), by striking out "(A) the Secretary of the Interior the amount necessary to provide programs and projects for the purpose of this title for individuals on reservations serviced by elementary and secondary schools operated for Indian children by the Department of the Interior, and (B)" and by striking out "Secretary of the Interior and the".

(2) Effective after June 30, 1972, the second sentence of paragraph (1) of section 612(a) of the Education of the Handicapped Act is amended to read as follows: "The Commissioner shall allot the amount appropriated pursuant to this paragraph among Puerto Rico, Guam, American Samoa, the Virgin Islands, and the Trust Territory of the Pacific Islands, according to their respective needs.".

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PART C—SPECIAL PROGRAMS RELATING TO ADULT EDUCATION FOR AMERICAN INDIANS

AMENDMENT TO TITLE III OF THE ELEMENTARY AND SECONDARY EDUCATION ACT OF 1965

SEC. 541. Title III of the Elementary and Secondary Education Amendments of 1966 (the Adult Education Act) is amended by redesignating sections 314 and 315, and all references thereto, as sections 315, and 316, respectively, and by adding after section 313 the following new section:

"IMPROVEMENT OF EDUCATIONAL OPPORTUNITIES FOR ADULT AMERICAN INDIANS

"SEC. 314. (a) The Commissioner shall carry out a program of making grants to State and local educational agencies and other appropriate public and private educational and research agencies, organizations, and institutions to support planning, pilot, and demonstration projects which are designed to plan for, and test and demonstrate the effectiveness of programs for providing adult education for American Indians—

"(1) to support planning, pilot, and demonstration projects which are designed to test and demonstrate the effectiveness of programs for improving employment and educational opportunities for adult American Indians;

"(2) to assist in the establishment and operation of

programs which are designed to stimulate (A) the provision of basic literacy opportunities to all nonliterate Indian adults, and (B) the provision of opportunities to all Indian adults to qualify for a high school equivalency certificate in the shortest period of time feasible;

"(3) to support a major research and development program to develop more innovative and effective techniques for achieving the literacy and high school equivalency goals;

"(4) to provide for basic surveys and evaluations thereof to define accurately the extent of the problems of illiteracy and lack of high school completion on Indian reservations;

"(5) to encourage the dissemination of information and materials relating to, and the evaluation of the effectiveness of, education programs which may offer educational opportunities to Indian adults.

"(b) The Commissioner is also authorized to make grants to, and contracts with, public and private agencies, organizations, or institutions (except that no grant may be made to an agency, organization, or institution other than one which is nonprofit) for—

"(1) the dissemination of information concerning educational programs, services, and resources available to Indian adults, including evaluations thereof; and

"(2) the evaluation of the effectiveness of federally assisted programs in which Indian adults may participate in achieving the purposes of such programs with respect to such adults.

"(c) Applications for a grant under this section shall be submitted at such time, in such manner, and contain such information, and shall be consistent with such criteria, as may be established as requirements in regulations promulgated by the Commissioner. Such applications shall—

"(1) set forth a statement describing the activities for which assistance is sought;

"(2) provide for an evaluation of the effectiveness of the project in achieving its purposes and those of this section.

The Commissioner shall not approve an application for a grant under subsection (a) unless he is satisfied that there has been participation by tribal communities and individuals to be served in the planning and development of the project, and that there will be such a participation in the operation and evaluation of the project. In approving applications under subsection (a), the Commissioner shall not approve an application from non-Indian educational agencies, organizations, and institutions until all approvable applications from Indian educational agencies, organizations, and institutions have been approved.

"(d) For the purpose of making grants under this section there are hereby authorized to be appropriated $5,000,000 for the fiscal year ending June 30, 1972, and $8,000,000 for each of the four succeeding fiscal years.".

PART D—NATIONAL BOARD OF INDIAN EDUCATION; BUREAU OF INDIAN EDUCATION; MISCELLANEOUS

NATIONAL BOARD OF INDIAN EDUCATION

SEC. 561. (a) There is hereby established the National Board of Indian Education (referred to in this title as the "National Board"), which shall consist of fifteen members appointed by the President of the United States, with the advice and consent of the Senate. Such appointments shall be made by the President from lists of nominees furnished, from time to time, by Indian tribes and organizations, and shall represent diverse geographic areas of the country.

(b) Members of the National Board shall be appointed for terms of three years; except that the terms of office of the members first taking office shall expire, as designated by the President at the time of appointment, five at the end of one year, five at the end of two years, and five at the end of three years. No member shall serve for more than two consecutive terms. Any person appointed to fill a vacancy occurring prior to the expiration of the term for which his predecessor was appointed shall be appointed for the remainder of that term. The President shall designate one of

the members to serve as Chairman and one to serve as Vice Chairman. The Vice Chairman, during the absence or disability of the Chairman, shall act for, and exercise the powers of, the Chairman. The Vice Chairman shall perform such duties as the Chairman may prescribe from time to time.

(c) Members of the National Board shall be compensated at the rate prescribed for grade GS–18 of the General Schedule under section 5332 of title 5, United States Code.

STAFF OF NATIONAL BOARD

SEC. 562. Subject to such rules and regulations as it may adopt, the National Board shall be authorized to—

(1) appoint and fix the compensation of an Executive Director, and such additional staff personnel as the Chairman deems necessary, without regard to the provisions of title 5, United States Code, governing appointments in the competitive service, and without regard to the provisions of chapter 51 and subchapter III of chapter 53 of such title relating to classifications and General Schedule pay rates, but at rates not in excess of the maximum rate for grade GS–18 of the General Schedule under section 5332 of such title;

(2) appoint and affix the compensation of a Superintendent of Indian Education, without regard to the provisions of title 5, United States Code, governing

appointments in competitive service, who shall be compensated at the rate prescribed for grade GS–18 of the General Schedule under section 5332 of such title, and who have such duties as the National Board shall prescribe; and

(3) procure temporary and intermittent services to the same extent as is authorized by section 3109 of title 5, United States Code, but at rates not to exceed $100 a day for individuals.

POWERS AND DUTIES OF NATIONAL BOARD

SEC. 563. The National Board is authorized and directed—

(1) to carry out the functions transferred to the National Board pursuant to section 404 of this title;

(2) to establish and support local school districts comprising Federal Indian schools over which it has jurisdiction and control;

(3) to establish and support local school boards, who shall be selected at the local level in accordance with regulations promulgated by the National Board, having administrative control and direction over Federal Indian schools located within districts established pursuant to clause (2) of this section;

(4) to advise the Commissioner of Education with respect to the administration of any program in which

Indian children participate, including title III of the Act of September 30, 1950 (Public Law 874, Eighty-first Congress), as added by this Act, and section 810, title VIII of the Elementary and Secondary Education Act of 1965, as added by this Act; and

(5) to submit to the Congress not later than March 31 each year a report on its activities, which shall include any recommendations it may deem necessary for the improvement of Federal programs in which Indian children participate.

FUNCTIONS OF NATIONAL BOARD

SEC. 564. (a) (1) There are hereby vested in the National Board all functions which were carried out immediately before the effective date of this Act by the head of any agency in the executive branch of the Government, except the Department of Health, Education, and Welfare and the Office of Economic Opportunity, relating to the education of Indians in any elementary, secondary, or vocational school, or any institution of higher education, including all such functions being administered through any agency, service, bureau, office, or other entity of any such agency.

(2) All functions of any agency of the United States, except the Office of Education and the Office of Economic Opportunity, relating to the education of Indians in any elementary, secondary, or vocational school, or any institu-

tion of higher learning, are hereby transferred to, and vested in, the National Board.

(3) All orders, determinations, rules, regulations, permits, contracts, grants, certificates, licenses, and privileges—

(A) which have been issued, made, granted or allowed to become effective in the exercise of functions transferred by this section; and

(B) which are in effect at the time this section takes effect,

shall continue in effect according to their terms until modified, terminated, superseded, set aside, or repealed by the National Board, by any court of competent jurisdiction, or by operation of law.

(4) All personnel, assets, liabilities, contracts, property, and records as are determined by the Director of the Office of Management and Budget to be employed, held, or used primarily in connection with the functions transferred under this section are transferred to the National Board. Personnel engaged in functions transferred under this section shall be transferred in accordance with applicable laws and regulations relating to transfer of functions.

(5) As used in this section, the term "functions" includes powers and duties.

(b) The National Board is directed—

(1) to conduct, in concert with a team of profes-

sional consultants competent in areas of personality development and mental health, a detailed investigation of the off-reservation boarding schools to determine which ones should be converted into therapeutic treatment centers, and to cooperate with the Public Health Service to the extent necessary to bring about such conversion;

(2) to examine the present distribution and location of Federal boarding schools and the pattern of student placement, with the view to developing and implementing a new rationale and plan with regard to such schools; and

(3) to submit to the Congress on or before January 1, 1973, a report on its activities under this subsection.

BUREAU OF INDIAN EDUCATION

SEC. 565. (a) There is hereby established, in the Office of Education, a bureau to be known as the "Bureau of Indian Education" which, under the direction of the Commissioner, shall have the responsibility for administering the provisions of title III of the Act of September 30, 1950 (Public Law 874, Eighty-first Congress), as added by this Act, section 810 of title VIII of the Elementary and Secondary Education Act of 1965, as added by this Act, and section 314 of title III of the Elementary and Secondary Education Amendments of 1966, as added by this Act. The Bureau shall

be headed by a Deputy Commissioner of Indian Education, who shall be appointed by the President of the United States from a list of nominees submitted to him by the National Board of Indian Education.

(b) The Deputy Commissioner of Indian Education shall be compensated at the rate prescribed for grade 17 of the General Schedule of the Classification Act of 1949 and shall perform such duties as are delegated or assigned to him by the Commissioner.

PART E—MISCELLANEOUS PROVISIONS

AMENDMENT TO TITLE V OF HIGHER EDUCATION ACT OF 1965

SEC. 581. (a) Section 503 (a) of the Higher Education Act of 1965 is amended (1) by inserting after "and higher education," the following: "including the need to provide such programs and education to Indians," and (2) by inserting after "the Department of Labor," the following: "the National Board of Indian Education,".

(b) Section 504 (a) (1) of such Act is amended by inserting after "secondary schools" the following: "(including such schools operated by the National Board of Indian Education or by an agency of an Indian tribe.)".

(c) Section 505 of such Act is amended by inserting after "shall consult with" the following: "the Chairman of the National Board of Indian Education,".

(d) Subsections (a) and (d) of section 552 of such Act of 1965 are each amended by inserting after "in all the States" a comma and the following: "including such needs in schools operated by the National Board of Indian Education, or by an agency of an Indian tribe.".

(e) Section 553 (a) of such Act is amended by inserting at the end thereof the following: "The Commissioner may also enter into arrangements with the National Board of Indian Education, or with an agency of an Indian tribe, and use funds appropriated for the purpose of this section, for carrying out the purpose of this section with respect to schools operated by the National Board of Indian Education, or by an agency of an Indian tribe or tribes.".

AMENDMENT TO TITLE III OF HIGHER EDUCATION ACT OF 1965

SEC. 582. Section 302 (d) of the Higher Education Act of 1965 is amended by inserting before the semicolon at the end thereof a comma and the following: "except that the Commissioner may waive the five-year requirement of this clause with respect to an institution located on or near an Indian reservation in any case in which he determines that such action will increase the availability of higher education to Indians".

INSTITUTE OF AMERICAN INDIAN ARTS

SEC. 583. The National Board of Indian Education is directed and authorized to raise the Institute of American

Indian Arts at Santa Fe, New Mexico, to the level of a 4-year college.

COMMUNITY COLLEGES

SEC. 584. (a) The National Board of Indian Education is directed and authorized to provide continuing support for the community colleges in which a substantial number of Indian students are enrolled.

(b) The National Board is directed to conduct a study exploring the feasibility of Indian community colleges, to work toward the establishment of such Indian-controlled institutions, and to submit a report respecting such study to the Congress on or before July 1, 1972.

AMENDMENT TO THE ELEMENTARY AND SECONDARY EDUCATION ACT OF 1965

SEC. 585. Section 706 (a) of the Elementary and Secondary Education Act of 1965 is amended to read as follows:

"(a) For the purpose of carrying out programs pursuant to this title for individuals on or from reservations serviced by elementary and secondary schools operated on or near such reservations for Indian children, a nonprofit institution or organization of the Indian tribe concerned which operates any such school and which is approved by the Commissioner for the purpose of this section, may be considered to be a local educational agency, as such term is used in this title.".

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On page 3, above line 1, add the following at the end of the table of contents:

TITLE V—INDIAN EDUCATION

PART A—REVISION OF IMPACTED AREAS PROGRAM AS IT RELATES TO INDIAN CHILDREN

Sec. 501. Revision of Public Law 874 provisions relating to Indians.

PART B—SPECIAL PROGRAMS AND PROJECTS TO IMPROVE EDUCATIONAL OPPORTUNITIES FOR INDIAN CHILDREN

Sec. 521. Addition of Indian education program part to title III, ESEA.

PART C—SPECIAL PROGRAMS RELATING TO ADULT EDUCATION FOR AMERICAN INDIANS

Sec. 541. Addition of Indian program part to Adult Education Act.

PART D—NATIONAL BOARD OF INDIAN EDUCATION; BUREAU OF INDIAN EDUCATION; MISCELLANEOUS

Sec. 561. National Board of Indian Education.
Sec. 562. Staff of National Board.
Sec. 563. Powers and duties of National Board.
Sec. 564. Functions of National Board.
Sec. 565. Bureau of Indian Education.

PART E—MISCELLANEOUS PROVISIONS

Sec. 581. Inclusion of Indians in Higher Education Act.
Sec. 582. Waiver of five-year requirement of Higher Education Act for Indian schools.
Sec. 583. Elevation of Institute of American Indian Arts.
Sec. 584. Support and study of Indian community colleges.
Sec. 585. Expansion of Indian eligibility under section 706(a), Elementary and Secondary Education Act.

92D CONGRESS
1ST SESSION

S. 659

IN THE SENATE OF THE UNITED STATES

MARCH 16, 1971

Referred to the Committee on Labor and Public Welfare and ordered to be printed

AMENDMENT

Intended to be proposed by Mr. MOSS to S. 659, a bill to amend the Higher Education Act of 1965, the Vocational Educational Act of 1963, and related Acts, and for other purposes, viz: At the end of the bill, add the following new title:

TITLE V—CONSTITUTING THE COLLEGE OF THE VIRGIN ISLANDS AND THE UNIVERSITY OF GUAM AS LAND-GRANT COLLEGES

SEC. 501. The College of the Virgin Islands and the University of Guam shall be considered land-grant colleges established for the benefit of agriculture and mechanic arts in accordance with the provisions of the Act of July 2, 1862, as amended (12 Stat. 503; 7 U.S.C. 301–305, 307, 308).

SEC. 502. In lieu of extending to the Virgin Islands and Guam those provisions of the Act of July 2, 1862, as amended, referred to above, relating to donations of public land or land script for the endowment and maintenance of colleges for the benefit of agriculture and the mechanic arts, there is authorized to be appropriated to both the Virgin Islands and Guam the sum of $3,000,000 each. Amounts appropriated under this section shall be held and considered to have been granted to the Virgin Islands and Guam subject to the provisions of that Act applicable to the proceeds from the sale of land or land script.

SEC. 503. The Act of August 30, 1890, as amended (26 Stat. 417; 7 U.S.C. 322–326), is further amended—

(1) by striking the words "and Territory" wherever they appear and substituting in lieu thereof the words ", Puerto Rico, the Virgin Islands, and Guam";

(2) by striking the words "and Territories" wherever they appear and substituting in lieu thereof the words ", Puerto Rico, the Virgin Islands, and Guam";

(3) by striking the words "or Territory" wherever they appear and substituting in lieu thereof the words ", Puerto Rico, the Virgin Islands, or Guam";

(4) by striking the words "or Territories" wherever they appear and substituting in lieu thereof the

words ", Puerto Rico, the Virgin Islands, or Guam"; and

(5) by striking the words "or Territorial" where they appear.

SEC. 504. Section 22 of the Act of June 29, 1935, as amended (49 Stat. 439; 7 U.S.C. 329), is further amended—

(1) by striking the words "and Puerto Rico" wherever they appear and substituting in lieu thereof the words ", Puerto Rico, the Virgin Islands, and Guam";

(2) by striking the figure "$7,800,000" and substituting in lieu thereof the figure "$8,100,000"; and

(3) by striking the figure "$4,320,000" and substituting in lieu thereof the figure "$4,360,000".

SEC. 505. The Act of March 4, 1940 (54 Stat. 39; 7 U.S.C. 331) is amended—

(1) by striking the words "and Territories" wherever they appear and substituting in lieu thereof the words ", Puerto Rico, the Virgin Islands, and Guam";

(2) by striking the words "or Territories" wherever they appear and substituting in lieu thereof the words ", Puerto Rico, the Virgin Islands, or Guam"; and

(3) by striking the word "State" wherever it

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appears in the third proviso of that Act and substituting in lieu thereof the words "State, Puerto Rico, the Virgin Islands, or Guam".

SEC. 506. Section 207 of the Agricultural Marketing Act of 1946 (60 Stat. 1091; 7 U.S.C. 1626), is amended by striking the period at the end of the section and adding the following words: ", and the term 'State' when used in this chapter shall include the Virgin Islands and Guam."

SEC. 507. Section 3 of the Act of May 8, 1914, as amended (38 Stat. 373; 7 U.S.C. 343), is further amended by redesignating subsection (b) as paragraph (1) of subsection (b) and adding a new paragraph (2) to subsection (b) to read as follows:

"(2) There is authorized to be appropriated for the fiscal year ending June 30, 1971, and for each fiscal year thereafter, for payment to the Virgin Islands and Guam, $100,000 each, which sums shall be in addition to the sums appropriated for the several States of the United States and Puerto Rico under the provisions of this section. The amount paid by the Federal Government to the Virgin Islands and Guam pursuant to this paragraph shall not exceed during any fiscal year, except the fiscal years ending June 30, 1971, and June 30, 1972, when such amount may be used to pay the total cost of providing services pursuant to this Act, the

amount available and budgeted for expenditure by the Virgin Islands and Guam for the purposes of this Act."

SEC. 508. Section 10 of the Act of May 8, 1914, as amended, is amended by striking the words "and Puerto Rico" and inserting in lieu thereof the words ", Puerto Rico, the Virgin Islands, and Guam".

SEC. 509. Section 4 of the Act of October 10, 1962 (76 Stat. 806; 16 U.S.C. 582a–3), is amended by striking the period at the end of the first sentence thereof and adding the following language: ", except that for the fiscal years ending June 30, 1971, and June 30, 1972, the matching funds requirement hereof shall not be applicable to the Virgin Islands and Guam, and sums authorized for such years for the Virgin Islands and Guam may be used to pay the total cost of programs for forestry research."

SEC. 510. Section 8 of the Act of October 10, 1962 (76 Stat. 807; 16 U.S.C. 582a–7), is amended by striking the period at the end thereof and adding the words ", the Virgin Islands and Guam.".

SEC. 511. Section 1 of the Act of August 11, 1955 (7 U.S.C. 361a–361i), is amended by striking the period after the second sentence and adding the words, "Guam and Virgin Islands," and deleting "and" between the words "Hawaii and Puerto Rico."

SEC. 512. Section 3 of the Act of August 11, 1955 (7 U.S.C. 361a–361i), is amended by redesignating subsection (b) as paragraph (1) of subsection (b) and adding a new paragraph (2) to subsection (b) to read as follows:

"(2) There is authorized to be appropriated for the fiscal year ending June 30, 1971, and for each fiscal year thereafter, for payment to the Virgin Islands and Guam, $100,000 each, which sums shall be in addition to the sums appropriated for the several States of the United States and Puerto Rico under the provisions of this section. The amount paid by the Federal Government to the Virgin Islands and Guam pursuant to this paragraph shall not exceed during any fiscal year, except the fiscal years ending June 30, 1971, and June 30, 1972, when such amount may be used to pay the total cost of providing services pursuant to this Act, the amount available and budgeted for expenditure by the Virgin Islands and Guam for the purposes of this Act."

SEC. 513. With respect to the Virgin Islands and Guam, the enactment of this title shall be deemed to satisfy any requirement of State consent contained in laws or provisions of law referred to in this title.

92D CONGRESS
1ST SESSION

S. 23

IN THE SENATE OF THE UNITED STATES

JANUARY 25, 1971

Mr. SCHWEIKER introduced the following bill; which was read twice and referred to the Committee on Labor and Public Welfare

A BILL

To provide a program to improve the opportunity for the study of cultural heritages of all ethnic groups in the Nation.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as "The Ethnic Heritage Studies Centers Act of 1971".

SEC. 2. The Higher Education Act of 1965 is amended by redesignating title XII as title XIII, and sections 1201 through 1210 (and references thereto however styled in such Act or any other Act) as sections 1301 through 1310, respectively. The Higher Education Act of 1965 is further amended by inserting after title VII the following new title:

"TITLE XII—ETHNIC HERITAGE STUDIES CENTERS

"STATEMENT OF POLICY

"SEC. 1201. In recognition of the heterogeneous composition of the Nation and of the fact that in a multiethnic society a greater understanding of the contributions of one's own heritage and those of one's fellow citizens can contribute to a more harmonious, patriotic, and committed populace, and in recognition of the principle that all students in elementary and secondary schools of the Nation should have an opportunity to learn about the differing and unique contributions to the national heritage made by each ethnic group, it is the purpose of this title to provide assistance designed to afford students an opportunity to learn about the nature of their own cultural heritage, and to study the contributions of the cultural heritages of the ethnic groups of this Nation.

"ETHNIC HERITAGE STUDIES CENTERS

"SEC. 1202. The Commissioner is authorized to provide for the establishment and operation of ethnic heritage studies centers through grants to public and private nonprofit educational agencies and organizations. Each such center will have courses of study related to all ethnic groups represented in the regional area to be served by such center.

"ACTIVITIES OF ETHNIC HERITAGE STUDIES CENTERS

"SEC. 1203. Each center provided for under this title shall—

"(1) develop curriculum materials for use in elementary and secondary schools and institutions of higher education which deal with the history, geography, society, economy, literature, art, music, drama, language, and general culture of the groups with which the center is concerned, and the contributions of those ethnic groups to the American heritage,

"(2) disseminate curriculum materials to permit their use in elementary and secondary schools and institutions of higher education throughout the Nation, and

"(3) provide training for persons utilizing or preparing to utilize the curriculum materials developed under this title.

"ADMINISTRATIVE PROVISIONS

"SEC. 1204. (a) In carrying out this title, the Commissioner shall make arrangements which will utilize (1) the research facilities and personnel of institutions of higher education, (2) the special knowledge of ethnic groups in local communities and of foreign students pursuing their education in this country, (3) the expertise of teachers in elementary and secondary schools and institutions of higher education, and (4) the talents and experience of any other groups in the regional area to be served by centers assisted under this title such as foundations, civic groups, and fraternal organizations which would further the goals of the centers.

"(b) Funds appropriated to carry out this title may be used to cover all or part of the cost of establishing, equipping, and operating the centers, including the cost of research materials and resources, academic consultants, and the cost of training of staff for the purpose of carrying out the purposes of this title. Such funds may also be used to provide stipends (in such amounts as may be determined in accordance with regulations of the Commissioner) to individuals receiving training in such centers, including allowances for dependents.

"AUTHORIZATION OF APPROPRIATIONS

"SEC. 1205. There is authorized to be appropriated to carry out this title for the fiscal year ending June 30, 1971, the sum of $10,000,000, and for the fiscal year ending June 30, 1972, the sum of $20,000,000."

92D CONGRESS
1ST SESSION

S. 276

IN THE SENATE OF THE UNITED STATES

JANUARY 26, 1971

MR. NELSON introduced the following bill; which was read twice and referred to the Committee on Labor and Public Welfare

A BILL

To authorize the Commissioner of Education to award fellowships to persons preparing for environmental careers.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Environmental Career Fellowships Act".

AWARD OF FELLOWSHIPS

SEC. 2. The Commissioner of Education is authorized to award fellowships in accordance with the provisions of this Act for graduate or professional study for persons who plan to pursue environmental careers, in such fields as ecology,

hydrology, chemistry, biology, and engineering related to the control of environmental pollution.

ALLOCATION OF FELLOWSHIPS

SEC. 3. The Commissioner shall allocate fellowships under this Act among institutions of higher education with programs approved under the provisions of this Act for the use of individuals accepted for study in such programs, in such manner and according to such plan as will insofar as practicable provide for an equitable distribution of such fellowships throughout all regions of the Nation.

APPROVAL OF PROGRAMS

SEC. 4. The Commissioner may approve a program of study as eligible for fellowships under this Act only upon application by an institution of higher education and only upon his finding—

(1) that such program has as a principal or significant objective the education of persons for environmental careers, including professional or technical occupations for which there is a significant need in environmental fields;

(2) that such program will expand opportunities for persons to undertake graduate or professional study in preparation for environmental careers:

(3) that such program is in effect and of high quality, or can readily be put into effect and may reasonably be expected to be of high quality;

(4) that the institution provides satisfactory assurance that it will recommend to the Commissioner, for the award of fellowships under this Act, only persons who have demonstrated to the satisfaction of the institution a serious intent to pursue an environmental career upon completing the program; and

(5) that such institution agrees to accept the cost-of-education allowance provided under section 6(b) of this Act in lieu of any tuition or fees which would otherwise be charged to fellowship recipients for their course of study.

PROGRAM DEVELOPMENT GRANTS

SEC. 5. In order to expand the number of opportunities for graduate and professional study for persons preparing to serve in environmental careers and to achieve an appropriate geographical distribution of high quality programs offering such opportunities, the Commissioner is authorized to make grants to or contracts with institutions of higher education to pay part of the cost of developing or strengthening programs of graduate or professional study which meet, or as a

result of the assistance received under this section will be enabled to meet, the requirements for an approved fellowship program in accordance with section 4 of this Act.

STIPENDS AND COST-OF-EDUCATION ALLOWANCES

SEC. 6. (a) The Commissioner shall pay persons awarded fellowships under this Act such stipends (including such allowances for subsistence and other expenses for such persons and their dependents) as he may determine to be consistent with prevailing practices under comparable federally supported programs.

(b) The Commissioner shall (in addition to the stipends paid to persons under subsection (a)) pay to the institution of higher education at which such person is pursuing his course of study a cost-of-education allowance of such amount as the Commissioner may determine to be consistent with prevailing practices under comparable federally supported programs.

AUTHORIZATION OF APPROPRIATIONS

SEC. 7. For the purpose of carrying out this Act, there are authorized to be appropriated $50,000,000 for the fiscal year ending June 30, 1972, $100,000,000 for the fiscal year ending June 30, 1973, $150,000,000 for the fiscal year ending June 30, 1974, and $200,000,000 for each succeeding fiscal year.

92D CONGRESS
1ST SESSION

S. 374

IN THE SENATE OF THE UNITED STATES

JANUARY 27 (legislative day, JANUARY 26), 1971

Mr. MCGOVERN introduced the following bill; which was read twice and referred to the Committee on Labor and Public Welfare

A BILL

To amend title I of the Vocational Education Act of 1963 in order to authorize the construction under the provisions of such title of student union rooms or buildings for area vocational schools.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 108(3) of the Vocational Education Act of 1963 is amended by inserting after the first sentence the following: "For the purposes of part B such term includes student union rooms or buildings and related facilities, as defined by the Commissioner, and initial equipment and interests in land on which such facilities are constructed."

92D CONGRESS
1ST SESSION

S. 404

IN THE SENATE OF THE UNITED STATES

JANUARY 28 (legislative day, JANUARY 26), 1971

Mr. METCALF introduced the following bill; which was read twice and referred to the Committee on Labor and Public Welfare

A BILL

To authorize the United States Office of Education to carry out certain activities concerning consumers' education.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Consumers' Education Act of 1971."

OFFICE OF CONSUMERS' EDUCATION

SEC. 2. There is hereby established within the Office of Education an Office of Consumers' Education (hereafter in this Act referred to as the "Office") which, subject to the management of the Commissioner of Education (hereinafter referred to as the "Commissioner"), shall have primary responsibility for carrying out the provisions of this Act.

The Office shall be headed by a Director (hereinafter referred to as the "Director") who shall be compensated at the rate prescribed for grade GS–17 in section 5332 of title 5, United States Code.

GRANTS TO INSTITUTIONS OF HIGHER EDUCATION

SEC. 3. The Commissioner, through the Office, shall carry out a program of making grants to institutions of higher education and other nonprofit organizations, institutions, and agencies to assist them (1) in making studies and reports relating to Federal and State laws, regulations, decisions, and rulings affecting consumers; (2) in making studies and reports relating to the needs of the consumer in the fields of energy, communication and transportation and the special problems of consumers in areas served by regulated industries (whether regulated by State or Federal agencies); (3) in training persons for research relating to such studies and reports, and (4) in development of curricula and programs of study in consumer interests in such fields.

STUDIES, REPORTS, AND TECHNICAL ASSISTANCE

SEC. 4. The Director is authorized to conduct such studies and make such reports relating to the activities set forth in section 3 as he may deem appropriate, and to furnish such advice and technical assistance as may be appropriate, on request, to any State or local government, institution of higher education, or other nonprofit organizations for the

purpose of establishing and carrying out any program of education in utility consumer interest within the scope of such activities.

REPORTS AND EVALUATIONS

SEC. 5. Each recipient of Federal funds under this Act shall make such reports and evaluations as the Commissioner shall prescribe by regulation.

AUTHORIZATION OF APPROPRIATIONS

SEC. 6. There are hereby authorized to be appropriated such sums as may be necessary to carry out the purposes of this Act for the fiscal year ending June 30, 1972, and for each of the succeeding fiscal years ending prior to July 1, 1977.

92D CONGRESS
1ST SESSION

S. 434

IN THE SENATE OF THE UNITED STATES

JANUARY 29 (legislative day, JANUARY 26), 1971

Mr. PROUTY (for himself, Mr. DOMINICK, Mr. GRIFFIN, Mr. JAVITS, Mr. PACKWOOD, Mr. SAXBE, Mr. SCHWEIKER, and Mr. SCOTT) introduced the following bill; which was read twice and referred to the Committee on Labor and Public Welfare

A BILL

To establish a National Institute of Education, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "National Institute of Education Act".

FINDINGS AND DECLARATION OF POLICY

SEC. 2. The Congress hereby declares it to be the policy of the United States to provide to every person an equal opportunity to receive an education of high quality regardless of his race, color, religion, sex, national origin, or economic status. Although the American educational system has

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pursued this objective, it has not attained it. Inequalities of opportunity to receive high quality education remain pronounced. To achieve equality will require far more dependable knowledge about the processes of learning and education than now exists or can be expected from present research and experimentation in this field. While the direction of th education system remains primarily the responsibility of State and local governments, the Federal Government has a clear responsibility to provide leadership in the conduct and support of scientific inquiry into the educational process. The purpose of this Act is to establish a National Institute of Education to conduct and support educational research, and disseminate educational research findings throughout the Nation.

ESTABLISHMENT OF NATIONAL INSTITUTE OF EDUCATION

SEC. 3. (a) There is established in the Department of Health, Education, and Welfare a National Institute of Education (hereinafter referred to as the "Institute"). The Institute shall be headed by a Director who shall be appointed by the President with the advice and consent of the Senate. The Director shall perform such duties as are prescribed by the Secretary of Health, Education, and Welfare (hereinafter referred to as the "Secretary").

(b) Section 5316 of title 5, United States Code, re-

lating to positions in level V of the Executive Schedule, is amended by adding the following paragraph at the end thereof: "Director, National Institute of Education, Department of Health, Education, and Welfare."

FUNCTIONS OF THE INSTITUTE

SEC. 4. The Secretary, through the Institute, shall conduct educational research; collect and disseminate the findings of educational research; train individuals in educational research; assist and foster such research, collection, dissemination, or training through grants, or technical assistance to, or jointly financed cooperative arrangements with, public or private organizations, institutions, agencies, or individuals; promote the coordination of such research and research support within the Federal Government; and may construct or provide (by grant or otherwise) for such facilities as he determines may be required to accomplish such purposes. As used in this Act the term "educational research" includes research, planning, surveys, evaluations, investigations, experiments, developments, and demonstrations in the field of education.

EMPLOYMENT OF PERSONNEL

SEC. 5. The Secretary may appoint and compensate without regard to the provisions of title 5, United States Code, governing appointments in the competitive service and chapter 51 and subchapter III of chapter 53 of such title,

relating to classification and general schedule rates, such technical and professional personnel as he deems necessary to accomplish the functions of the Institute.

NATIONAL ADVISORY COUNCIL ON EDUCATIONAL RESEARCH AND DEVELOPMENT

SEC. 6. (a) The President shall appoint a National Advisory Council on Educational Research and Development which shall—

(1) review and advise the Secretary and the Director on the status of educational research in the United States, and present to the Secretary such recommendations as it may deem appropriate for the strengthening of such research and the improvement of methods of collecting and disseminating the findings of educational research;

(2) advise the Secretary and the Director of the Institute on the development of programs to be carried out by the Institute and on matters of general policy arising in the administration of this Act;

(3) conduct such studies as may be necessary to fulfill its functions under this section; and

(4) prepare an annual report to the Secretary on the current status and needs of educational research in the United States, which the Secretary shall transmit to

the President with such recommendations as he may make.

(b) The Council shall be appointed by the President without regard to the civil service laws and shall consist of fifteen members apppointed for terms of three years; except that (1) any member appointed to fill a vacancy occurring prior to the expiration of the term for which his predecessor was appointed shall be appointed for the remainder of such term, and (2) the terms of office of the members first taking office shall begin upon enactment of the Act, and shall expire as designated at the time of appointment, five at the end of three years, five at the end of two years, and five at the end of the first year. One of such members shall be designated by the President as Chairman. Members of the Council who are not regular full-time employees of the United States shall, while serving on the business of the Council, be entitled to receive compensation at rates to be determined by the Secretary, but not exceeding the per diem equivalent for GS–18 for each day so engaged, including traveltime and, while so serving away from their homes or regular places of business, may be allowed travel expenses, including per diem in lieu of subsistence, as authorized by section 5703 of title 5, United States Code, for persons in the Government service employed intermittently. The Director of the Institute shall also serve on the Council ex officio.

(c) The Secretary shall provide to the Council such professional, clerical, and other assistance as may be required to carry out its functions.

(d) The Council is authorized, without regard to the provisions of title 5, United States Code, governing appointments in the competitive service, and without regard to the provisions of chapter 51 and subchapter III of chapter 53 of such title relating to classification and general schedule pay rates, to employ and fix the compensation of such personnel as may be necessary to carry out its functions. The Council is further authorized to obtain services in accordance with the provisions of section 3109 of title 5, United States Code, and it may enter into contracts for the conduct of studies and other activities necessary to the discharge of its duties.

GENERAL PROVISIONS

SEC. 7. (a) In administering the provisions of this Act, the Secretary is authorized to utilize the services and facilities of any agency of the Federal Government and of any other public or nonprofit private agency or institution, in accordance with agreements between the Secretary and the head thereof, on a reimbursable basis or otherwise.

(b) Payments under this Act to any individual or to any organization, institution, or agency may be made in installments, and in advance or by way of reimbursement,

with necessary adjustments on account of overpayments or underpayments.

(c) The Secretary is authorized to accept gifts to the Institute and to apply them to carry out his functions under this Act; and is similarly authorized to accept voluntary and uncompensated services, notwithstanding the provisions of section 3679(b) of the Revised Statutes (31 U.S.C. 665(b)).

(d) Funds available under this Act shall be available for transfer to any other Federal department or agency (including constituent agencies of the Department of Health, Education, and Welfare) for use (in accordance with an interagency agreement) by such agency (alone or in combination with funds of that agency) for purposes for which such transferred funds could be otherwise expended by the Secretary under this Act, and the Secretary is likewise authorized to accept and expend funds of any other Federal agency for use under this Act.

(e) All laborers and mechanics employed by contractors or subcontractors on all construction projects assisted under this Act shall be paid wages at rates not less than those prevailing on similar construction in the locality as determined by the Secretary of Labor in accordance with the Davis-Bacon Act, as amended (40 U.S.C. 276a—276a-5). The Secretary of Labor shall have with respect to the labor

standards specified in this section the authority and functions set forth in Reorganization Plan Numbered 14 of 1950 (15 F.R. 3176; 5 U.S.C. 133z–15) and section 2 of the Act of June 13, 1934, as amended (40 U.S.C. 276 (c)).

APPROPRIATIONS AUTHORIZED

SEC. 8. There are authorized to be appropriated for the fiscal year ending June 30, 1972, and for each fiscal year thereafter, such sums as may be necessary to carry out this Act, which shall remain available until expended.

92D CONGRESS
1ST SESSION

S. 545

IN THE SENATE OF THE UNITED STATES

FEBRUARY 2 (legislative day, JANUARY 26), 1971

Mr. WILLIAMS (for himself, Mr. BROOKE, Mr. CASE, Mr. CHURCH, Mr. CRANSTON, Mr. COOPER, Mr. EAGLETON, Mr. GRAVEL, Mr. HARRIS, Mr. HART, Mr. HARTKE, Mr. HUGHES, Mr. HUMPHREY, Mr. INOUYE, Mr. JACKSON, Mr. KENNEDY, Mr. MCGEE, Mr. MCGOVERN, Mr. MONDALE, Mr. MOSS, Mr. MUSKIE, Mr. NELSON, Mr. RANDOLPH, Mr. RIBICOFF, and Mr. STEVENSON) introduced the following bill; which was read twice and referred to the Committee on Labor and Public Welfare

A BILL

To improve and increase postsecondary educational opportunities throughout the Nation by providing assistance to the States for the development and construction of comprehensive community colleges.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Comprehensive Community College Act of 1971."

STATEMENT OF PURPOSE

SEC. 2. It is the purpose of this Act to assist the States in providing postsecondary education to all persons in

all areas of each State through a program of Federal grants to each State for the purpose of strengthening, improving, and developing comprehensive commuunity colleges; to insure that the education provided by such colleges is suited to the needs, interests, and potential benefits of the total community; and to assist such colleges in providing educational programs especially suited to the needs of educationally and/or economically disadvantaged persons in each State.

TITLE I—DEVELOPMENT OF STATE PLANS

AUTHORIZATION

SEC. 101. In order to assist the States in developing State plans for the purposes of title II of this Act, there is authorized to be appropriated $15,000,000 for the fiscal year beginning July 1, 1972, which sum shall be made available for expenditure for each succeeding fiscal year ending prior to July 1, 1975. The sums appropriated pursuant to this section shall be used for making payments to States whose applications for funds for carrying out such purposes have been approved.

STATE APPLICATIONS

SEC. 102. The Commissioner shall approve any application for funds for carrying out the purpose of section 101 if such application—

(1) provides that a State agency to be designated by the Governor of that State, which is representative

of all agencies in such State which are concerned with postsecondary education or which is presently responsible for the administration of community college education in such State, will be the sole agency for carrying out such purpose;

(2) provides for the development of a State comprehensive community college plan to meet the requirements of section 203 of this Act; and

(3) provides that such State agency will make such reports, in such form, and containing such information as the Commissioner may from time to time reasonably require, and, to assure verification of such reports, give the Commissioner, upon request, access to the records upon which such information is based.

ALLOTMENTS TO STATES

SEC. 103. The sums appropriated pursuant to section 101 shall be allotted by the Commissioner among the States on the basis of the amount needed by each State for the purpose of this title, except that no such allotment to any State shall be more than $300,000.

WITHHOLDING OF PAYMENTS

SEC. 104. Whenever the Commissioner, after reasonable notice and opportunity for hearing to a State agency, finds (1) that such State educational agency is not complying substantially with the provisions of this title or the terms and

conditions of its application approved under this title, or (2) that any funds paid to such State educational agency under this title have been diverted from the purposes for which they had been allotted or paid, the Commissioner shall notify such State agency that no further payments will be made under this title with respect to such agency until there is no longer any failure to comply or the diversion has been corrected or, if compliance or correction is impossible, until such State agency repays or arranges for the repayment of Federal moneys which have been diverted or improperly expended.

TITLE II—FINANCIAL ASSISTANCE FOR COMPREHENSIVE COMMUNITY COLLEGES

AUTHORIZATION

SEC. 201. (a) The Commissioner shall, in accordance with the provisions of this title, make payments to State agencies for the period beginning July 1, 1972, and ending June 30, 1975.

(b) There are authorized to be appropriated for the purpose of making such payments for each fiscal year such sums as the Congress shall deem necessary.

ALLOTMENTS

SEC. 202. (a) From the sums appropriated pursuant to section 201 (b) for each fiscal year the Commissioner shall (1) allot not more than 5 per centum thereof among

Puerto Rico, Guam, American Samoa, the Virgin Islands, and the Trust Territory of the Pacific Islands according to their respective needs and (2) reserve not more than 5 per centum thereof for the purposes of section 206. From the remainder of such sums the Commissioner shall allot to each State an amount which bears the same ratio to such remainder as the population aged eighteen and over in such State bears to the total of such population in all States. For the purposes of this subsection, the term "State" does not include Puerto Rico, Guam, American Samoa, the Virgin Islands, and the Trust Territory of the Pacific Islands.

(b) The portion of any State's allotment under subsection (a) for a fiscal year which the Commissioner determines will not be required, for the period such allotment is available, for carrying out the purposes of this title shall be available for reallotment from time to time, on such dates during such period as the Commissioner may fix, to other States in proportion to the original allotments to such States under subsection (a) for such year, but with such proportionate amount for any of such other States being reduced to the extent it exceeds the sum which the Commissioner estimates such State needs and will be able to use for such period for carrying out such portion of its State application approved under this title, and the total of such reductions shall be similarly reallotted among the

States whose proportionate amounts are not so reduced. Any amount reallotted to a State under this subsection during a year shall be deemed part of its allotment under subsection (a) for such year.

STATE PLANS AND PAYMENTS

SEC. 203. (a) Any State desiring to receive its allotment of Federal funds under this title shall submit a State plan, in such detail as the Commissioner deems necessary, which—

(1) provides for the administration of such plan by a State agency to be designated by the Governor of that State, which is representative of all agencies in such State which are concerned with postsecondary education or which is presently responsible for the administration of community college education in such State;

(2) sets forth a comprehensive statewide program for the improvement, development, and construction of comprehensive community colleges in the State for the purposes of this Act, including (A) the development and carrying out of comprehensive curriculum programs with special emphasis on programs for educationally and economically disadvantaged persons, including occupational-technical programs, adult continuing education programs, community service programs, developmental programs, counseling-advising programs, and lower di-

vision university parallel programs, (B) training and development of faculty, administrators, counselors, and other necessary personnel, and (C) research to be carried out in such colleges to increase the effectiveness of such colleges and to provide data for future development;

(3) establishes priorities for the purpose of carrying out such program;

(4) provides that such colleges will be tuition free or low tuition to State residents or provide adequate financial aid programs. The term "low tuition" as used in this subsection shall be determined by the Commissioner within his discretion upon approval of a State plan;

(5) provides for the necessary State and local financial support to carry out such program with assistance under this title;

(6) sets forth policies and procedures designed to assure that Federal funds made available under this title will be so used as not to supplant State or local funds, or funds of comprehensive community colleges, but to supplement and, to the extent practicable, to increase the amounts of such funds that would in the absence of such Federal funds be made available for the purposes of this Act;

(7) sets forth such fiscal control and fund accounting procedures as may be necessary to assure proper disbursement of and accounting for Federal funds paid to the State (including such funds paid by the State to comprehensive community colleges) under this title;

(8) provides for making such reports in such form and containing such information as the Commissioner may reasonably require to carry out his functions under this title, and for keeping such records and for affording such access thereto as the Commissioner may find necessary to assure the correctness and verification of such reports;

(9) provides to the extent possible for interstate cooperation in carrying out programs pursuant to this title.

(b) The Commissioner shall approve any State plan and any modification thereof which complies with the provisions of subsection (a) and shall pay to such State, from its allotment for each fiscal year, the reasonable cost, as determined by the Commissioner, of carrying out such approved plan for such year.

(c) Payments to a State under this title may be made in installments and in advance or by way of reimbursement with necessary adjustments on account of overpayments or underpayments, and they may be paid directly

to the State or to one or more participating colleges designated for this purpose by the State, or to both.

ADMINISTRATION OF STATE PLANS

SEC. 204. (a) The Commissioner shall not finally disapprove any State plan submitted under this title, or any modification thereof, without first affording the State agency or institution submitting the plan reasonable notice and opportunity for a hearing.

(b) Whenever the Commissioner, after reasonable notice and opportunity for hearing to the State agency or institution administering a State plan approved under section 103, finds that—

(1) the State plan has been so changed that it no longer complies with the provisions of such section, or

(2) in the administration of the plan there is a failure to comply substantially with any such provision,

the Commissioner shall notify the State agency or institution that the State will not be regarded as eligible to participate in the program under this title until he is satisfied that there is no longer any such failure to comply.

LABOR STANDARDS

SEC. 205. All laborers and mechanics employed by contractors on all construction projects assisted under this title

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shall be paid wages at rates not less than those prevailing on similar construction in the locality as determined by the Secretary of Labor in accordance with the Davis-Bacon Act, as amended (40 U.S.C. 276a—276a-5). The Secretary of Labor shall have with respect to the labor standards specified in this section authority and functions set forth in Reorganization Plan Numbered 14 of 1950 (15 F.R. 3176) and section 2 of the Act of June 13, 1934, as amended (40 U.S.C. 276c).

DEMONSTRATION PROJECTS AND RESEARCH FOR COMPREHENSIVE COMMUNITY COLLEGE PURPOSES

SEC. 206. The Commissioner is authorized to enter into such contracts or other arrangements as may be necessary to carry out innovative and exemplary demonstration projects and research to promote the purpose of this Act.

TITLE III—GENERAL PROVISIONS

DEFINITIONS

SEC. 301. As used in this Act—

(1) the term "Commissioner" means the Commissioner of Education.

(2) the term "comprehensive community college" means any junior college, technical institute, or any other educational institution in any State which—

(A) is legally authorized within such State to

provide a program of education beyond secondary education;

(B) admits as regular students high school graduates or equivalent, or persons at least eighteen years of age;

(C) provides a two-year postsecondary educational program leading to an associate degree, or acceptable for credit toward a bachelor's degree, and also provides programs of postsecondary vocational, technical, occupational, and specialized education;

(D) is a public or other nonprofit institution;

(E) has a Board of Trustees or other designated governing body which includes individuals representative of the community which it serves;

(F) is accredited as an institution by a nationally recognized accrediting agency or association, or if not so accredited—

(i) is an institution that has obtained recognized preaccreditation status from a nationally recognized accrediting body, or

(ii) is an institution whose credits are accepted on transfer, by not less than three accredited institutions, for credit on the same basis as if transferred from an institution so accredited, and

for purposes of this paragraph, the Commissioner shall publish a list of nationally recognized accrediting agencies or associations which he determines to be reliable authority as to the quality of training offered.

(3) The term "construction" includes the preparation of drawings and specifications for college facilities; erecting, building, acquiring, altering, remodeling, improving, or extending such facilities; and the inspection and supervision of the construction of such facilities. Such term does not include interests in land or off-site improvements.

(4) The term "college facilities" includes classrooms and related facilities; and initial equipment, machinery, and utilities necessary or appropriate for comprehensive community college purposes. Such term does not include athletic stadiums, or structures or facilities intended primarily for athletic exhibitions, contests, or games or other events for which admission is to be charged to the general public.

(5) The term "State" includes, in addition to the several States of the Union, the Commonwealth of Puerto Rico, the District of Columbia, Guam, American Samoa, the Virgin Islands, and the Trust Territory of the Pacific Islands.

ADMINISTRATION

SEC. 302. (a) The Commissioner shall administer the provisions of this Act through a Bureau of Community Education which he shall establish in the Office of Education. Such Bureau shall be headed by a Deputy Commissioner for Community Education, which position is hereby created in the Office of Education. Such Bureau shall, upon request, advise any State with respect to its programs pursuant to this Act.

(b) The Commissioner shall, within one hundred twenty days of enactment of this statute, make a report to Congress (1) identifying all other programs administered by the Office of Education which should, for the purpose of consolidating the administration of programs affecting comprehensive community colleges, be administered through the Bureau of Community Education, and (2) what action is being taken to provide for the administration of such programs by such Bureau.

(c) In administering the provisions of this Act, the Commissioner is authorized to utilize the services and facilities of any agency of the Federal Government and of any other public or nonprofit agency or institution in accordance with appropriate agreements, and to pay for such services either in advance or by way of reimbursement, as may be agreed upon.

JUDICIAL REVIEW

SEC. 303. (a) If any State is dissatisfied with the Commissioner's final action with respect to the approval of its application submitted under section 102 or its plan submitted under section 203, or with his final action under section 104 or section 205, such State may, within sixty days after notice of such action, file with the United States court of appeals for the circuit in which such State is located a petition for review of that action. A copy of the petition shall be forthwith transmitted by the clerk of the court to the Commissioner. The Commissioner thereupon shall file in the court the record of the proceedings on which he based his action, as provided in section 2112 of title 28, United States Code.

(b) The findings of fact by the Commissioner, if supported by substantial evidence, shall be conclusive; but the court, for good cause shown, may remand the case to the Commissioner to take further evidence, and the Commissioner may thereupon make new or modified findings of fact and may modify his previous action, and shall file in the court the record of the further proceedings. Such new or modified findings of fact shall likewise be conclusive if supported by substantial evidence.

(c) Upon the filing of such petition, the court shall have jurisdiction to affirm the action of the Commissioner or to

set it aside, in whole or in part. The judgment of the court shall be subject to review by the Supreme Court of the United States upon certiorari or certification as provided in section 1254 of title 28, United States Code.

PROHIBITIONS

SEC. 304. (a) Nothing contained in this Act shall be construed to authorize any department, agency, officer, or employee of the United States to exercise any direction, supervision, or control over the curriculum, program of instruction, administration, or personnel of any educational institution or school system.

(b) Nothing contained in this Act shall be construed to authorize the making of any payment under this Act for the construction of facilities as a place of worship or religious instruction.

NATIONAL ADVISORY COUNCIL

SEC. 305. (a) The Commissioner shall appoint a National Advisory Council on Comprehensive Community Colleges. The members of such Council shall be appointed without regard to the civil service laws, to represent appropriate fields competent or interested in the development of such colleges for the purposes of this Act.

(b) The Council shall advise the Commissioner with respect to (1) criteria for the evaluation of applications and State plans pursuant to this Act, (2) the administration of

title II of this Act, and (3) means of improving the administration and operation of this Act.

(c) The Council shall make an annual report of its findings and recommendations (including recommendations for changes in the provisions of this Act) to the President not later than March 31 of each calendar year after the calendar year in which this Act is enacted. The President shall transmit each such report to the Congress together with his comments and recommendations.

(d) Members of the Council who are not regular full-time employees of the United States shall, while serving on business of the Council, be entitled to receive compensation at rates fixed by the President, but not exceeding $100 per day, including travel time; and while so serving away from their homes or regular places of business, they may be allowed travel expenses, including per diem in lieu of subsistence, as authorized by section 5703 of title 5 of the United States Code for persons in Government service employed intermittently.

STUDY AND RECOMMENDATIONS IN ORDER TO AVOID DUPLICATION OF BENEFITS

SEC. 306. The Commissioner shall (1) make an investigation and study of all Federal programs assisting comprehensive community colleges in order to determine which of such programs provide assistance which is a duplication

of assistance provided pursuant to this Act, and (2) report to Congress, not later than six months after the date of enactment of this Act, his recommendations, including any necessary legislation, for terminating such duplication.

92D CONGRESS
1ST SESSION

S. 1062

IN THE SENATE OF THE UNITED STATES

MARCH 2 (legislative day, FEBRUARY 17), 1971

Mr. JAVITS (for himself, Mr. BEALL, Mr. DOMINICK, Mr. GRIFFIN, Mr. PROUTY, Mr. SCHWEIKER, and Mr. SCOTT) introduced the following bill; which was read twice and referred to the Committee on Labor and Public Welfare

A BILL

To establish a National Foundation for Higher Education, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "National Foundation for Higher Education Act of 1971".

ESTABLISHMENT OF NATIONAL FOUNDATION FOR HIGHER EDUCATION

SEC. 2. There is established in the Department of Health, Education, and Welfare a National Foundation for Higher Education (hereinafter referred to as the "Foundation"). The President shall appoint, with the advice and consent of the Senate, a Director of the Foundation (hereinafter in this

Act referred to as the "Director") who shall perform such duties in carrying out this Act as are prescribed by the Secretary of Health, Education, and Welfare (hereinafter in this Act referred to as the "Secretary").

PURPOSES OF THE FOUNDATION

SEC. 3. The purposes of the Foundation are—

(1) to encourage excellence, innovation, and reform in postsecondary education;

(2) to provide assistance for the design and establishment of innovative structures for providing postsecondary education and innovative modes of teaching and learning therein;

(3) to expand the ways and patterns of acquiring postsecondary education and to open opportunities for such education to individuals of all ages and circumstances;

(4) to strengthen the autonomy, individuality, and sense of mission of postsecondary educational institutions, and to support programs which are distinctive or of special value to American society; and

(5) to encourage postsecondary educational institutions to develop policies, programs, and practices responsive to social needs, and to provide an organization concerned with the rationalization of public policies toward postsecondary education.

HIGHER EDUCATION FOUNDATION BOARD

SEC. 4. (a) The President shall appoint, without regard to the provisions of title 5 of the United States Code governing appointments in the competitive service, a Higher Education Foundation Board (hereinafter in this Act referred to as the "Board") which shall—

(1) advise the Secretary and the Director with respect to matters of general policy arising in the administration of this Act and programs to be carried out by the Foundation; and

(2) prepare an annual report to the Secretary on the current status and needs of postsecondary education in the United States, which the Secretary shall transmit to the President with such recommendations as he may make.

(b) The Board shall consist of the Director, ex officio, and eighteen members who shall be broadly representative of the general public as well as the education community. The members of the Board shall be appointed for terms of three years; except that (1) any member appointed to fill a vacancy occurring prior to the expiration of the term for which his predecessor was appointed shall be appointed for the remainder of such term, and (2) the terms of office of the members first taking office shall begin upon enactment of this Act, and shall expire as designated at the time of appointment, six

at the end of three years, six at the end of two years, and six at the end of the first year. One of the members shall be designated by the President as Chairman. Members of the Board who are not regular full-time employees of the United States shall, while serving on the business of the Board, be entitled to receive compensation at rates to be determined by the Secretary, but not exceeding the per diem equivalent for GS–18 for each day so engaged, including traveltime, and, while so serving away from their homes or regular places of business, may be allowed travel expenses, including per diem in lieu of subsistence, as authorized by section 5703 of title 5, United States Code, for persons in the Government service employed intermittently.

ASSISTANCE

SEC. 5. (a) The Secretary is authorized to make grants to or contracts with any public or private agency, organization, or institution, any combination thereof, or any individual, in order to achieve the purposes of the Foundation, except that no grant may be made to a private agency, organization, or institution other than a nonprofit one. Such assistance may be given to support activities designed to achieve the purposes of this Act, including—

(1) the creation of institutions and programs involving new paths to career and professional training,

and new combinations of academic and experiential learning;

(2) the establishment of institutions and programs based on the technology of communications;

(3) the carrying out in postsecondary educational institutions of changes in internal structure and operations designed to clarify institutional priorities and purposes;

(4) the design and introduction of cost-effective methods of instruction and operation;

(5) the introduction of institutional reforms designed to expand individual opportunities for entering and reentering institutions and pursuing programs of study tailored to individual needs;

(6) the introduction of reforms in graduate education, in the structure of academic professions, and in the recruitment and retention of faculties;

(7) the creation of new institutions and programs for examining and awarding credentials to individuals, and the introduction of reforms in current institutional practices related thereto;

(8) the development or revitalization of educational and training programs of national importance; and

(9) the alteration or remodeling of buildings to the

extent necessary to achieve the objectives of any other activity assisted under this section.

(b) The Secretary is similarly authorized to make grants or contracts for the purpose of assisting in carrying out studies in the field of postsecondary education, including studies related to postsecondary education finance, organization, and management.

FELLOWSHIPS

SEC. 6. The Secretary is authorized, where appropriate and necessary to carry out the purposes of this Act, to award fellowships and to pay to fellowship holders stipends (including allowances for subsistence and other expenses for themselves and their dependents) for stated periods of time.

GENERAL AUTHORITY

SEC. 7. In carrying out this Act, the Secretary shall have the authority—

(1) to enter into contracts without performance or other bonds, and without regard to section 3709 of the Revised Statutes (41 U.S.C. 5) ;

(2) to make advance, progress, and other payments without regard to the provisions of section 3648 of the Revised Statutes (31 U.S.C. 529) ;

(3) to receive money and other property donated, bequeathed, or devised to the Foundation with or with-

out a condition or restriction, including a condition that the Foundation use other funds for the purposes of the gift; and to use, sell, or otherwise dispose of such property for the purposes of this Act;

(4) to publish or arrange for the publication of information without regard to the provisions of section 501 of title 44, United States Code;

(5) to accept and utilize the services of voluntary and uncompensated personnel, notwithstanding the provisions of section 3679 (b) of the Revised Statutes (31 U.S.C. 665 (b)), and to provide transportation and subsistence as authorized by section 5703 of title 5, United States Code, for persons serving without compensation; and

(6) to arrange with and reimburse the heads of other Federal agencies for the performance of any activity which the Foundation is authorized to conduct.

MISCELLANEOUS PROVISIONS

SEC. 8. (a) The Secretary may appoint and compensate without regard to the provisions of title 5, United States Code, governing appointments in the competitive service and chapter 51 and subchapter III of chapter 53 of such title, relating to classification and general schedule rates, such technical and professional personnel as he deems necessary to accomplish the functions of the Foundation.

(b) Funds available under this Act shall be available for transfer to any other Federal department or agency (including constituent agencies of the Department of Health, Education, and Welfare) for use (in accordance with an interagency agreement) by such agency (alone or in combination with funds of that agency) for purposes for which such transferred funds could be otherwise expended by the Secretary under this Act, and the Secretary is likewise authorized to accept and expend funds of any other Federal agency for use under this Act.

(c) All laborers and mechanics employed by contractors or subcontractors on all construction projects assisted under this Act shall be paid wages at rates not less than those prevailing on similar construction in the locality as determined by the Secretary of Labor in accordance with the Davis-Bacon Act, as amended (40 U.S.C. 276a—276a–5). The Secretary of Labor shall have with respect to the labor standards specified in this section the authority and functions set forth in Reorganization Plan Numbered 14 of 1950 (15 F.R. 3176; 50 U.S.C. 133z–15) and section 2 of the Act of June 13, 1934, as amended (40 U.S.C. 276(c)).

JOINT FUNDING

SEC. 9. Pursuant to regulations prescribed by the President, where funds are advanced by the Foundation and one

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or more other Federal agencies (including any other part of the Department of Health, Education, and Welfare) for any activity assisted under this Act, any one Federal agency may be designated to act for all in administering the funds advanced. In such cases, any such agency may waive any technical grant or contract requirement (as defined by such regulations) which is inconsistent with the similar requirements of the administering agency or which the administering agency does not impose.

AMENDMENTS TO EXECUTIVE SCHEDULE

SEC. 10. (a) Section 5316 of title 5, United States Code, relating to positions at level V of the Executive Schedule, is amended by striking out "(41) Commissioner of Education, Department of Health, Education, and Welfare." and by inserting "(41) Director, National Foundation for Higher Education, Department of Health, Education, and Welfare." in lieu thereof.

(b) Section 5315 of such title, relating to positions at level IV of the Executive Schedule, is amended by adding the following paragraph at the end thereof:

"Commissioner of Education, Department of Health Education, and Welfare".

AVAILABILITY OF APPROPRIATIONS

SEC. 11. Funds appropriated to carry out this Act shall remain available until expended.

92D CONGRESS
1ST SESSION

S. 1072

IN THE SENATE OF THE UNITED STATES

MARCH 2 (legislative day, FEBRUARY 17), 1971

Mr. JAVITS introduced the following bill; which was read twice and referred to the Committee on Labor and Public Welfare

A BILL

To amend the Higher Education Facilities Act of 1963 in order to increase the maximum Federal share under such Act to 66 per centum in the case of certain developing institutions.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 401 (d) of the Higher Education Facilities Act of 1963 is amended by inserting before the period at the end thereof a comma and the following: "except that in either such case such percentage may be not in excess of 66 per centum if the institution is a developing institution as defined in section 302 of the Higher Education Act of 1965".

92D CONGRESS
1ST SESSION

S. 1073

IN THE SENATE OF THE UNITED STATES

MARCH 2 (legislative day, FEBRUARY 17), 1971

Mr. JAVITS introduced the following bill; which was read twice and referred to the Committee on Labor and Public Welfare

A BILL

To consolidate and improve certain programs for higher education, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Improvement of Education Programs Act".

TITLE I—CONSOLIDATION OF SPECIAL HIGHER EDUCATION PROGRAMS

CONSOLIDATION OF TITLES VIII, IX, AND XI OF THE HIGHER EDUCATION ACT OF 1965, TITLE VI OF THE NATIONAL DEFENSE EDUCATION ACT OF 1958, AND THE INTERNATIONAL EDUCATION ACT

SEC. 2. Title VIII of the Higher Education Act of 1965 is amended to read as follows:

"TITLE VIII—SPECIAL EDUCATIONAL IMPROVEMENT PROGRAMS

"APPROPRIATIONS AUTHORIZED

"SEC. 801. (a) The Commissioner is authorized to make grants to institutions of higher education, or combinations of such institutions, for the uses and purposes set forth in section 803 of this title.

"(b) For the purpose of making grants under this title, there is authorized to be appropriated $86,500,000 for the fiscal year ending June 30, 1972, and such sums as may be necessary for each of the four succeeding fiscal years.

"ALLOCATION

"SEC. 802. The Commissioner shall allocate grants, fellowships, and other assistance authorized by this title in such manner and according to such plan as will most nearly provide an equitable distribution of the grants, fellowships, and other assistance throughout the States while at the same time giving a preference to those institutions of higher education which show real promise of being able to use funds effectively.

"USES OF FEDERAL FUNDS

"SEC. 803. (a) It is the purpose of this title to combine within a single authorization, subject to the modifications required by the provisions and requirements of this title, the programs formerly authorized by titles VIII, IX, and XI of

the Higher Education Act of 1965, by title VI of the National Defense Education Act of 1958, and by the International Education Act and, except as expressly provided otherwise by this title, Federal funds may be used for the purchase of the same kinds of equipment and materials and the funding of the same types of programs as were previously authorized by such titles and that Act.

"(b) Grants under this title may be used, in accordance with the provisions of this title, for—

"(1) programs designed to encourage institutions of higher education to share their technical and other educational and administrative facilities and resources including (A) the planning, development, and joint operation by institutions of higher education of closed-circuit television, electronic computer networks, or equivalent transmission facilities, and (B) cooperative arrangements for shared classrooms, laboratories, library resources, and other similar facilities or resources;

"(2) programs for the preparation of graduate or professional students to enter or pursue a career in public service, including awarding fellowships to such students, and programs of research into improved methods of education for the public service in Federal, State, and local governments;

"(3) programs for clinical experience conducted or

supervised by accredited law schools for students of law and, to the extent practical, with preference being given to experience in the preparation and trial of cases; and

"(4) programs for international studies conducted at institutions of higher education located in the United States, including the study of foreign languages.

"(c) In addition to the uses specified in subsections (a) and (b), funds appropriated for carrying out this title may, subject to the limitations specified in section 805, be used for—

"(1) proper and efficient administration of the programs for which application is made; and

"(2) evaluation of plans, programs, and projects, and dissemination of the results thereof.

"APPLICATIONS

"SEC. 804. (a) A grant may be made under this section only upon application to the Commission at such time or times and containing such information as he deems necessary. The Commissioner shall not approve an application unless it—

"(1) sets forth a program for carrying out one or more of the purposes set forth in section 803;

"(2) sets forth policies and procedures which assure that Federal funds made available under this section for any fiscal year will be so used as to supplement

and, to the extent practical, increase the level of funds that would, in the absence of such Federal funds, be made available for purposes for which the application is made, and in no case supplant such funds;

"(3) contains satisfactory assurances, in case of any program described in paragraph (2) of section 803(b) that (A) the institution of higher education will recommend to the Commissioner, for the award of fellowships under this title, for study in such program, only persons of superior promise who have demonstrated to the satisfaction of the institution a serious intent to enter the public service upon completing the program, and (B) the institution will make reasonable continuing efforts to encourage recipients of fellowships under this title, enrolled in such programs, to enter the public service upon completing the program;

"(4) provides for making such reports, in such form and containing such information, as the Commissioner may reasonably require to carry out his functions under this title, and for keeping such records and for affording such access thereto as the Commissioner may find necessary to assure the correctness and verification of such reports; and

"(5) provides for the adoption of effective pro-

cedure for the evaluation of the effectiveness of programs assisted under this title.

"(b) In administering this title, the Commissioner shall give primary emphasis to the assistance of programs and activities not otherwise assisted by the Department of Health, Education, and Welfare, or by other agencies of the Federal Government, so as to promote most effectively the objectives of this title.

"SPECIAL CONDITIONS AND LIMITATIONS

"SEC. 805. (a) (1) Grants pursuant to paragraph (1) of section 803 (b) may not be used to pay the costs of electronic transmission terminals.

"(2) In the case of a program for the establishment and operation of a computer network under such paragraph (1), grants may not include—

"(A) the cost of operating administrative terminals or student terminals at participating institutions; or

"(B) the cost, or any participating institution's pro rata share of the cost, of using the central computer facilities of the network, except (i) such costs of systems development and programing of computers and transmission costs as are necessary to make the network operational, (ii) the administrative and program support costs of the central facilities of the net-

work, and (iii) the line-access costs incurred by participating institutions.

"(b) A person awarded a fellowship pursuant to a program described in section 803(b) shall continue to receive the payments provided in this title only during such periods as the Commissioner finds that he is maintaining satisfactory proficiency and devoting full time to study or research in the field in which such fellowship was awarded in an institution of higher education, and is not engaging in gainful employment other than employment approved by the Commissioner by or pursuant to regulation.

"(c) No law school may receive more than $75,500 in any fiscal year under a program described in paragraph (3) of section 803(b).

"(d) No grant, contract, or fellowship shall be awarded under this title to, or for study at, a school or department of divinity. For the purposes of this section, the term 'school or department of divinity' means an institution or department or branch of an institution whose program is specifically for the education of students to prepare them to become ministers of religion or to enter upon some other religious vocation or to prepare them to teach theological subjects.

"(e) Department and agencies of the United States are encouraged, to the extent consistent with efficient adminis-

tration, to enter into arrangements with institutions of higher education for the full-time, part-time, or temporary employment, whether in the competitive or excepted service, of students enrolled in programs described in paragraph (2) of section 803 (b).

"STIPENDS

"SEC. 806. (a) (1) The Commissioner shall pay to persons awarded fellowships under this title such stipends (including such allowances for subsistence and other expenses for such persons and their dependents) as he may determine to be consistent with prevailing practices under comparable federally supported programs.

"(2) The Commissioner shall (in addition to the stipends paid to persons under paragraph (1)) pay to the institution of higher education at which such person is pursuing his course of study such amount as the Commissioner may determine to be consistent with prevailing practices under comparable federally supported programs.

"(b) The Commissioner, subject to such terms and conditions as he may prescribe, is authorized to pay part of the compensation of students employed in public service, other than public service as an employee in any branch of the Government of the United States, as part of a program for which a grant has been set forth in paragraph (2) of section 803 (b).

"DEFINITIONS

"SEC. 807. As used in this title—

"(1) The term 'institution of higher education' means an educational institution described in the first sentence of section 1201 (other than an institution of any agency of the United States) which is accredited by a nationally recognized accrediting agency or association approved by the Commissioner for this purpose. For purposes of this subsection, the Commissioner shall publish a list of nationally recognized accrediting agencies or associations which he determines to be reliable authority as to the quality of training offered.

"(2) The term 'public service' means service as an officer or employee in any branch of State, local, or Federal Government.

"AUTHORITY FOR FREE OR REDUCED RATE COMMUNICATIONS INTERCONNECTION SERVICES

"SEC. 808. Nothing in the Communications Act of 1934, as amended, or in any other provision of law shall be construed to prevent United States communications common carriers from rendering, subject to such rules and regulations as the Federal Communications Commission may prescribe, free or reduced rate communications interconnection services for interconnection systems within the

purview of this title, whether or not included in a project for which a grant is made under this title."

REPEALS AND TRANSITIONAL PROVISIONS FOR CONSOLIDATION

SEC. 3. (a) There is hereby authorized to be appropriated to the Office of Education $_____ for the period ending June 30, 1971, for planning and other preparatory activities of the Commissioner for the consolidated program enacted by section 101 of this Act.

(b) Effective July 1, 1971—

(1) titles IX and XI of the Higher Education Act of 1965;

(2) title VI of the National Defense Education Act of 1958; and

(3) the International Education Act

are repealed.

92D CONGRESS
1ST SESSION

S. 1074

IN THE SENATE OF THE UNITED STATES

MARCH 2 (legislative day, FEBRUARY 17), 1971

Mr. JAVITS introduced the following bill; which was read twice and referred to the Committee on Labor and Public Welfare

A BILL

To authorize assistance to the States in establishing and carrying out programs of higher education student aid.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "State Higher Education Student Aid Act of 1971".

SEC. 2. The Higher Education Act of 1965 is amended by redesignating title XII as title XIII, by redesignating sections 1201, 1202, 1204, and 1205 and all references thereto as sections 1301, 1302, 1303, and 1304, respectively, and by inserting after title XI a new title as follows:

"TITLE XII—ASSISTANCE FOR STATE PROGRAMS OF HIGHER EDUCATION STUDENT AID

"PART A—STUDENT INCENTIVE GRANTS

"APPROPRIATIONS AUTHORIZED

"SEC. 1201. There is hereby authorized to be appropriated $50,000,000 for the fiscal year ending June 30, 1972, and such amounts as the Congress may determine for each of the next three fiscal years, for payments to the States for student incentive grants to persons who have not previously been awarded such grants under this part and who are selected for award of such grants beginning with the fiscal year ending June 30, 1972, and for each of the six succeeding fiscal years such sums as are necessary for making payments to persons who have been awarded such grants for previous years. Sums appropriated pursuant to the first sentence of this fiscal year remain available for payment to a State for the award of grants pursuant to this title until the close of the fiscal year succeeding the fiscal year for which they were appropriated.

"ALLOTMENT OF FUNDS AMONG STATES

"SEC. 1202. (1) From the sums appropriated pursuant to the first sentence of section 1201 for any fiscal year, the Commissioner shall allot to each State an amount which bears the same ratio to the amount so appropriated as the number of persons enrolled on a full-time basis in institutions

of higher education in such State bears to the total number of persons enrolled on a full-time basis in institutions of higher education in all the States. The number of persons enrolled on a full-time basis in institutions of higher education for purposes of this section shall be determined by the Commissioner for the most recent year for which satisfactory data are available to him.

"(2) If the total of the sums determined by the Commissioner to be required for any fiscal year for the student incentive grant program of a State is less than the amount of the allotment to that State under paragraph (1) for that year, the Commissioner may reallot the remaining amount from time to time, on such date or dates as he may fix, to other States in such manner as he determines will best assist in achieving the purposes of this part.

"STATE STUDENT INCENTIVE GRANT PROGRAMS

"SEC. 1203. From a State's allotment under this part for any fiscal year the Commissioner is authorized to make payments to such State for paying 50 per centum of the amount of student incentive grants pursuant to a State program which—

"(1) is administered by a single State agency;

"(2) provides that such grants will be in amounts not in excess of $1,500 per academic year for attendance

on a full-time basis as an undergraduate at an institution of higher education;

"(3) provides for the selection of recipients of such grants on the basis of substantial financial need determined on the basis of criteria established by the Commissioner;

"(4) provides for the payment of the non-Federal portion of such grants from funds supplied by such State which represent an additional expenditure for such year by such State for grants for students attending institutions of higher education over the amount expended by such State for such grants during the fiscal year preceding the fiscal year in which such State initially received funds under this part; and

"(5) provides (A) for such fiscal control and fund accounting procedures as may be necessary to assure proper disbursement of and accounting for Federal funds paid to the State agency under this part, and (B) for the making of such reports, in such form and containing such information, as may be reasonably necessary to enable the Commissioner to perform his functions under this part.

"APPLICATIONS FOR GRANTS

"SEC. 1204. A State which desires to obtain a payment under this part for any fiscal year shall submit an application

therefor through the State agency administering its program of student incentive grants, at such time or times and in such manner as may be prescribed by the Commissioner, and such application shall contain such information as may be required by or pursuant to regulation for the purpose of enabling the Commissioner to make the determinations to be made by him under this part.

"AMOUNT OF PAYMENT

"SEC. 1205. Upon his approval of any application for a payment under this part, the Commissioner shall reserve from the applicable allotment (including any applicable reallotment) available therefor, the amount of such payment, which (subject to the limits of such allotment or reallotment) shall be equal to the Federal share of the cost of the student incentive grants covered by such application. The Commissioner shall pay such reserved amount, in advance or by way of reimbursement, and in such installments as he may determine. The Commissioner's reservation of any amount under this section may be amended by him, either upon approval of an amendment of the application or upon revision of the estimated cost of the student incentive grants with respect to which such reservation was made, and in the event of an upward revision of such estimated cost approved by him he may reserve the Federal share of the added cost only from

the applicable allotment (or reallotment) available at the time of such approval.

"ADMINISTRATION OF STATE PROGRAMS

"SEC. 1206. (a) The Commissioner shall not finally disapprove any State program submitted under this part, or any modification thereof, without first affording the State agency submitting the program reasonable notice and opportunity for a hearing.

"(b) Whenever the Commissioner, after reasonable notice and opportunity for hearing to the State agency administering a State program approved under this part, finds—

"(1) that the State program has been so changed that it no longer complies with the provisions of this part, or

"(2) that in the administration of the program there is a failure to comply substantially with any such provision,

the Commissioner shall notify such State agency that the State will not be regarded as eligible to participate in the program under this part until he is satisfied that there is no longer any such failure to comply.

"JUDICIAL REVIEW

"SEC. 1207. (a) If any State is dissatisfied with the Commissioner's final action with respect to the approval of

its State program submitted under this part or with his final action under section 1206, such State may appeal to the United States court of appeals for the circuit in which such State is located. The summons and notice of appeal may be served at any place in the United States. The Commissioner shall forthwith certify and file in the court the transcript of the proceedings and the record on which he based his action.

"(b) The findings of fact by the Commissioner, if supported by substantial evidence, shall be conclusive; but the court, for good cause shown, may remand the case to the Commissioner to take further evidence, and the Commissioner may thereupon make new or modified findings of fact and may modify his previous action, and shall certify to the court the transcript and record of the further proceedings. Such new or modified findings of fact shall likewise be conclusive if supported by substantial evidence.

"(c) The court shall have jurisdiction to affirm the action of the Commissioner or to set it aside, in whole or in part. The judgment of the court shall be subject to review by the Supreme Court of the United States upon certiorari or certification as provided in title 28, United States Code, section 1254.

"PART B—EDUCATIONAL OPPORTUNITY CENTERS AND COORDINATION OF RECRUITING AND COUNSELING

"AUTHORIZATION

"SEC. 1221. There are authorized to be appropriated $20,000,000 for the fiscal year ending June 30, 1972, and such sums as the Congress may determine for each of the three succeeding fiscal years for carrying out the provisions of this part.

"GRANTS AND CONTRACTS AUTHORIZED

"SEC. 1222. (a) The Commissioner is authorized to make grants to or enter into contracts with institutions of higher education, State agencies responsible for the supervision of public institutions of higher education in a State, or combinations of such institutions and agencies, for the purpose of paying not to exceed 75 per centum of the cost of planning, developing, and carrying out projects for—

"(1) educational opportunity centers to serve areas with major concentrations of low-income populations by providing, in coordination with other applicable programs and services—

"(A) information with respect to financial and academic assistance available for persons in such areas desiring to attend institutions of higher education;

"(B) assistance to such persons in applying

for admission to such institutions, including preparing necessary applications for use by admission and financial aid officers; and

"(C) counseling services and tutorial and other necessary assistance to such persons while attending such institutions; and

"(2) recruiting and counseling pools to coordinate resources and staff efforts of institutions of higher education in admitting educationally disadvantaged persons.

"(b) The portion of the cost of any project pursuant to this section borne by any institution of higher education or State agency shall represent an increase in expenditure by such institution or agency for the purposes of such project."

92D CONGRESS
1ST SESSION

S. 1123

IN THE SENATE OF THE UNITED STATES

MARCH 4 (legislative day, FEBRUARY 17), 1971

Mr. PROUTY (for himself, Mr. GRIFFIN, Mr. JAVITS, Mr. JORDAN of Idaho, and Mr. SCOTT) introduced the following bill; which was read twice and referred to the Committee on Labor and Public Welfare

A BILL

To extend and amend the Higher Education Act of 1965, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Higher Education Opportunity Act of 1971".

TITLE I—AMENDMENTS TO TITLE I OF THE HIGHER EDUCATION ACT (COMMUNITY SERVICE AND CONTINUING EDUCATION)

EXTENSION OF PROGRAM

SEC. 101. Section 101 of title I of the Higher Educa-

tion Act of 1965 is amended by striking out "and" before "$60,000,000" and by adding ", and such sums as may be necessary for each of the next two fiscal years" immediately following "June 30, 1971".

EFFECTIVE DATE

SEC. 102. The amendments made by section 101 shall be effective July 1, 1971.

TITLE II—AMENDMENTS TO TITLE II OF HIGHER EDUCATION ACT (COLLEGE LIBRARY ASSISTANCE)

EXTENSION OF PROGRAM

SEC. 201. (a) Section 201 of the Higher Education Act of 1965 is amended by striking out "and" before "$90,000,000" and inserting the following after "June 30, 1971,": "and such sums as may be necessary for each of the next two fiscal years,".

(b) Such section is further amended by inserting the following after "institutions of higher education": "(particularly developing institutions as defined in title III and community colleges)".

INCREASE IN PERCENTAGE OF FUNDS TO BE USED FOR SPECIAL PURPOSE AND SUPPLEMENTAL GRANTS

SEC. 202. (a) Section 202 of such Act is amended—

(1) by striking out "75 per centum" and inserting in lieu thereof "50 per centum"; and

(2) by adding "and" after the semicolon at the end of paragraph (b); by striking out paragraphs (c) and (d); and by inserting in lieu thereof the following:

"(c) meets the requirements of section 811.".

(b) Section 203 of such Act is amended by striking out "75 per centum" and inserting in lieu thereof "50 per centum".

(c) Section 204 (a) of such Act is amended—

(1) by striking out "Twenty-five per centum" in paragraph (1) and inserting in lieu thereof "Fifty per centum"; and

(2) by striking out "sixty per centum" in paragraph (2) and inserting in lieu thereof "eighty per centum".

REPEAL OF RESEARCH PROVISION

SEC. 203. Title II of the Higher Education Act of 1965 is amended by striking out section 224.

EXTENSION OF TRAINING PROVISION AND TRANSFER TO EDUCATION PROFESSIONS DEVELOPMENT ACT

SEC. 204. (a) Such title II is further amended by—

(1) striking out the heading "PART B—LIBRARY TRAINING AND RESEARCH" and inserting in lieu thereof "PART G—LIBRARY TRAINING";

(2) striking out section 225;

(3) transferring sections 221 through 223, with the

headings therefor as so amended, to title V of such Act and inserting such sections with such headings immediately after part F of such title; and

(4) redesignating sections 221 through 223, as so transferred, as sections 561 through 563, respectively.

(b) Section 561, as so redesignated, is amended by striking out "and" before "$38,000,000" and inserting "and such sums as may be necessary for each of the next five fiscal years" immediately after "June 30, 1971,".

REPEAL OF LIBRARY OF CONGRESS PROVISION

SEC. 205. Title II of such Act is further amended by striking out part C thereof.

CHANGE OF HEADINGS

SEC. 206. The heading of title II of such Act is amended to read "ACADEMIC LIBRARY ASSISTANCE" and the heading "PART A—COLLEGE LIBRARY RESOURCES" is repealed.

EFFECTIVE DATE

SEC. 207. The amendments made by this title shall be effective with respect to fiscal years beginning after June 30, 1971.

TITLE III—AMENDMENTS TO TITLE III OF HIGHER EDUCATION ACT (STRENGTHENING DEVELOPING INSTITUTIONS)

EXTENSION OF PROGRAM

SEC. 301. Section 301(b) of the Higher Education Act of 1965 is amended by striking out "and" before "the sum of $91,000,000" and inserting the following immediately after "June 30, 1971,": "and such sums as may be necessary for each of the next five fiscal years,".

MISCELLANEOUS AMENDMENTS

SEC. 302. (a) Title III of such Act is further amended (A) by inserting "and" at the end of paragraph (1) of section 304(b); (B) by striking out paragraphs (3) and (4) of such section; and (C) by amending paragraph (2) thereof to read as follows:

"(2) meets the requirements of section 811.".

(b) Such title is further amended (A) by inserting "if it is an institution which provides an educational program for which it awards a bachelor's degree" immediately before the semicolon in sections 302 (d) and (B) by striking out "(other than developing institutions)" in section 306.

EFFECTIVE DATE

SEC. 303. The amendments made by this title shall be effective with respect to fiscal years beginning after June 30, 1971.

TITLE IV—AMENDMENTS TO TITLE IV OF HIGHER EDUCATION ACT (STUDENT ASSISTANCE)

PART A—NEW PROGRAMS FOR PROVISION OF FINANCIAL ASSISTANCE TO STUDENTS

SEC. 401. Title IV of the Higher Education Act of 1965 is amended in the following respects—

(a) part C (dealing with work-study programs) is repealed;

(b) part B (dealing with student loan insurance) is redesignated as part C;

(c) parts E (containing general provisions) and F (containing amendments to the National Defense Education Act) are redesignated as parts F and G, respectively;

(d) section 463 (dealing with payments for administrative expenses) is repealed and sections 461, 462, 464, and 469 are redesignated as sections 471, 472, 473, and 474, respectively;

(e) section 473, as so redesignated (dealing with maintenance of effort), is amended (A) by striking out "part A or part C" and inserting in lieu thereof "part

B", and (B) by striking out "under such parts" and inserting in lieu thereof "under such part"; and

(f) part A (dealing with educational opportunity grants) is amended to read as follows:

"PART A—GENERAL PROVISIONS FOR STUDENT ASSISTANCE FINDINGS AND STATEMENT OF PURPOSE

"SEC. 400. The Congress hereby finds that it is in the national interest to assist in making available the benefits of postsecondary education to all qualified students who for lack of financial means of their own or of their families would be unable to obtain those benefits without such assistance. It is therefore the purpose of this title to provide assistance to students, in the form of grants, loans, and compensation, to the end that no person capable of benefiting from such education will be denied it because of financial inability to meet basic postsecondary education costs.

"GRANTS, WORK-STUDY PAYMENTS, AND SUBSIDIZED LOANS

"SEC. 401. (a) It is the purpose of this part to provide for the establishment of general criteria to be used by eligible institutions in providing the following categories of assistance:

"(1) educational opportunity grants;

"(2) work-study payments; and

"(3) subsidized loans under part C of this title.

"(b) The objective of such criteria shall be to assure that the forms of assistance specified in subsection (a) will be made available to all qualified students in financial need attending eligible institutions and shall be designed to provide a reliable basis for enabling students and potential students of such institutions to ascertain their eligibility for financial assistance.

"BASIC ELIGIBILITY FOR, AND AMOUNT OF, GRANTS, WORK-STUDY PAYMENTS, AND RESOURCE EQUALIZING LOANS

"SEC. 402. (a) (1) The Secretary shall, after consultation with the Advisory Council on Financial Aid to Students established under section 474, promulgate a schedule for each academic year establishing (A) the maximum expected family contribution below which students will be eligible for educational opportunity grants or work-study payments (hereinafter in this part referred to as the 'grant eligibility limit'), and (B) the maximum expected family contribution below which students will be eligible for subsidized loans under part C (hereinafter in this part referred to as the 'loan eligibility limit').

"(2) A student with an expected family contribution, as determined under subsection (d), for an academic year which is less than the grant eligibility limit for such year shall be eligible for a grant (or work-study payments) in accordance with part B and for a loan upon which an interest

subsidy is payable in accordance with section 428(a)(2) (hereinafter referred to as a 'subsidized loan'), and a student with an expected family contribution which is less than the loan eligibility limit for an academic year but equal to or more than the grant eligibility limit shall be eligible for a subsidized loan.

"(b)(1) A student meeting the requirements of section 405 and of part B shall be eligible for a grant (or the Federal share of work-study payments) for an academic year in an amount equal to (A) the grant eligibility limit, as determined by the Secretary for that year, less (B) his expected family contribution for such year, as determined by the eligible institution proposing to make such a grant (or such work-study payments).

"(2) A student meeting such requirements shall be eligible for a subsidized loan for such year in an amount equal to (A) the loan eligibility limit as determined by the Secretary for such year, less (B) the sum of (i) the student's expected family contribution for such year, and (ii) the amount of any grant or other payment under part B which he receives for such year.

"(c) A student shall be eligible for an insured student loan under part C in addition to any grant, work-study payment, or subsidized loan described in this part.

"(d) (1) For the purposes of this part, a student's expected family contribution means an amount which a family is reasonably able to contribute toward the cost of a student's postsecondary education for an academic year, as determined pursuant to criteria prescribed by the Secretary after consultation with the Advisory Council on Financial Aid to Students. Such criteria shall provide for the determination of family contributions in a manner which takes into account varying family incomes, numbers of dependents, number of dependents receiving postsecondary education during the academic year for which the determination is made, family assets, and other pertinent factors. Such criteria shall also provide for determining the eligibility for assistance under this part of students who are self-supporting and in doing so shall, insofar as appropriate, take into account the factors described in the preceding sentence.

"(2) The determination of an individual student's family income and other factors described in paragraph (1) shall be made, pursuant to regulations prescribed by the Secretary, by the eligible institution to which he has made an application for assistance under this title and in which he is enrolled or to which he has been admitted.

"(e) Notwithstanding any other provision of this section, the Secretary may by regulation establish criteria for the provision of financial assistance by eligible institutions

in amounts greater than would otherwise be the case under subsection (b), where institutions determine that special circumstances pertaining to a student of exceptional financial need would render inequitable the limits imposed by such subsection.

"ALLOCATION OF FUNDS TO ELIGIBLE INSTITUTIONS

"SEC. 403. (a) The Commissioner shall, from time to time, set dates by which eligible institutions must file applications for allocations to such institutions of funds appropriated for carrying out section 402. In the case of any such institution, such allocation shall reflect an estimate of the aggregate amount which would be payable to such institution for the academic year for which such allocation is to be made with respect to educational opportunity grants, work-study payments, and subsidies on loans to be made by such institution and for which students enrolled or accepted for enrollment in such institution are estimated to be eligible for such year.

"(b) If, as determined by the Commissioner on the basis of estimates, the total amount of such allocations for any academic year to be made pursuant to this section would exceed the amount available for such allocations for such year, the Commissioner shall reduce such allocations in a manner most likely to achieve an equitable geographical distribution of such allocations and to preserve to the fullest

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possible extent payments to students with the lowest expected family contributions.

"ELIGIBILITY OF STUDENTS FOR COST OF EDUCATION LOANS AND ALLOCATION OF LOAN VOLUME TO INSTITUTIONS

"SEC. 404. (a) Any student who—

"(1) meets the requirements of section 405;

"(2) has an expected family contribution of less than the loan eligibility limit, as determined under section 402; and

"(3) needs financial assistance, in addition to such assistance as he may be eligible for under section 402, in order to meet the reasonable and necessary expenses (as determined pursuant to section 407) of attendance for an academic year at an eligible institution;

is eligible for a subsidized loan from such institution in an amount for such year (A) not exceeding the reasonable and necessary expenses for such year (not covered by any assistance for which he is eligible under section 402) which are to be incurred by him in consequence of his attendance at the eligible institution, as determined by such institution in accordance with regulations of the Commissioner, and (B) not exceeding $1,500 in addition to such assistance as he may be eligible for under section 402.

"(b) The Commissioner shall, from time to time, set

dates by which eligible institutions must file applications for allocations to such institutions of an aggregate dollar amount of loans to be made by such institutions to students eligible for subsidized loans under this section. In the case of any such institution, such allocation shall be made on the basis of the Commissioner's estimate of the aggregate dollar amount of subsidized loans for which students enrolled or accepted for enrollment in such institution are eligible under this section, reduced ratably to reflect the amounts available for paying subsidies on such loans.

"RECIPIENTS OF STUDENT FINANCIAL ASSISTANCE

"SEC. 405. (a) An individual may receive assistance in the form of grants, work-study payments, or subsidized loans under this title only if he has been accepted for enrollment as a full-time undergraduate or vocational student at an eligible institution or, in the case of a student already attending such institution, is in good standing and in full-time attendance there as an undergraduate or vocational student.

"(b) Such a student shall receive such assistance only if such institution determines that—

"(1) he shows capability of maintaining good standing in his course of study;

"(2) he meets the criteria for eligibility under which such assistance is to be made available; and

"(3) he would not, but for such assistance, be financially able to pursue a course of study at such institution.

"SUBSTITUTION OF NATIONAL DEFENSE EDUCATION ACT LOANS

"SEC. 406. A loan under title II of the National Defense Education Act of 1958 may be provided by an eligible institution in lieu of a subsidized loan to which a student is eligible under this part.

"LIMITATION

"SEC. 407. The total of any grant, work-study payment, or subsidized loan which a student shall receive for an academic year shall not exceed the reasonable and necessary expenses for such year incurred or to be incurred by him in consequence of his attendance at an eligible institution, as determined by such institution in accordance with regulations of the Secretary.

"ELIGIBLE INSTITUTION

"SEC. 408. As used in this part and part B, the term "eligible institution" means—

"(a) an institution of higher education as defined in section 435 (b) ;

"(b) a proprietary institution of higher education as defined in section 471 (b) ; or

"(c) a vocational school as defined in section 435

(c) which is (A) a public school or institution in any State (other than a school or institution of any agency of the United States), or (B) a nonprofit school or institution in any State.

"ELIGIBILITY FOR ASSISTANCE OF STUDENTS ENROLLED IN INSTITUTIONS ON DATE NEW PROGRAMS BECOME EFFECTIVE

"SEC. 409. Notwithstanding any other provision of this title, a student who, on the date of enactment of the Higher Education Opportunity Act of 1971, is receiving, or (if such date of enactment is not during any academic year with respect to such student) who, during the academic year ending prior to such date, received, assistance under part A or C of title IV of this Act or title II of the National Defense Education Act of 1958 (as in effect prior to such date of enactment) shall be eligible for grant, work-study, or subsidized loan assistance pursuant to this title on a basis at least equivalent to the basis upon which he would have received assistance under such parts and such title II had such Higher Education Opportunity Act not been enacted, as determined under regulations prescribed by the Commissioner for carrying out the purpose of this section.

"SEC. 410. There are authorized to be appropriated such sums as may be necessary for the fiscal year ending June 30, 1972, and for each of the next four fiscal years to enable

the Commissioner to make payments on account of the eligibility of students for assistance (A) under section 402 and (B) under section 404. Thereafter, there are authorized to be appropriated such sums as may be necessary to enable the Commissioner to make payments with respect to subsidized loans made to students prior to July 1, 1976, on account of their eligibility therefor under such sections. Sums appropriated under this section shall remain available until expended."

CONFORMING AMENDMENT

SEC. 402. Clause (2) of section 421(b) is amended by inserting "(except with respect to loans made to students eligible therefor under sections 402 and 404)" immediately after "student loans".

SEC. 403. The following is inserted as part B of such title IV:

"PART B—EDUCATIONAL OPPORTUNITY GRANTS AND WORK-STUDY PAYMENTS

"EDUCATIONAL OPPORTUNITY GRANTS

"SEC. 411. (a) An eligible institution, in accordance with its agreement under this part, may award educational opportunity grants to undergraduate or vocational students under which the institution will pay to any such student the amount which such student is eligible to receive for the academic year for which such grant is made. The Commissioner

may by regulation prescribe that a portion of the assistance which an eligible institution would otherwise make available in the form of work-study payments under section 412 be made available in the form of educational opportunity grants under this section. Subject to such regulations, eligible institutions may, at their election, make available educational opportunity grants under this section in whole or in part in lieu of work-study payments under section 412.

"(b) Educational opportunity grants may be awarded under this part only for the period required for the completion by the recipient of his undergraduate or vocational course of study. Except as otherwise provided in this subsection, such period shall not exceed four academic years. With respect to a student at an institution of higher education (1) who is pursuing a course of study leading to a first degree and designed by the institution offering it to extend over five academic years, or (2) who is or will be unable to complete a course of study within the maximum period of years specified in the preceding sentence because of a requirement that the student enroll in a noncredit remedial course of study, such period may be extended for not more than one additional academic year. For purposes of the preceding sentence, a 'noncredit remedial course of study' is a course of study for which no credit is given toward an academic degree, and which is designed to increase the

ability of the student to engage in an undergraduate course of study leading to such a degree.

"(c) Payments pursuant to an educational opportunity grant awarded under this part may be made only so long as the recipient (1) is maintaining satisfactory progress in the course of study which he is pursuing, according to the regularly prescribed standards and practices of the institution from which he receives such grant, and (2) is devoting essentially full time to that course of study, during the academic year, in attendance at that institution. Failure to be in attendance at the institution during vacation periods or periods of military service, or during other periods which the Commissioner determines in accordance with regulations that there is good cause for his nonattendance (during which periods he shall receive no payments), shall not be deemed contrary to clause (2) of the preceding sentence.

"WORK-STUDY PROGRAMS

"SEC. 412. (a) An eligible institution, in accordance with its agreement under this part, may pay for the part-time employment of its undergraduate or vocational students, through programs of work-study, in work for the institution itself (except in the case of a proprietary institution of higher education) or work in the public interest for a public or nonprofit private organization under an arrange-

ment between such institution and such organization, but only if such work—

"(1) will not result in the displacement of employed workers or impair existing contracts for services,

"(2) will be governed by such conditions of employment as will be appropriate and reasonable in light of such factors as type of work performed, geographical region, and proficiency of the employee, and

"(3) does not involve the construction, operation, or maintenance of so much of any facility as is used or is to be used for sectarian instruction or as a place for religious worship.

"(b) (1) No student shall be employed under such programs of work-study for an average of more than fifteen hours per week during a semester, or other term used by the institution in awarding credits, during which classes in which the student is enrolled are in session.

"(2) For purposes of computing the average prescribed by the preceding paragraph, there shall be excluded any period during which the student is on vacation or any period of additional or nonregular enrollment. Employment under a work-study program during any such period of additional or nonregular enrollment in which classes in which the student is enrolled are in session shall be only to the extent and in

accordance with criteria established by or pursuant to regulations of the Commissioner.

"WORK-STUDY BENEFITS IN LIEU OF GRANT ASSISTANCE

"SEC. 413. (a) The Commissioner may by regulation prescribe that a portion of the assistance which an eligible institution would otherwise make available in the form of educational opportunity grants under section 411 be made available in the form of work-study payments pursuant to section 412. Subject to such regulations, eligible institutions may, at their election, make available work-study payments under section 412 in whole or in part in lieu of educational opportunity grants.

"(b) Work-study payments shall not be made in lieu of educational opportunity grants by an institution under this section unless—

"(1) such work-study payments are made on a basis which provides net earnings to the student from the Federal share of such payments for the academic year involved equal to the amount of the grant which he would have received for such year had such election not been made;

"(2) the criteria for making such elections are applied uniformly by such institution and are determined by the Commissioner to be consistent with such standards as he may prescribe under subsection (a).

"(c) A student to whom work-study payments are made available under this section in lieu of grant assistance may elect instead to receive a subsidized loan under part C, or a loan under title II of the National Defense Education Act of 1958, in the amount of the Federal share of such work-study payments. In the event of such election, the amount allocated to such institution under section 403 shall be adjusted in accordance with regulations of the Commissioner.

"AGREEMENTS WITH INSTITUTIONS

"SEC. 414. (a) As a condition for receiving funds for educational opportunity grants and work-study payments under this part, an eligible institution shall enter into an agreement with the Commissioner, which agreement shall—

"(1) provide that the funds received by the institution under this part shall be used by it in accordance with the provisions of this part and part A;

"(2) provide that the institution shall conduct a program of educational opportunity grants in accordance with section 411;

"(3) provide for the operation by the institution of a program of work-study in accordance with the provisions of sections 412 and 413, and provide that the Federal share of the compensation of students employed in the work-study program in accordance with the agree-

ment will not, except as provided in subsection (b), exceed 80 per centum of such compensation;

"(4) include procedures satisfactory to the Commissioner designed to assure that each student of the institution eligible for a subsidized loan (or loan under title II of the National Defense Education Act of 1958) in accordance with section 402 will be enabled to obtain such loan in the amount for which he is eligible, including provision for loans by the institution to students who, because they or their families do not maintain business relationships with eligible lenders or because of their status as initial year undergraduates or for any other reason, are unable to obtain such loans readily from other eligible lenders;

"(5) include, in the case of a proprietary institution of higher education, such terms and conditions as the Commissioner determines to be necessary to insure that the availability of assistance under this part to students at such institution has not increased, and will not increase, the tuition, fees, or other charges to such students; and

"(6) include such other provisions as the Commissioner deems necessary or appropriate to carry out the purposes of this part.

"(b) The Federal share of work-study payments may exceed 80 per centum of the compensation of students employed in the work-study program if the Commissioner determines, pursuant to regulations establishing objective criteria for such determinations, that a Federal share in excess of 80 per centum is required in furtherance of the purposes of this part. In addition to other circumstances under which the Commissioner may determine that a Federal share in excess of 80 per centum is required in furtherance of the purposes of this part, he may do so where (1) payment of the non-Federal share would result in a student receiving funds in excess of the limitation imposed by section 407, or (2) students are employed in (A) the work-study program of an eligible institution not less than 50 per centum of whose students are from low-income families, (B) the counseling or tutoring of the educationally disadvantaged, or (C) any project of community service with respect to which a limitation of the Federal share to 80 per centum would impose unusual hardship on the eligible institution or the public or nonprofit private organization for which such project is performed.

"EXPENSES OF ADMINISTRATION

"SEC. 415. (a) An institution which has entered into an agreement with the Commissioner under this part shall be entitled, for each academic year for which it receives an

allocation under section 403, to a payment in lieu of reimbursement for its expenses during such academic year in administering programs assisted under this part. The payment for an academic year (1) shall be payable from such allocation in accordance with regulations of the Commissioner and (2) shall be an amount equal to 3 per centum of the aggregate amount of work-study payments and payments under educational opportunity grants made by such institution during such year under this part, but not to exceed $125,000.

"(b) An agreement under this part may also include provisions authorizing the institution, to the extent and under terms and conditions prescribed by the Commissioner by or pursuant to regulation, to use, out of the sums allocated to it for the purposes of this part, a portion for its administrative expenses (which for this purpose may, among other expenses, include expenses of counseling and guidance, placement, and consulting services) in developing or carrying out a program, described in such agreement, to demonstrate or explore the feasibility or value of methods of cooperative education involving alternative periods of full-time academic study at the institution and periods of full-time public or private employment (whether or not afforded by an organization described in section 411 (a)) approved or arranged for by the institution under such program."

EFFECTIVE DATE

SEC. 404. The amendments made by sections 401, 402, and 403 shall be effective with respect to fiscal years beginning after June 30, 1971.

PART B—AMENDMENTS TO STUDENT LOAN INSURANCE PROGRAM

INTEREST TERMS TO BORROWERS ELIGIBLE FOR SUBSIDIZED LOANS; SECRETARY TO ESTABLISH MAXIMUM INTEREST RATES; POSITION OF ELIGIBLE LENDER STRENGTHENED; NEGOTIABILITY OF STUDENT OBLIGATIONS

SEC. 405. (a) (1) Subsection (a) of section 428 of the Higher Education Act of 1965 is amended to read as follows:

"SEC. 428. (a) (1) Each student who has received a loan, after June 30, 1971, which—

"(A) is insured by the Commissioner under this part,

"(B) is made under a State student loan program meeting criteria prescribed by the Commissioner under this part, or

"(C) is insured under a program of a State or of a nonprofit private institution or organization that has entered into an agreement with the Commissioner under subsection (b) or (c) of this section,

and with respect to which loan an interest subsidy is payable

pursuant to part A shall be entitled to have paid on his behalf and for his account to the holder of the loan (except where such holder is the Secretary), at such times and according to such terms and conditions as the Commissioner may prescribe, a portion of the interest on his loan determined under paragraph (2).

"(2) The portion of the interest on a loan which a student borrower is entitled to have paid on his behalf and for his account to the holder of the loan pursuant to paragraph (1) shall be an amount equal to—

"(A) the total amount of the interest on the unpaid principal amount of the loan which accrues prior to the beginning of the repayment period of the loan, or which accrues during a period in which no part of such principal need be paid (whether or not such principal is in fact paid) by reason of a provision described in section 428(b)(1)(L) or in section 427(a)(2)(C); and

"(B) the difference between the per annum rate of interest on the unpaid balance of such loan and three per centum per annum of such unpaid balance during the period (other than any portion of such period in which the total amount of the interest on the unpaid principal amount is payable by the Commissioner pursuant to clause (A)) beginning with the date upon which the

repayment period commences and ending ten years after such date, or at the conclusion of the repayment period, whichever is earlier.

"(3) Each holder of a loan insured or insurable by the Commissioner under section 427, or with respect to which payments of interest are required to be made by the Commissioner, shall submit to the Commissioner, at such times and in such manner as he may prescribe, statements containing such information as may be required by or pursuant to regulation for the purpose of enabling the Commissioner to determine the amount of the payment which he must make with respect to that loan. The holder of a loan with respect to which payments are required to be made under this subsection shall be deemed to have a contractual right, as against the United States, to receive from the Commissioner the portion of interest determined under paragraph (2).

"(4) No payment may be made under this section with respect to the interest on a loan made from a student fund established under title II of the National Defense Education Act of 1958."

(2) Paragraph (1) of subsection (c) of such section is amended to read as follows:

"(1) The Commissioner may enter into a guaranty agreement with any State or any nonprofit private institution or organization having a loan insurance program meeting the

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requirements of subsection (b), whereby the Commissioner shall undertake to reimburse it, under such terms and conditions as he may establish, in an amount equal to 80 per centum of the amount expended by it in discharge of its insurance obligation, incurred under such loan insurance program, with respect to losses (resulting from default of the student borrower) on the unpaid balance of the principal (other than interest added to principal) of any insured loan."

(b) Section 437 is amended to read as follows:

"SEC. 437. If a student borrower who has received a loan described in clause (A), (B), or (C) of section 428 (a) (1) (whether or not an interest subsidy is payable pursuant to part A of this title) dies or becomes permanently and totally disabled (as determined in accordance with regulations of the Commissioner), then the Commissioner shall discharge the borrower's liability on the loan by repaying the amount owed on the loan (except where such amount is owed to the Secretary)."

(c) (1) Subsection (b) of section 427 is amended to read:

"(b) For the purposes of clause (2) (D) of subsection (a), and clause (1) (E) of section 428 (b), the Secretary, after consultation with the Secretary of the Treasury and the National Student Loan Association, shall prescribe maximum rates of interest to facilitate the operation of this part which

shall be not less than a per annum rate equal to the average annual interest rate on all interest-bearing obligations of the United States forming a part of the public debt as computed at the end of the fiscal year preceding the fiscal year for which such rates are prescribed."

(2) Clause (2) (D) of section 427 (a) is amended by striking out "and defined by the Secretary (within the limits set forth in subsection (b)) on a national, regional, or other appropriate basis" and inserting in lieu thereof "by the Secretary pursuant to subsection (b)".

(3) Clause (1) (E) of section 428 (b) is amended to read:

"(E) authorizes interest on the unpaid balance of the loan at a yearly rate not in excess of the maximum rate of interest prescribed for such loan pursuant to section 427 (b) (exclusive of any premium for insurance which may be passed on to the borrower);".

(4) Clause (1) of section 428 (d) is amended by striking out "not in excess of 7 per centum per annum" and inserting in lieu thereof "not in excess of the rate prescribed by the Secretary pursuant to section 427 (b)".

(d) (1) Section 423 (a) is amended by inserting ", other than with respect to loans by eligible institutions," after "429".

(2) Subsection (d) of section 429 is amended to read as follows:

"(d) Subject to any terms, conditions, or limitations established by regulations of the Commissioner, the rights of an eligible lender arising under insurance evidenced by a certificate of insurance issued to it under this section, or the rights of any assignee thereof, may be assigned."

INCREASE AND OTHER ADJUSTMENTS IN LOAN CEILINGS

SEC. 406. (a) Section 425 is amended to read as follows:

"SEC. 425. (a) The total of the loans made to a student in any academic year or its equivalent (as determined under regulations of the Commissioner) which may be insured by the Commissioner under this part may not exceed an amount equal to $2,500 reduced by the total amount of loans to the student in such academic year which (1) are made to the student under a State student loan program meeting criteria prescribed by the Commissioner under this part, or (2) are insured under a program of a State or of a nonprofit private institution or organization which has entered into an agreement with the Commissioner under subsection (b) or (c) of section 428. A student may receive loans insured by the Commissioner for not in excess of a period equal to seven academic years reduced by the number of academic years in which the student has received a loan described in the preceding sen-

tence. If a student has a line of credit, only actual payments by the lender to the borrower during any year will be taken into account in determining the total insurable amount for such year.

"(b) Subject to the limitations of subsection (a)—

"(1) the maximum loan to any student insured by the Commissioner in any year with respect to which an interest subsidy is payable pursuant to part A shall be determined by the Secretary in accordance with such part; and

"(2) the maximum loan to any student insured by the Commissioner in any academic year, other than a loan described by clause (1), shall not exceed the reasonable and necessary expenses incurred by the student, in such academic year, in consequence of his attendance at an eligible institution; and the amount of such expenses shall be estimated by such eligible institution in accordance with regulations of the Commissioner.

A statement of the maximum loan determined by the Secretary under part A and the estimate of reasonable and necessary expenses, with respect to a student for any academic year, shall be furnished by the eligible institution to the student upon his request. No loan or portion thereof shall be insured by the Commissioner in excess of such maximum or estimate.

"(c) The insurance liability on any loan insured by the Commissioner under this part shall be 100 per centum of the unpaid balance of the principal amount of the loan. Such insurance liability shall not include liability for interest whether or not that interest has been added to the principal amount of the loan except as otherwise expressly provided herein."

(b) Section 428(b)(1) is amended (1) in clause (A) by striking out "$1,500" and inserting "$2,500" in lieu thereof, and by striking out all of that clause that follows "in excess of such annual limit;", (2) in clause (B) by striking out all of that clause that follows "students for" and inserting in lieu thereof "seven academic years of study or their equivalent (as determined under regulations of the Commissioner) reduced by the number of academic years in which the student has received a loan insured by the Commissioner under this part;", and (3) in clause (H) by striking out all of that clause that follows "any student" and inserting in lieu thereof "because of lack of need if an interest subsidy is payable pursuant to part A with regard to any loan to such student;".

DEFERRAL OF INTEREST AND PRINCIPAL PAYMENTS

SEC. 407. (a)(1) Clauses (E), (F), and (G) of section 427(a)(2) are redesignated clauses (F), (G), and

(H), respectively, and there is inserted after clause (D) the following new clause:

"(E) authorizes the student borrower, if agreed to by the lender, to defer the payment of periodic installments of principal and interest during any period or periods (not in excess of an aggregate of five years) as the student may, during the repayment period, from time to time specify in advance by written notice to the lender, which deferred interest shall accrue and be added to principal on the date that payment of principal and interest is to resume, and shall thereby increase the insurance liability under this part in the amount of such accrued interest,".

(2) Clause (D) of section 427(a)(2) is amended by striking out so much of that clause as follows "payable in installments" and inserting in lieu thereof "over a period beginning on the date upon which repayment of the first installment of principal falls due and ending on the date upon which repayment of the last installment of principal falls due, and interest accruing but not payable prior to the date upon which repayment of the first installment of principal falls due shall be added to principal and shall thereby increase the insurance liability under this part in the amount of such accrued interest,".

(3) Clause (C) of section 427(a)(2) is amended by striking out "need not be paid, but interest shall accrue and be paid" and inserting in lieu thereof "and interest need not be paid, but interest shall accrue and be added to principal, and shall thereby increase the insurance liability under this part in the amount of such accrued interest".

(b)(1) Paragraph (1) of section 428(b) is amended (A) by striking out "and" at the end of clause (J) thereof, (B) by striking out the period at the end of clause (K) and inserting "; and" in lieu thereof, and (C) by adding at the end of such paragraph the following new clauses:

"(L) provides that periodic installments of principal and interest need not be paid, but interest shall accrue and be added to principal, and is thereby insured under such program, during any period (i) during which the borrower is pursuing a full-time course of study at an eligible institution, (ii) not in excess of three years during which the borrower is a member of the Armed Forces of the United States, (iii) not in excess of three years during which the borrower is in service as a volunteer under the Peace Corps Act, or (iv) not in excess of three years during which the borrower is in service as a full-time volunteer under title VIII of the Economic Opportunity Act of 1964."

(2) Subsection (e) of section 428 is amended to read as follows:

"(e) The Commissioner shall encourage the inclusion, in any State or nonprofit private student loan insurance program meeting the requirements of subsection (b), of provisions authorizing the student borrower, if agreed to by the lender, to defer the payment of periodic installments of principal and interest during any period or periods (not in excess of an aggregate of five years) as the student may, during the repayment period, from time to time specify in advance by written notice to the lender, which deferred interest shall accrue and be added to principal on the date that payment of principal and interest is to resume, and shall thereby increase the insurance liability of such programs, and the Federal guaranty applicable to such program."

EXTENSION OF PERMISSIBLE REPAYMENT PERIOD

SEC. 408. (a) (1) Clause (B) of section 427(a)(2) is amended to read as follows:

"(B) provides for repayment (except as provided in subsection (c)) of the principal amount of the loan in installments over a period of not less than five years (unless sooner repaid) nor more than twenty years beginning nine months after the date on which the student ceases to carry at an eligible institution at least one-half the normal full-time academic workload as de-

termined by the institution, except that in the computation of such periods there shall be excluded periods in which interest or principal is not paid pursuant to clause (C) or clause (E), and except, also, that the note or other written agreement evidencing it may contain such provisions relating to repayment in the event of default in the payment of interest or in the payment of the cost of insurance premiums, or other default of the borrower, as may be authorized by regulations of the Commissioner in effect at the time the loan is made,".

(2) Clause (C) of such section is amended by striking out all that follows "1964" and inserting a comma in lieu thereof.

(b) (1) Clause (D) of section 428(b)(1) is amended to read as follows:

"(D) provides for repayment (except as provided by subsection (e)) of the principal amounts of loans in installments over a period of not less than five years (unless sooner repaid) nor more than twenty years beginning nine months after the date on which the student ceases to carry at an eligible institution at least one-half the normal full-time academic workload as determined by the institution, except that in the computation of such periods there shall be excluded periods in which interest or principal is not paid pursuant to clause

(L) of this paragraph or subsection (e), and except, also, that the note or other written agreement evidencing it may contain such provisions relating to repayment in the event of default in the payment of interest or in the payment of the cost of insurance premiums, or other default of the borrower, as may be authorized by regulations of the Commissioner in effect at the time the loan is made;".

(2) Section 428(b)(1)(C) is amended by striking out clause (ii) thereof, and redesignating clause (iii) as clause (ii).

EXTENSION OF PROGRAM AND REPEAL OF PREVIOUS FEDERAL LOAN INSURANCE CEILING

SEC. 409. Section 424 is amended to read as follows:

"SEC. 424. Except as provided in the next sentence, Federal loan insurance pursuant to this part may be granted only for loans made (or for loan installments paid pursuant to lines of credit) to students prior to July 1, 1976. Thereafter, such insurance may be granted for the purpose of enabling students who have obtained prior loans insured under this part to continue or complete their educational programs; but no insurance may be granted for any loan made or installment paid after June 30, 1980."

REPEAL OF CANCELLATION OF NATIONAL DEFENSE STUDENT LOANS

SEC. 410. Subparagraph (3) of section 205 (b) of the National Defense Education Act of 1958 is repealed.

ELIGIBILITY FOR NATIONAL DEFENSE STUDENT LOANS

SEC. 411. Subsection (b) of section 205 of the National Defense Education Act of 1958 is amended by inserting after "course of study" the following: ", and to such priorities in the lending of such funds as the Secretary may from time to time establish pursuant to title IV of the Higher Education Act of 1965".

AUTHORITY TO MAINTAIN STUDENT LOAN FUNDS

SEC. 412. (a) Section 206 of the National Defense Education Act of 1958 is amended by striking out "1975" wherever it appears and inserting in lieu thereof "1980".

EFFECTIVE DATE APPLICABLE TO SECTIONS 405 THROUGH 411

SEC. 413. Sections 405 through 411 of this Act shall be effective with respect to loans made or disbursed to students after June 30, 1971.

PART B—ESTABLISHMENT OF NATIONAL STUDENT LOAN ASSOCIATION

SEC. 420. Part D of title IV of the Higher Education Act of 1965 is amended to read as follows:

"PART D—NATIONAL STUDENT LOAN ASSOCIATION

"DECLARATION OF PURPOSE

"SEC. 441. It is the purpose of this part to establish a private corporation financed by private capital to serve as a secondary market for student loans insured under part C and to provide liquidity for those who make such loans.

"CREATION OF AGENCY

"SEC. 442. (a) There is hereby created a body corporate to be known as the National Student Loan Association (hereinafter in this part referred to as the 'Association'). The Association shall have succession until dissolved by Act of Congress. It shall maintain its principal office in the District of Columbia and shall be deemed, for purposes of venue and civil actions, to be a resident thereof. Offices may be established by the Association in such other place or places as it deems necessary or appropriate for the conduct of its business.

"(b) The Association, including its franchise, capital, reserves, surplus, mortgages, or other security holdings, and income shall be exempt from all taxation now or hereafter imposed by any State, territory, possession, Commonwealth, or dependency of the United States, or by the District of Columbia, or by any county, municipality, or local taxing authority, except that any real property of the Association shall be subject to State, territorial, county, municipal, or

local taxation to the same extent according to its value as other real property is taxed.

"BOARD OF DIRECTORS

"SEC. 443. (a) The Association shall have a Board of Directors consisting of twenty-one persons.

"(b) An interim Board of Directors shall be appointed by the President, one of whom he shall designate as interim Chairman. The interim Board shall consist of twenty-one members, seven of whom shall be representative of eligible lenders under part C other than eligible institutions, seven of eligible institutions (as defined in section 435(a)), and seven of the general public. The interim Board shall arrange for an initial offering of common stock and take whatever other actions are necessary to proceed with the operations of the Association.

"(c) When, in the judgment of the President, sufficient common stock of the Association has been purchased by eligible institutions and banks or other financial institutions, the holders of such stock which are eligible institutions shall elect seven members of the Board of Directors and the holders of such stock which are banks or other financial institutions shall elect seven members of the Board of Directors. The President shall appoint the remaining seven members. The members so elected and appointed shall elect a chairman. The elections referred to in this subsection shall be

carried out in such manner as the interim Board may prescribe.

"(d) The interim Board shall thereafter turn over the affairs of the Association to the regular Board so chosen or appointed.

"(e) The Directors appointed by the President shall serve at the pleasure of the President and until their successors have been appointed and have qualified. The remaining Directors shall each be elected for a term ending on the date of the next annual meeting of the common stockbrokers of the Association, and until their successors have been elected. Any appointive seat on the Board which becomes vacant shall be filled by appointment of the President. Any elective seat on the Board which becomes vacant after the annual election of the Directors shall be filled by the Board, but only for the unexpired portion of the term.

"(f) The Board of Directors shall meet at the call of its Chairman. The Board shall determine the general policies which will govern the operations of the Association. The Chairman of the Board shall, with the approval of the Board, select, appoint, and compensate qualified persons to fill the offices provided for in the bylaws, with such executive functions, powers, and duties as may be prescribed by the bylaws or by the Board of Directors, and such persons shall be the

executive officers of the Association and shall discharge all such executive functions, powers, and duties.

"FUNCTIONS

"SEC. 444. (a) Subject to the provisions of this part and the approval of the Secretary, the Association is authorized to make advances on the security of, or to purchase, service, sell, or otherwise deal in, student loans which are insured under part C.

"(b) Any advance made under subsection (a) of this section shall not exceed 80 per centum of the face amount of the insured loans upon the security of which such advance is made. The proceeds from any advance shall be invested in additional insured student loans.

"COMMON STOCK

"SEC. 445. (a) The Association shall have common stock having a par value of $100 per share.

"(b) Each share of common stock shall be entitled to one vote with rights of cumulative voting at all elections of directors. Voting shall be by classes as described in section 443 (c).

"(c) The common stock of the Association shall be transferable, as to the Association, only on the books of the Association. The Secretary shall prescribe the maximum number of shares of common stock the Association may issue and have outstanding at any one time. Shares of such stock

which are outstanding may be called for retirement at par at the option of the Association at any time.

"(d) To the extent that net income is earned and realized, dividends may be declared on common stock by the Board of Directors. Such dividends shall be paid to the holders of outstanding shares of common stock, except that no such dividend shall be payable with respect to any share which has been called for redemption past the effective date of such call.

"OBLIGATIONS

"SEC. 446. (a) The Association is authorized with the approval of the Secretary of the Treasury to issue and have outstanding obligations having maturities and bearing such rate or rates of interest as may be determined by the Association with the approval of the Secretary of the Treasury. Such obligations may be redeemable at the option of the Association before maturity in such manner as may be stipulated therein.

"(b) The Secretary is authorized to guarantee payment when due of principal and interest on obligations issued by the Association in an aggregate amount determined by the Secretary in consultation with the Secretary of the Treasury.

"(c) To enable the Secretary to discharge his responsibilities under guarantees issued by him, he is authorized to issue to the Secretary of the Treasury notes or other

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obligations in such forms and denominations, bearing such maturities, and subject to such terms and conditions, as may be prescribed by the Secretary with the approval of the Secretary of the Treasury. Such notes or other obligations shall bear interest at a rate determined by the Secretary of the Treasury, taking into consideration the current average market yield on outstanding marketable obligations of the United States of comparable maturities during the month preceding the issuance of the notes or other obligations. The Secretary of the Treasury is authorized and directed to purchase any notes and other obligations issued hereunder and for that purpose he is authorized to use as a public debt transaction the proceeds from the sale of any securities issued under the Second Liberty Bond Act, as amended, and the purposes for which securities may be issued under that Act, as amended, are extended to include any purchase of such notes and obligations. The Secretary of the Treasury may at any time sell any of the notes or other obligations acquired by him under this subsection. All redemptions, purchases, and sales by the Secretary of the Treasury of such notes or other obligations shall be treated as public debt transactions of the United States. There are authorized to be appropriated to the Secretary such sums as may be necessary to pay the principal and interest on the notes or obligations issued by him to the Secretary of the Treasury.

"GENERAL AUTHORITY

"SEC. 447. The Association shall have authority—

"(a) to sue and be sued, complain and defend, in its corporate name and through its own counsel;

"(b) to adopt, alter, and use a corporate seal, which shall be judicially noticed;

"(c) to adopt, amend, and repeal by its board of directors such bylaws, rules, and regulations as may be necessary for the conduct of its business;

"(d) to conduct its business, carry on its operations, and have offices and exercise the authority granted by this part in any State without regard to any qualification or similar statute in any State;

"(e) to lease, purchase, or otherwise acquire, own, hold, improve, use, or otherwise deal in and with any property, real, personal, or mixed, or any interest therein, wherever situated;

"(f) to accept gifts or donations of services, or of property, real, personal, or mixed, tangible or intangible, in aid of any of the purposes of the Association;

"(g) to sell, convey, mortgage, pledge, lease, exchange, and otherwise dispose of its property and assets;

"(h) to appoint such officers, attorneys, employees, and agents as may be required, to determine their qualifications, to define their duties, to fix their salaries, to

require bonds for them and fix the penalty thereof; and

"(i) to enter into contracts, to execute instruments, to incur liabilities, and to do all things necessary or incidental to the proper management of its affairs and the proper conduct of its business.

"AUDIT

"SEC. 448. The accounts of the Association shall be audited at least annually. Such audits shall be conducted in accordance with generally accepted auditing standards by independent certified public accountants or by independent licensed public accountants, licensed on or before December 31, 1970, who are certified or licensed by a regulatory authority of a State or other political subdivision of the United States, except that independent public accountants licensed to practice by such regulatory authority after December 31, 1970, and persons who, although not so certified or licensed, meet, in the opinion of the Secretary, standards of education and experience representative of the highest standards prescribed by the licensing authorities of the several States which provide for the continuing licensing of public accountants and which are prescribed by the Secretary in appropriate regulations may perform such audits until December 31, 1975. A report of each such audit shall be furnished to the Secretary and to the Secretary of the Treasury.

"OBLIGATIONS AS LAWFUL INVESTMENTS,

ACCEPTANCE AS SECURITY

"SEC. 449. All obligations issued by the Association shall be lawful investments, and may be accepted as security for all fiduciary, trust, and public funds, the investment or deposit of which shall be under authority or control of the United States or of any officer or officers thereof. All stock and obligations issued by the Association pursuant to this part shall be deemed to be exempt securities within the meaning of laws administered by the Securities and Exchange Commission, to the same extent as securities which are direct obligations of or obligations guaranteed as to principal or interest by the United States. The Association shall, for the purposes of section 14 (b) (2) of the Federal Reserve Act, be deemed to be an agency of the United States.

"PREPARATION OF OBLIGATIONS

"SEC. 450. In order to furnish obligations for delivery by the Association, the Secretary of the Treasury is authorized to prepare such obligations in such form as the Board of Directors may approve, such obligations when prepared to be held in the Treasury subject to delivery upon order by the Association. The engraved plates, dies, bed pieces, and other material executed in connection therewith shall remain in the custody of the Secretary of the Treasury.

The Association shall reimburse the Secretary of the Treasury for any expenditures made in the preparation, custody, and delivery of such obligations.

"ANNUAL REPORT

"SEC. 451. The Association shall, as soon as practicable after the end of each fiscal year, transmit to the President and the Congress a report of its operations and activities during each year, including a report of the audit conducted under section 448.

"SEPARABILITY

"SEC. 452. If any provision of this part or the application thereof to any person or circumstance is held invalid, the validity of the remainder of the part, and the application of such provisions to other persons or circumstances, shall not be affected.

"INTERIM FINANCING ARRANGEMENT FOR STUDENT LOANS

"SEC. 453. (a) Any eligible institution (as defined in section 408) which, subsequent to enactment of this part, makes a loan on which a subsidy is payable under section 428(a), may offer that loan for sale to the Secretary, and, until such time as the Association, in the Secretary's judgment, is able to purchase student loans insured under part C, the Secretary is authorized and directed to purchase any such loan at a price equal to 100 per centum of the unpaid prin-

cipal thereof and interest thereon at the time of purchase.

"(b) Upon application to him by an eligible institution indicating that such institution is, in the Secretary's judgment, in need of funds with which to make loans on which subsidies are payable under section 428(a), the Secretary shall make an advance of funds to such institution against the future purchase by him of such loans.

"(c) The Secretary may enter into an agreement with any eligible institution from which he has purchased one or more loans pursuant to subsection (a) under which agreement such institution (A) will undertake to perform administrative functions with respect to any loan purchased from it by the Secretary and (B) be reimbursed the cost thereof.

"AUTHORIZATION OF APPROPRIATIONS

"SEC. 454. There are authorized to be appropriated such sums as may be necessary to carry out the preceding section.

"TERMINATION OF INTERIM FINANCING ARRANGEMENT

"SEC. 455. At such time as the Association is able to purchase student loans insured under part C, such Association shall purchase from the Secretary student loans which he has acquired under section 453(a). Such loans shall be purchased by such Association upon such terms and conditions as the Board of Directors shall determine. Such Association shall not deal in any other student loans until it has

first purchased from the Secretary all loans which he has so acquired.

"PURCHASE OF OBLIGATIONS BY TREASURY

"SEC. 456. The Secretary of the Treasury is authorized to purchase, in his discretion and upon such terms and conditions as he determines, any obligations issued by the Association under section 446(a), and for such purpose he is authorized to use as a public debt transaction the proceeds from the sale of any securities issued under the Second Liberty Bond Act, and the purposes for which securities may be issued under such Act are extended to include such purchases. The aggregate principal amount of the Secretary of the Treasury's outstanding holdings of such obligations may not exceed at any time an amount greater than $250,000,000. The Secretary of the Treasury may sell, upon such terms and conditions as he determines, any of the obligations acquired by him under this section. All redemptions, purchases, and sales by the Secretary of the Treasury of such obligations under this section shall be treated as public debt transactions of the United States."

AMENDMENTS RELATING TO FINANCIAL INSTITUTIONS

SEC. 421. (a) The sixth sentence of the seventh paragraph of section 5136 of the Revised Statutes, as amended (12 U.S.C. 24), is amended by inserting "or obligations

of the National Student Loan Association," immediately after "or obligations, participation, or other instruments of or issued by the Federal National Mortgage Association or the Government National Mortgage Association,".

(b) Section 5200 of the Revised Statutes, as amended (12 U.S.C. 84), is amended by adding at the end thereof the following new paragraph:

"(14) Obligations of the National Student Loan Association shall not be subject to any limitation based upon such capital and surplus."

(c) The first paragraph of section 5(c) of the Home Owners' Loan Act of 1933, as amended (12 U.S.C. 1464 (c)), is amended by inserting "or in obligations of the National Student Loan Association;" in the second proviso immediately after "any political subdivision thereof."

(d) Clause (E) of paragraph (8) of section 8 of the Federal Credit Union Act (12 U.S.C. 1757(8)(E)) is amended by inserting "or the National Student Loan Association" immediately following "Government National Mortgage Association".

INAPPLICABILITY OF TRUTH IN LENDING ACT

SEC. 422. Section 104 of the Truth in Lending Act (15 U.S.C. 1603) is amended by adding the following new paragraph at the end thereof:

"(5) Loans under title II of the National Defense Education Act of 1958 or loans to which title IV of the Higher Education Act of 1965 is applicable".

EFFECTIVE DATE

SEC. 423. The amendments made by sections 420, 421, and 422 shall be effective with respect to fiscal years beginning after June 30, 1971.

PART C—CONSOLIDATION OF SPECIAL SERVICES PROGRAMS

SEC. 430. Title IV of the Higher Education Act is further amended by inserting after part D the following new part:

"PART E—IDENTIFYING QUALIFIED LOW-INCOME STUDENTS; PREPARING THEM FOR POSTSECONDARY EDUCATION; SPECIAL SERVICES FOR SUCH STUDENTS IN INSTITUTIONS OF HIGHER EDUCATION

"SEC. 461. (a) To assist in achieving the objectives of this part the Commissioner is authorized, without regard to section 3709 of the Revised Statutes (41 U.S.C. 5), to make grants to, or contracts with, institutions of higher education, including institutions with vocational and career education programs, combinations of such institutions, public and private agencies and organizations (including professional and scholarly associations), and in exceptional cases secondary schools and secondary vocational schools, for plan-

ning, developing, or carrying out within the States one or more of the services described in subsection (c), except that no grant may be made to an agency, organization, institution, or school other than a public or nonprofit private one.

"(b) Such services shall be designed to enable youths from low-income backgrounds who have academic potential (but may lack adequate secondary school preparation or be physically handicapped) to enter, continue, or resume a program of postsecondary education.

"(c) Such services are—

"(1) publicizing existing forms of student financial aid;

"(2) identifying youths described in subsection (b) and encouraging them to complete secondary school and to undertake postsecondary education;

"(3) encouraging youths described in subsection (b) who have dropped out of secondary school or college to reenter educational programs, including programs of postsecondary education;

"(4) generating skills and motivation necessary for success in education beyond high school;

"(5) providing counseling, tutorial, or other educational services, including special summer programs, to remedy academic deficiencies;

"(6) providing career guidance, placement, or other student personnel services (including health services);

"(7) identifying, encouraging, and counseling students with a view to their undertaking a program of graduate or professional education; and

"(8) providing other special or supplemental services necessary to achieve the purposes set forth in subsection (b).

"(d) Enrollees who are participating on an essentially full-time basis in one or more services being provided under subsection (c) may be paid stipends, but not in excess of $30 per month except in exceptional cases as determined by the Commissioner.

"(e) There are authorized to be appropriated to carry out this part such sums as may be necessary for the fiscal year ending June 30, 1972, and each of the next four fiscal years."

EFFECTIVE DATE

SEC. 431. The amendments made by section 430 shall be effective with respect to fiscal years beginning after June 30, 1971.

TITLE V—AMENDMENTS TO TITLE V OF HIGHER EDUCATION ACT (EDUCATION PROFESSIONS DEVELOPMENT ACT)

PART A—AMENDMENTS TO PART A OF TITLE V

EXTENSION OF NATIONAL ADVISORY COUNCIL ON EDUCATION PROFESSIONS DEVELOPMENT AND PROGRAM FOR ATTRACTING QUALIFIED PERSONNEL TO THE FIELD OF EDUCATION

SEC. 501. (a) Section 502 (f) of title V of the Higher Education Act of 1965 (the Education Professions Development Act) is amended by striking out "three" and inserting in lieu thereof "eight".

(b) Section 504 (b) of such title is amended by striking out "and" before "the sum of $5,000,000" and inserting the following after "July 1, 1971": ", and such sums as may be necessary for each of the next five fiscal years".

PART B—AMENDMENTS TO SUBPART 1 OF PART B (TEACHER CORPS)

EXTENSION OF PROGRAM

SEC. 510. Section 511 (b) of the Higher Education Act of 1965 is amended (1) by striking out "and" before "$10,000,000", and inserting the following after "July 1, 1971": ", and such sums as may be necessary for each of the next five fiscal years".

PART C—AMENDMENTS TO SUBPART 2 OF PART B

EXTENSION OF PROGRAM

SEC. 520. Section 518 (b) of the Higher Education Act of 1965 is amended by striking out "and" before "$65,000,000" and by inserting ", and such sums as may be necessary for each of the next five fiscal years" immediately after "July 1, 1971".

RETRAINING OF TEACHERS AND EMPLOYMENT OF TUTORS AND INSTRUCTIONAL ASSISTANTS

SEC. 521. Section 518 (a) of such Act is amended by striking out "and" before "(2)" and by adding the following before the period: ", (3) to employ high school and college students as tutors or instructional assistants for educationally disadvantaged children, (4) to compensate such tutors and instructional assistants at such rates as the Commissioner may determine to be consistent with prevailing practices under comparable federally supported work-study programs, and (5) to provide necessary training to teachers to enable them to teach other grades or other subjects in which such agencies have a teacher shortage".

REDUCING MINIMUM ALLOTMENT

SEC. 522. Section 519 (a) of such Act is amended by striking out "$100,000" and inserting in lieu thereof "$50,000".

CONFORMING AMENDMENTS AND INCREASE IN AMOUNT AVAILABLE FOR ADMINISTRATION

SEC. 523 (a) Section 520 (a) (2) is amended (A) by striking out "and (C)" and inserting in lieu thereof "(C) programs of such agencies to employ high school and college students as tutors or instructional assistants for educationally disadvantaged children, (D) programs of such agencies to compensate such tutors and instructional assistants at such rates as the Commissioner may determine to be consistent with prevailing practices under comparable federally supported work-study programs, (E) programs of such agencies to provide necessary training to teachers to enable them to teach other grades or other subjects in which such agencies have a teacher shortage, and (F)", (B) by striking out "3" and inserting in lieu thereof "5", and (C) by inserting before the semicolon: "or, $20,000, whichever is greater".

(b) Section 520 (a) (3) is amended by inserting "or for the retraining of teachers" immediately before the semicolon at the end thereof.

ELIMINATING CEILING ON AMOUNT FOR AIDES

SEC. 524. Section 520 (a) of such Act is further amended by striking out paragraph (5) and designating paragraphs (6), (7), (8), and (9) as paragraphs (5), (6), (7), and (8), respectively, and by inserting in paragraph (5), as so

redesignated, "is teaching, or" immediately after "because he".

PART D—AMENDMENTS TO PART D—IMPROVING TRAINING OPPORTUNITIES FOR NON-HIGHER EDUCATION PERSONNEL

EXTENSION OF PROGRAM

SEC. 530. Section 532 of the Higher Education Act of 1965 is amended by striking out "and" before "the sum of $90,000,000" and inserting the following after "July 1, 1971": ", and such sums as may be necessary for each of the next five fiscal years".

SUPPORT OF TUTORS AND INSTRUCTIONAL ASSISTANTS

SEC. 531. Section 531(b) of such Act is amended by changing the period at the end thereof to a semicolon and by adding the following new paragraph:

"(11) programs or projects to employ tutors or instructional assistants in preschool, elementary, and secondary school classes, especially for educationally disadvantaged children."

SEC. 532. Section 531(c) of such Act is amended by striking out "or" at the end of paragraph (1), by striking out the period at the end of paragraph (2) and inserting "; or" in lieu thereof, and by adding the following new paragraph:

"(3) compensating tutors and instructional assistants at such rates as the Commissioner may determine

to be consistent with the prevailing practices under comparable federally supported work-study programs."

DEVELOPING AND STRENGTHENING PROGRAMS FOR THE EDUCATION OF TEACHERS AND RELATED EDUCATIONAL PERSONNEL

SEC. 533. Section 531 (b) of such Act is further amended by changing the period at the end thereof to a semicolon, by adding "and" at the end of paragraph 11, and by adding the following new paragraph:

"(12) programs or projects (including cooperative arrangements or consortia between institutions of higher education, junior and community colleges, or between such institutions and State or local educational agencies and nonprofit education associations) for the development, expansion, or improvement of undergraduate programs for preparing educational personnel, including design, development, and evaluation of exemplary undergraduate training programs, introduction of high quality and more effective curricula and curricular materials, and the provision of increased opportunities for practicum teaching experience for prospective teachers in elementary and secondary schools."

SEC. 534. Section 531 (c) of such Act, as amended by section 532 of this Act, is further amended by striking out the "or" at the end of paragraph (2) and the period at the

end of paragraph (3), by inserting a semicolon and "or" at the end of paragraph (3), and by adding the following new paragraph:

"(4) projects or programs to develop, expand, or improve undergraduate and other programs for training educational personnel."

APPLICATION OF PART D TO INDIAN SCHOOLS

SEC. 535. Section 532 of the Higher Education Act of 1965 is amended by inserting "(a)" after "SEC. 532." and by inserting at the end thereof the following new subsection:

"(b) From the sums appropriated pursuant to subsection (a), the Commissioner may also make payments to the Secretary of the Interior to carry out the policy of this part with respect to persons preparing to serve as teachers of individuals on reservations serviced by elementary and secondary schools for Indian children operated or supported by the Department of Interior. The terms upon which payments for that purpose may be made to the Secretary of the Interior shall be determined pursuant to such criteria as the Commissioner determines will best carry out the policy of this part."

PART E—CONSOLIDATION OF TITLE IV OF THE NATIONAL DEFENSE EDUCATION ACT OF 1958 WITH PART E OF TITLE V OF THE HIGHER EDUCATION ACT OF 1965 (EDUCATION PROFESSIONS DEVELOPMENT ACT)

EXTENSION OF PROGRAM

SEC. 540. Section 543 of the Higher Education Act of 1965 is amended by striking out "and" before "the sum of $36,000,000" and inserting the following after "July 1, 1971": ", and such sums as may be necessary for each of the next five fiscal years".

BROADENING CLASS OF INSTITUTIONS FOR WHICH PERSONNEL MAY BE TRAINED

SEC. 541. (a) Section 541 (a) of such Act is amended by striking out "institutions of higher education" as it appears immediately before the period and inserting in lieu thereof "postsecondary institutions".

(b) Section 541 (b) of such Act is amended by striking out "fellowships which are eligible for support under title IV of the National Defense Education Act of 1958, or for".

(c) Section 541 (c) is amended by striking out "institutions of higher education" and inserting in lieu thereof "postsecondary institutions".

PROVISION FOR INSTITUTIONAL ALLOWANCE

SEC. 542. Section 542 is amended by striking out "SEC. 542." and inserting in lieu thereof "SEC. 542. (a)" and by adding at the end thereof the following new subsection:

"(b) Any arrangement with an institution of higher education under this part that authorizes the payment of stipends pursuant to subsection (a) of this section shall also provide that the Commissioner shall pay to such institution such amount as he may determine to be consistent with prevailing practices under comparable federally supported programs, except that such amount shall not exceed $3,500 per academic year for each person receiving a stipend pursuant to the arrangement."

SAVINGS PROVISIONS

SEC. 543. Effective July 1, 1971, title IV of the National Defense Education Act of 1958 is repealed, except that in the case of any individual who was awarded a fellowship pursuant to such title for which payments for the first academic year of such fellowship were made or to be made from appropriations for any fiscal year ending before July 1, 1971, payments with respect to such fellowships shall continue to be made for periods after June 30, 1971, from appropriations under part E of title V of the Higher Education Act of 1965, but under the same terms and

conditions and for the same period of time as though such title IV had not been repealed.

PART F—AMENDMENT TO PART F—TRAINING AND DEVELOPMENT OF VOCATIONAL EDUCATION PERSONNEL

EXTENSION OF PROGRAM

SEC. 550. Section 555 of the Higher Education Act of 1965 is amended by striking out "and" before "the sum of $35,000,000" and inserting the following after "June 30, 1970": ", and such sums as may be necessary for each of the next six fiscal years".

EFFECTIVE DATE

SEC. 551. Except as otherwise expressly provided, the amendments made by this title shall be effective with respect to fiscal years beginning after June 30, 1971.

TITLE VI—REPEAL OF TITLES VI, VIII, IX, X, AND XI OF THE HIGHER EDUCATION ACT

SEC. 601. Title VI of the Higher Education Act of 1965, pertaining to improvement of undergraduate instruction, title VIII of such Act, pertaining to networks for knowledge, title IX of such Act, pertaining to education for the public service, title X of such Act, pertaining to improvement of graduate programs, and title XI of such Act, pertaining to law school clinical experience programs, are effective July 1, 1971, repealed.

TITLE VII—AMENDMENTS TO GENERAL PROVISIONS

SEC. 701. (a) Title XII and sections 1201 through 1210 of the Higher Education Act of 1965, and all references thereto, are redesignated as title VIII and sections 801 through 810 of such Act, respectively.

(b) Title VIII of such Act, as redesignated by this Act, is amended by inserting at the end thereof the following new section:

"UNIFORM APPLICATION REQUIREMENTS

"SEC. 811. Any application for assistance under titles II, III, or V submitted to the Commissioner by an institution of higher education or other eligible applicant shall not be approved unless it contains assurances satisfactory to the Commissioner that—

"(1) Federal funds made available under such title for any fiscal year will be so used as to supplement, and to the extent practical, increase the fiscal effort that would, in the absence of such Federal funds, be made by the applicant for purposes which meet the requirements of such title, and in no case supplant such effort;

"(2) such fiscal control and fund accounting procedures have been adopted as may be necessary to assure proper disbursement of and accounting for Federal funds paid under such title;

"(3) procedures have been adopted (A) for the periodic evaluation of the effectiveness of the programs to be supported under such title, and (B) for appropriate dissemination of the results of such evaluation; and

"(4) the applicant (A) will make such reports, in such form and containing such information, as the Commissioner may reasonably require to carry out his functions under such title and to determine the extent to which funds provided under that title have been effective in carrying out its purposes (including reports of evaluations), and (B) will keep such records and afford such access thereto as the Commissioner may find necessary to assure the correctness and verification of such reports."

EFFECTIVE DATE

SEC. 702. The amendments made by section 701 shall be effective July 1, 1971.

TITLE VIII—AMENDMENTS TO HIGHER EDUCATION FACILITIES ACT

EXTENSION OF PROGRAM

SEC. 801. (a) The first sentence of section 101 (b) of the Higher Education Facilities Act of 1963 is amended by striking out "and" before "$936,000,000" and by inserting ", and such sums as may be necessary for each of the next two fiscal years" immediately before the period.

(b) Section 105 (b) of such Act is amended by striking out "four" and inserting in lieu thereof "six".

(c) The second sentence of section 201 of such Act is amended by striking out "and" before "the sum of $120,000,000" and by inserting ", and such sums as may be necessary for each of the next two fiscal years" immediately before the period.

(d) The second sentence of section 303 (c) of such Act is amended by striking out "and" before "the sum of $400,000,000" and by inserting ", and such sums as may be necessary for each of the next two fiscal years" immediately before the period.

(e) Section 306 (c) of such Act is amended by inserting "and on July 1 of each of the next two years" immediately after "July 1, 1970".

(f) Section 408 (a) of such Act is amended by striking out "July 1, 1971" and inserting in lieu thereof "July 1, 1973".

NEW PROGRAM OF INSURED LOANS FOR CONSTRUCTION OF NONPROFIT PRIVATE ACADEMIC FACILITIES

SEC. 802. Title III of the Higher Education Facilities Act of 1963 is amended by inserting immediately after section 306 the following:

"ACADEMIC FACILITIES LOAN INSURANCE

"SEC. 307. (a) In order to assist nonprofit private institutions of higher education and nonprofit private higher education building agencies to procure loans for the construction of academic facilities, the Commissioner may insure the payment of interest and principal on such loans if such institutions and agencies meet, with respect to such loans, criteria prescribed by or under section 306 for the making of annual interest grants under such section.

"(b) No loan insurance under subsection (a) may apply to so much of the principal amount of any loan as exceeds 90 per centum of the development cost of the academic facility with respect to which such loan was made.

"RIGHT OF RECOVERY AND INCONTESTABLE NATURE OF INSURANCE

"SEC. 308. (a) The United States shall be entitled to recover from any institution or agency to which loan insurance has been issued under section 307 the amount of any payment made pursuant to that insurance, unless the Commissioner for good cause waives its right of recovery. Upon making any such payment, the United States shall be subrogated to all of the rights of the recipient of the payment with respect to which the payment was made.

"(b) Any insurance issued by the Commissioner pursuant to section 307 shall be incontestable in the hands of the institution or agency on whose behalf such insurance is issued, and as to any agency, organization, or individual who makes or contracts to make a loan to such institution or agency in reliance thereon, except for fraud or misrepresentation on the part of such institution or agency or on the part of the agency, organization, or individual who makes or contracts to make such loan.

"CONDITIONS

"SEC. 309. Insurance may be issued by the Commissioner under section 307 only if he determines that the terms, conditions, maturity, security (if any), and schedule and amounts of repayments with respect to the loan are sufficient to protect the financial interests of the United States and are otherwise reasonable and in accord with regulations, including a determination that the rate of interest does not exceed such per centum per annum on the principal obligation outstanding as the Commissioner determines to be reasonable, taking into account the range of interest rates prevailing in the private market for similar loans and the risks assumed by the United States. The Commissioner may charge a premium for such insurance in an amount reasonably determined by him to be necessary to cover administrative expenses and probable losses under sections 307 and 308.

Such insurance shall be subject to such further terms and conditions as the Commissioner determines to be necessary."

MAKING REVOLVING LOAN FUND AVAILABLE FOR LOAN INSURANCE

SEC. 803. (a) Section 305 of such Act is amended—

(1) by striking out the heading therefor and inserting "Revolving Loan and Insurance Fund" in lieu thereof;

(2) by inserting "and loan insurance" immediately after "academic facilities loans" in the first sentence thereof; and

(3) by inserting "or loan insurance" immediately following "any loans" in the second sentence thereof.

(b) Section 303 (c) of such Act is amended—

(1) by inserting "and may insure loans" immediately after "academic facilities" in the first sentence thereof;

(2) by inserting "and for issuing such insurance" immediately after "such loans" in the third sentence thereof; and

(3) by inserting "and for insurance" immediately after "for loans" in the last sentence thereof.

EFFECTIVE DATE

SEC. 804. The amendments made by sections 801 and 802 shall be effective July 1, 1971, and the amendments

made by section 803 shall be effective as if enacted on the date of enactment of section 305 of such Higher Education Facilities Act.

TITLE IX—EXTENSION OF PROGRAM UNDER TITLE VI OF NATIONAL DEFENSE EDUCATION ACT

SEC. 901. Title VI of the National Defense Education Act of 1958 is amended—

(a) in section 601 by striking out "1971" both places it appears and by inserting in lieu thereof "1973"; and

(b) in section 603 by striking out "and" before "$38,500,000" and by inserting "and such sums as may be necessary for each of the next two fiscal years" immediately after "June 30, 1971,".

EFFECTIVE DATE

SEC. 902. The amendments made by section 901 shall be effective July 1, 1971.

TITLE X—NONDISCRIMINATION ON THE GROUND OF SEX IN FEDERALLY ASSISTED EDUCATION PROGRAMS

DISCRIMINATION PROHIBITED

SEC. 1001. (a) No person in the United States shall, on the ground of sex, be discriminated against by a recipient of Federal financial assistance for any education program or

activity. The preceding sentence shall not, however, preclude differential treatment based upon sex where sex is a bona fide ground for such differential treatment.

(b) No recipient of Federal financial assistance for an education program or activity shall, because of an individual's sex,

(1) discharge that individual, fail or refuse to hire (except in instances where sex is a bona fide occupational qualification) that individual, or otherwise discriminate against him or her with respect to compensation, terms, conditions, or privileges of employment; or

(2) limit, segregate, or classify employees in any way which would deprive or tend to deprive that individual of employment opportunities or otherwise adversely affect his or her status as an employee.

ENFORCEMENT

SEC. 1002. (a) Each Federal department and agency which is empowered to extend Federal financial assistance to any education program or activity, by way of grant, loan, or contract other than a contract of insurance or guaranty, is authorized and directed to effectuate the provisions of section 1001 with respect to such program or activity by issuing rules, regulations, or orders of general applicability which shall be consistent with achievement of the objectives of the statute authorizing the financial assistance in connection with

which the action is taken. No such rule, regulation, or order shall become effective unless and until approved by the President.

(b) Compliance with any requirement adopted pursuant to subsection (a) may be effected (1) by the termination of or refusal to grant or to continue assistance to any recipient as to whom there has been an express finding on the record, after opportunity for hearing, of a failure to comply with such requirement, but such termination or refusal shall be limited to the particular political entity, or part thereof, or other recipient as to whom such a finding has been made and such noncompliance has been so found, or (2) by any other means authorized by law: *Provided, however,* That no such action shall be taken until the department or agency concerned has advised the appropriate person or persons of the failure to comply with the requirement and has determined that compliance cannot be secured by voluntary means.

(c) In the case of any action terminating, or refusing to grant or continue, assistance because of failure to comply with a requirement imposed pursuant to subsection (a), the head of the Federal department or agency shall file with the committees of the House and Senate having legislative jurisdiction over the program or actively involved a full written report of the circumstances and the grounds for such action.

No such action shall become effective until thirty days have elapsed after the filing of such report.

JUDICIAL REVIEW

SEC. 1003. Any department or agency action taken pursuant to section 1002 shall be subject to such judicial review as may otherwise be provided by law for similar action taken by such department or agency on other grounds. In the case of action, not otherwise subject to judicial review, terminating or refusing to grant or to continue financial assistance upon a finding of failure to comply with any requirement imposed pursuant to section 1002, any person aggrieved (including any State or political subdivision thereof and any agency of either) may obtain judicial review of such action in accordance with chapter 7 of title 5, United States Code, and such action shall not be deemed committed to unreviewable agency discretion within the meaning of the chapter.

PRESERVATION OF EXISTING AUTHORITY

SEC. 1004. Nothing in this title shall add to or detract from any existing authority with respect to any education program or activity under which Federal financial assistance is extended by way of a contract of insurance or guaranty.

DEFINITION

SEC. 1005. For the purposes of this title, the term "education" includes preschool, elementary, secondary, and post-secondary education.

Section-by-Section Analysis

HIGHER EDUCATION OPPORTUNITY ACT OF 1971

TITLE I--AMENDMENTS TO TITLE I OF THE HIGHER EDUCATION ACT
(COMMUNITY SERVICE AND CONTINUING EDUCATION)

Section 101. Extension of Program

Section 101 of the bill amends section 101 of the HEA by extending the authorization for appropriations for two years, through Fiscal Year 1973, at such sums as may be necessary.

Section 102 makes the amendments made by section 101 effective July 1, 1971.

TITLE II--AMENDMENTS TO TITLE II OF THE HIGHER EDUCATION ACT
(COLLEGE LIBRARY ASSISTANCE)

Section 201. Extension of Program and Reduction of Percentage to be Used for Basic Grants

Section 201 amends Title II by--

(1) extending the authorization for appropriations for Part A for two years (through June 30, 1973) at such sums as may be necessary ;

(2) inserting "particularly developing institutions as defined in title III and community colleges" after "institutions of higher education" in section 201. This language deals with eligible recipients of grants under Part A and emphasizes the eligibility of these institutions to receive grants under Title II.

Section 202. Increase in Percentage of Funds to be Used for Special Purpose and Supplemental Grants

Section 202 amends Title II by--

(1) reducing the percentage of funds available for basic grants from 75 percent to 50 percent of funds appropriated under section 201. The 25 percent differential is made available for special purpose grants under section 204;

(2) repealing sections 201(c) and 201(d) pertaining to assurances required in grant applications, and adding a new 201(c) which requires that applications meet the requirements of section 811. (Section 811 is added by the bill and standardizes assurances required for grants under titles II, III, and V); and

(3) increasing the percentage of funds available for grants under 201(a)(2) from 60 percent of funds available under 204(a)(1) to 80 percent of such funds. (The effect of this amendment, together with (1) above, is to increase the amount of funds available from a maximum of 15 percent of the funds appropriated under section 201 to 40 percent of these funds).

Section 203. Repeal of Research Provision

Section 203 of the bill repeals section 224 of the HEA relating to research. This section duplicates authority contained in the Cooperative Research Act which can be used to fund similar activities.

Section 204. Extension of Training Provision and Transfer to Education Professions Development Act

Section 204 in subsection (a) amends Title II by--

(1) redesignating Part B (Library and Training Research) as "Part G--Library Training";

(2) repealing section 225 of the HEA;

(3) and by transferring the remaining sections of the redesignated Part G to Title V of the HEA (the Education Professions Development Act).

Subsection (b) of section 204 extends the authorization for activities under the new Part G for five years, through FY 1976, at such sums as may be necessary.

Section 205. Repeal of Library of Congress Provision

Section 205 amends Title II of the HEA by repealing Part C which currently authorizes transfer of funds to the Library of Congress. These activities will be funded from Library of Congress appropriations.

Section 206. Change of Headings

Section 206 amends Title II of the HEA by repealing the current heading of Part A (College Library Resources) and by amending the heading of the entire title to read "Academic Library Assistance."

Section 207. Effective Date

Section 207 provides that the amendments made in Title II of the bill shall be effective with respect to fiscal years beginning after June 30, 1971.

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TITLE III--AMENDMENTS TO TITLE III OF THE HIGHER EDUCATION ACT
(STRENGTHENING DEVELOPING INSTITUTIONS)

Section 301. Extension of Program

Section 301 of the bill amends Title III of the HEA by extending the authorization for funds for five years through FY 1976, at such sums as may be necessary.

Section 302. Miscellaneous Amendments

Subsection (a) of section 301 amends section 304(b) by striking out 304(b)(3) and (4) and by amending 304(b)(2) to read "meets the requirements of section 811." These sections pertain to assurances required in grant applications. Section 811 standardizes these assurances for titles II, III, and V.

Subsection (b) of section 301 amends section 302(d) to provide that only institutions which provide a bachelor's degree must meet the requirements of sections 302(a) and 302(b) for five years before such institutions may meet the definition of "developing institutions"; and by striking out "(other than developing institutions)" from section 306 to allow professors emeritus from developing institutions to receive grants under this section.

Section 303. Effective Date

Section 303 provides that the amendments made by Title III of the bill shall be effective with respect to fiscal years beginning after June 30, 1971.

TITLE IV--AMENDMENTS TO TITLE IV OF HIGHER EDUCATION ACT
(STUDENT ASSISTANCE)

PART A--NEW PROGRAMS FOR PROVISION OF FINANCIAL
ASSISTANCE TO STUDENTS

Section 401 of the bill amends Title IV of the HEA in the following manner:

(1) by repealing Part C (Work-Study Programs);

(2) by redesignating Part B as Part C;

(3) by redesignating Parts E and F as F and G respectively;

(4) by repealing section 463 and redesignating sections 461, 462, 464, and 469 as sections 471, 472, 473, and 474 respectively;

(5) by making conforming amendments in the redesignated section 473 and

(6) by adding a new Part A, GENERAL PROVISIONS FOR STUDENT ASSISTANCE.

Section 400 of the new Part A (findings and statement of purpose) states that Congress has found it in the National interest to assist in making available the benefits of postsecondary education to all qualified students who, for lack of financial means of their own or of their families, would be unable to obtain those benefits without such assistance. The section further states that it is the purpose of title IV to provide assistance to students, in the form of grants, loans, and compensation, so that no person capable of benefitting from postsecondary education will be denied it because of financial inability to meet basic postsecondary educational costs.

Section 401 (grants, work-study payments, and subsidized loans) states that it is the purpose of Part A to establish general criteria to be used by eligible institutions in providing assistance in the forms of EOG's, work-study payments, and subsidized loans under Part C. The objective of these criteria is to insure that these forms of assistance will be made available to qualified students in need attending eligible institutions. Such criteria are to be designed to provide a basis for students and potential students to ascertain their eligibility for financial assistance.

Section 402 (basic eligibility for, and amounts of, grants, work-study payments, and resource equalizing loans) in subsection (a) provides that the Secretary shall determine each year the (A) maximum expected family contribution below which students will be eligible for EOG's and work-study payments ("grant eligibility limit") and (B) the maximum expected family contribution below which students will be eligible for subsidized loans under Part C ("loan eligibility limit"). These determinations are to be made after consultation with the Advisory Council on Financial Aid to Students established by section 474.

A student with an expected family contribution which is less than the grant eligibility limit would be eligible for a grant (or work-study payments) in accordance with Part B and for a loan on which an interest subsidy is payable in accordance with section 428(a)(2). A student with an expected family contribution between the loan and grant eligibility limits would be eligible for a subsidized loan only.

Subsection (b) of section 402 provides that a student who meets the requirements of section 405 and of Part B would be eligible for a grant (or the Federal share of work-study payments) equal to the grant eligibility limit less his expected family contribution (as determined by the institution providing the assistance).

Loan amounts would be equal to the loan eligibility limit less the sum of (a) the student's expected family contribution plus (b) the amount of any grant of other payment under Part B which the student receives for the year.

Subsection (c) of section 402 provides that a student shall be eligible for an insured loan under Part C in addition to any assistance described in Part A.

Subsection (d) of section 402 provides that the determination of a student's family income is to be made, pursuant to regulations, by the institution to which he has made an application for assistance and in which he is enrolled or to which he has been admitted.

A student's expected family contribution is defined as an amount which a family is reasonably able to contribute toward the cost of a student's postsecondary education, as determined under criteria of the Secretary. Such criteria are to prescribe schedules for the determination of family contributions which take into account varying family incomes, number of dependents, number of dependents in school, family assets, and other pertinent factors. Such criteria are also to provide for determining eligibility for assistance of students who are self-supporting.

Subsection (e) of section 402 authorizes the Secretary to establish by regulation criteria which would allow institutions to provide financial assistance to a student under Part A in an amount greater than that determined under subsection (b) where the institution finds that special circumstances pertaining to a student of exceptional financial need would render the application of the regular criteria inequitable.

Section 403 (allocation of funds to eligible institutions) would authorize the Commissioner to establish application procedures for allocation of funds appropriated for section 402. The allocation of funds to each eligible institution would reflect an estimate of the total amount of EOG's, work-study payments, and subsidies on loans for which the applying institution would be eligible.

The Commissioner would be authorized to reduce allocations to institutions if institutional estimates exceeded funds available for allocation; however, any such reduction would be made in a manner most likely to achieve an equitable geographical distribution of allocations and to preserve, to the fullest possible extent, payments to students with the lowest expected family contribution.

Section 404 (eligibility of students for cost of education loans and allocation of loan volume to institutions) would authorize the payment of subsidized loan to any student who:

(a) meets the eligibility requirement of section 405;

(b) has an expected family contribution of less than the loan eligibility limit; and

(c) needs financial assistance, in addition to any aid available to him under section 402, in order to meet the reasonable and necessary expenses at the institution which he is attending.

Such subsidized loans would be for an amount not to exceed the reasonable and necessary expenses of the institution, less any amount received under section 402, but in no case could such a loan be made for an amount greater than $1,500.

Subsection (b) of section 404 establishes the manner in which the aggregate dollar amount of loans is to be set for eligible institutions. The allocation to an institution would be based on the institutions's estimate of the dollar amount of loans for which students enrolled or accepted would be eligible, reduced ratably to reflect the amount of funds available for paying subsidies on loans.

Section 405 (recipients of financial assistance) would provide that a student may receive a grant, work-study payments, or a subsidized loan under title IV only if he had been accepted for enrollment as a full-time undergraduate or vocational student at an eligible institution or, in the case of a student already attending such an institution, is in good standing and in full-time attendance there as an undergraduate or vocational student.

In addition, the institution must determine that the student--

(a) shows capability of maintaining good standing in his course of study;

(b) meets the criteria for eligibility under which such assistance is to be made; and

(c) would not, but for such assistance, be financially able to pursue a course of study at such institution.

Section 406 (substitution of NDEA loans) would authorize making a loan under title II of the NDEA instead of a subsidized loan under Part A.

Section 407 (limitation) would limit the total amount of all funds received by a student under title IV in an academic year to the reasonable and necessary expenses incurred at the eligible institution.

Section 408 (eligible institutions) would define "eligible institutions" as follows for the purposes of Parts A and B:

(a) an institution of higher education as defined in section 435(b);

(b) a proprietary institution of higher education as defined in section 471(b); or

(c) a vocational school as defined in section 435(c) which is (1) a public school or institution in any State (other than a school or institution of any agency of the United States), or (2) a nonprofit school or institution in any State.

Section 409 (eligibility for assistance of students enrolled in institutions on date new programs became effective) would provide that students who are enrolled on the date of enactment of the Higher Education Facilities Act and are receiving assistance under Parts A or C (of Title IV HEA) or Title II NDEA (as in effect prior to the date of enactment) will be eligible for EOG's, work-study payments, or subsidized loans on a basis at least equivalent to that upon which they would have received assistance under such authorities.

If the enactment date falls on a date which is not part of an academic year with respect to a student (e.g. summer vacation) and the student received such assistance during the academic year ending prior to such date, similar protection would apply.

Section 410 (appropriations authorized) would authorize such sums as necessary for Fiscal Year 1972 and the next four fiscal years for payments under sections 402 and 404. Thereafter, such sums as necessary are authorized to enable the Commissioner to make payments with respect to subsidized loans made prior to July 1, 1976. Sums would remain available until expended.

Section 402. Conforming Amendment

Section 402 of the bill makes a conforming amendment to section 421(b)(2) of the HEA.

Section 403. New Part B

Section 403 of the bill would insert as Part B of title IV the following:

PART B--EDUCATIONAL OPPORTUNITY GRANTS AND WORK-STUDY PAYMENTS

Section 411 (educational opportunity grants) would authorize eligible institutions to award Educational Opportunity Grants to undergraduate or vocational students and would authorize eligible institutions to substitute an EOG in whole or in part in lieu of work-study payments.

Subsection (b) of section 411 would limit the award of Educational Opportunity Grants to a maximum of four academic years, except where:

(1) the course of study is leading to a first degree and is designed to extend for five years, or

(2) the student would be unable to complete the course of study in four years because of a requirement that he enroll in a noncredit remedial course of study.

In either case, an Educational Opportunity Grant may be awarded for one additional year.

"Noncredit remedial course of study" would be defined as a course of study for which no credit is given toward an academic degree, and which is designed to increase the ability of the student to engage in an undergraduate course of study leading to such a degree.

Subsection (c) of section 411 would limit payments of EOG's under Part B to periods during which the recipient:

(1) is maintaining satisfactory progress in his course of study, according to the regularly prescribed standards and practices of the institution from which he receives such grant; and

(2) is devoting essentially full-time to the course of study. Failure to be in attendance during vacation periods or periods of military service shall not be deemed contrary to this provision.

Section 412 (work-study programs) would authorize eligible institutions to pay for the part-time employment of their students through programs of work-study, in work for the institution itself (except for proprietary schools) or work in the public interest in a public or nonprofit private organization if such work:

(1) will not result in displacement of employed workers or impair existing contracts for services;

(2) will be governed by such conditions of employment as will be appropriate and reasonable in light of such factors as type of work performed, geographical region, and proficiency of the employee; and

(3) does not involve the construction, operation, or maintenance of so much of any facility as is used or to be used for sectarian instruction or as a place for religious worship.

Subsection (b) of section 412 would limit work-study employment to a maximum of an average of 15 hours per week during a semester during which classes in which the student is enrolled are in session. Periods during which the student is on vacation or any period of additional nonregular enrollment are to be excluded in computing the average. Employment under a work-study program during such periods shall be allowed only to the extent authorized by regulations issued by the Commissioner.

Section 413 (work-study benefits in lieu of grant assistance) would provide that the Commissioner may prescribe that a portion of the assistance that an eligible institution would otherwise make available in the form of EOG's may be made available as work-study payments. Subject to regulations, institutions may, at their election, make work-study payments available in whole or in part in lieu of EOG's.

Subsection (b) of section 413 would provide that such substitution may not be made unless--

(1) work-study payments are made on a basis which provides the student with net earnings from the Federal share of such payments equal to the amount of the Educational Opportunity Grants he would have received if such an election had not been made; and

(2) the criteria for making such elections are applied uniformly and are determined by the Commissioner to be consistent with such standards as he may prescribe by regulation.

Subsection (c) of section 413 would authorize a student who has been offered work-study instead of an EOG to elect to receive a subsidized loan under Part C, or a National Defense Student Loan, in the amount of the Federal share of the proffered work-study payments. If the student accepts such a loan, the amount allocated to the institution under section 403 would be adjusted in accordance with regulations of the Commissioner.

Section 414 (agreements with institutions) would prescribe the elements of an agreement which an eligible institution would have to make with the Commissioner in order to receive funds for EOG's or work-study payments. Such agreement would:

(1) provide that the funds received under Part B would be used in accordance with the provisions of Parts A and B;

(2) provide that institutions would conduct a program of Educational Opportunity Grants in accordance with section 411;

(3) provide that the institution will operate a program of work-study in accordance with sections 412 and 413, and that the Federal share of such payments will not exceed 80 percent (except as provided in (b) below).

(4) include procedures satisfactory to the Commissioner to assure that each student eligible for a subsidized loan (or NDSL) in accordance with section 402 will be able to obtain such a loan in the amount for which he is eligible, including provision for loans by the institution to students unable to obtain such loans readily from other eligible lenders;

(5) include, in the case of proprietary schools, assurances that the availability of assistance has not increased, and will not increase, the tuition, fees, and other charges to such students; and

(6) include such other provisions as the Commissioner deems necessary or appropriate.

Subsection (b) of section 414 would authorize a Federal share of work-study payments greater than 80 percent when the Commissioner determines by regulation that such a larger share is required in furtherance of Part B. The following are to be deemed in such furtherance:

(1) the work-study program of an eligible institution in which not less than 50 percent of the students are from low-income families;

(2) programs involving the counseling or tutoring of the educationally disadvantaged; or

(3) any project of community service with respect to which a limitation of 80 percent would impose unusual hardship on the eligible institution or the organization for which such project is performed; or

(4) payment of the non-Federal share would result in a student receiving funds in excess of the limitation imposed by section 407.

Section 415 (expenses of administration) in subsection (a) would authorize an institution which is receiving funds under section 403 to use three percent, or $125,000, whichever is lower, of the aggregate amount of EOG's and work-study payments for payment in lieu of reimbursement for administrative expenses.

Subsection (b) of section 415 would authorize the use of a portion of the sums received for administrative costs of demonstrating, or exploring the feasibility of, a program of cooperative education involving alternate periods of full-time study and full-time work.

Section 404. Effective Date

Section 404 of the bill would provide that amendments made by sections 401, 402, and 403 of the bill would become effective with respect to fiscal years which begin after June 30, 1971.

PART B--AMENDMENT TO STUDENT LOAN INSURANCE PROGRAM

Section 405. Interest Terms to Borrowers Eligible for Subsidized Loans; Secretary to Establish Maximum Interest Rates; Position of Eligible Institution As Eligible Lender Strengthened; Negotiability of Student Obligations

Section 405(a)(1) replaces section 428(a) of the HEA (pertaining to Federal payment of interest costs) with a new subsection (a).

In brief, this new subsection provides that any student who receives a loan after June 30, 1971 which is (1) insured by the Commissioner; (2) made under a State loan program meeting criteria prescribed by the Commissioner; or (3) is insured under a State or nonprofit private agency program, shall be entitled to have paid on his behalf, if he is eligble under Part A, an interest subsidy.

The subsidy shall be equal to:

(1) the total amount of interest which accrues prior to the beginning of the loan repayment period or which accrues when no principal payment need be made (military service, Peace Corps, etc); and

(2) the difference between the per annum interest rate on the unpaid balance of the loan and three percent of such unpaid balance for a period of ten years, beginning with the date the loan repayment commences.

Loan holders would be required to file information with the Commissioner to enable him to determine the amount of subsidy payable. Loan holders would be deemed to have a contractural right to receive interest payments authorized under this section.

No payment could be made under section 428 towards a loan made under title II NDEA.

Subsection (b) of section 405 makes a conforming amendment to section 437.

Subsection (c)(1) of section 405 would amend section 427(b) to allow the Secretary to set the maximum rate of interest on guaranteed student loans at a rate not less than the average annual rate on all interest-bearing obligations of the United States forming a part of the public debt, as computed at the end of the fiscal year preceding the year for which such rates are prescribed. The Secretary is to consult with the Secretary of the Treasury and the National Student Loan Association.

Subsection (c)(2) makes a conforming amendment to 427(a)(2)(D).

Subsection (c)(3) makes a conforming amendment to 428(b)(1)(E).

Subsection (c)(4) makes a conforming amendment to 428(d)(1).

Subsection (d)(1) would amend section 423(a) to provide that the Commissioner shall not issue certificates of insurance under section 429, except with respect to loans by eligible institutions, when he determines that reasonable access to a State or private nonprofit loan insurance programs exist. This provision would strengthen the position of eligible institutions as eligible lenders by allowing these institutions to have loans insured by the Commissioner even if they are in an area otherwise covered by a State or nonprofit private loan insurance program.

Subsection (d)(2) would amend section 429(d) to allow assignment of rights arising under insurance evidenced by a certificate of insurance, subject to regulations of the Commissioner.

Section 406. Increase and Other Adjustments in Loan Ceilings

Section 406(a) of the bill would replace section 425 (pertaining to limitations on individual Federally insured loans and on Federal loan insurance) with a new section 425.

Subsection (a) of the new section 425 would limit the total amount of loans made to any student and eligible for insurance by the Commissioner to $2,500 per academic year less (1) any loan made to the student under a State loan program during such academic year or (2) any insured loan made by a State or nonprofit private agency or organization which has entered into an agreement with the Commissioner under 428(b) or (c). A student would be eligible to receive loans insured by the Commissioner for seven academic years less the number of academic years in which he has received loans described in the previous sentence.

Subsection (b) of the new section 425 would provide that, subject to the limitations in (a), the maximum amount of a loan on which an interest subsidy is payable under Part A shall be determined by the Secretary; and that the maximum amount of a loan to any student insured by the Commissioner is limited to the reasonable and necessary expenses incurred by the student (reasonable and necessary to be determined by institution). A student would be entitled to a statement from the eligible institution which shows the maximum loan and the estimate of reasonable and necessary expenses.

Subsection (c) of the new section 425 would provide that the insurance liability on any loan insured by the Commissioner is to be 100 percent of the unpaid balance of the principal, excluding any interest, except as specified elsewhere.

Subsection (b) of section 406 makes conforming amendments to sections 428(b)(1)(A), (B), and (H) to reflect changes made by the new section 425.

Section 407. Deferral of Interest and Principal Payments

Section 407(a)(1) would redesignate 427(a)(2)(E), (F) and (G) as (F), (G) and (H) and add a new clause (E) which would authorize a student borrower, with the agreement of the lender, to defer interest and principal payments for a period not to exceed five years. Deferred interest would accrue and be added to the principal on the date that repayment was to begin. Any insurance liability would be increased by the amount of the deferred accrued interest.

Subsections 407(a)(2) and (3) would make conforming amendments to 427(a)(2)(D) and (C) respectively.

Subsection 407(b)(1) would add a new clause (I) to 428(b)(1) which would provide that periodic repayment of interest and principal on loans need not be made, but interest would accrue, while the borrower:

(1) was pursuing a full-time course of study at an eligible institution;

(2) was in the Armed Forces of the United States (for a period not to exceed three years);

(3) was a Peace Corps volunteer (for a period not to exceed three years); or

(4) was a VISTA volunteer (for a period not to exceed three years).

Subsection (2) of section 407(b) would amend section 428(e) of the HEA by replacing it with a new (e) which would authorize the Commissioner to encourage the inclusion, in State or nonprofit private loan insurance programs, of provisions which would allow the borrower, if agreed to by the lender, to defer periodic repayment of interest and principal for a period not to exceed five years. Deferred interest would accrue and be added to the principal on the date that payments were to resume. Insurance liability and Federal guarantees would be increased accordingly.

Section 408. Extension of Permissible Repayment Period

Section 408(a)(1) would amend section 427(a)(2)(B) of the HEA to change the repayment period of loans. A student would be allowed to take twenty years to repay his loan, rather than the ten currently authorized. Payments would begin nine months after the borrower ceased to carry at least a half-time work load at an eligible institution. Periods of deferment authorized by law would not be counted in determining the twenty year period.

Subsections 408(b)(1) and (2) make conforming amendments to 428(b)(1)(D) and 428(b)(1)(C) respectively.

Section 409. Extension of Program and Repeal of Previous Federal Loan Insurance Ceiling

Section 409 would replace the current section 424 of the HEA with a new section which would limit Federal insurance of loans to loans made to students prior to July 1, 1976. After this date, such insurance could be granted only on loans made to students who had obtained prior loans. No insurance would be authorized for any loan made or installment paid after June 30, 1980.

Section 410. Repeal of Cancellation of National Defense Student Loans

Section 410 would amend section 205(b)(3) of the NDEA by repealing such section (providing for cancellation for teaching services and service in the Armed Forces).

Section 411. Eligibility for National Defense Student Loans

Section 411 would amend section 205(b) of the NDEA by providing that loans made from the NDSL fund shall be subject to such priorities as the Secretary may establish pursuant to title IV of the HEA.

Section 412. Authority to Maintain Student Loan Funds

Section 412 would amend section 206 of the NDEA to maintain the NDSL fund for an additional five years, through fiscal year 1980.

Section 413. Effective Date Applicable to Sections 405 Through 411

Section 413 would provide that sections 405-411 would be effective with respect to loans made or disbursed to students after June 30, 1971.

PART B--ESTABLISHMENT OF NATIONAL STUDENT LOAN ASSOCIATION

Section 420. New Part D

Section 420 of the bill would amend Part D of title IV of the HEA (Cooperative education program) replacing it with a new Part D--National Student Loan Association.

Section 441 (Declaration of purpose) of the new Part D would provide that it is the purpose of Part D to establish a private corporation financed by private capital to serve as a secondary market for student loans insured under Part C and to provide liquidity for those who make such loans.

Section 442 (creation of agency) would create a corporation known as the National Student Loan Association to remain in existence until dissolved by Act of Congress. The corporation would be deemed a resident of the District of Columbia for purposes of venue and civil actions.

Subsection (b) of section 442 would provide that the Association is to be exempt from State and local taxes, except that any real property may be taxed as other real property is taxed.

Section 443 (board of directors) in subsection (a) would provide for a 21-member Board of Directors.

Subsection (b) of section 443 would authorize the President to appoint an interim board of 21 members. Seven members would be representative of eligible lenders (other than eligible institutions) under Part C, seven of eligible institutions, and the remaining seven of the general public. The interim Board would arrange for the initial offering of common stock.

Subsection (c) of section 443 would authorize election of a permanent Board whenever, in the judgment of the President, sufficient common stock of the Association had been purchased. Holders of common stock which were eligible institutions would elect seven members, holders which were banks or other financial institutions would elect seven, and the President would

appoint the remaining seven. Members elected and appointed would elect a chairman. Thereafter the interim Board would turn over the affairs of the Association to the regular Board.

Subsection (e) of section 443 would provide for terms of office for Board members. Presidential appointees would serve at the pleasure of the President. Other members would be elected for a term ending on the date of the next annual meeting of the common stockholders. Appointive seat vacancies would be filled by the President; elective seat vacancies would be filled by the Board for the remainder of the term.

Subsection (f) of section 443 would provide that the Board shall meet at the call of the Chairman. The Board would determine general policies, while the Chairman, with the approval of the Board, would select, appoint, and compensate staff members authorized in bylaws. Such persons would discharge all executive functions, powers, and duties of the Association.

Section 444 (functions) would authorize the Association to make advances on the security of, or to purchase, service, sell, or otherwise deal in student loans made under Part C. Advances could not exceed 80 percent of the face amount of the loan; proceeds from any such advance would be invested in additional insured student loans.

Section 445 (common stock) would authorize common stock, with a par value of $100 per share. Each share of stock would have one vote, with rights of cumulative voting at all elections of directors.

Common stock would be transferrable only on the books of the Association. The Secretary would be authorized to prescribe the maximum number of shares to be issued and outstanding at any one time. Shares could be called for retirement at par at the option of the Association at any time.

The Directors would be authorized to declare dividends to the extent of net income earned and realized. Dividends would be paid to the holders of outstanding shares of common stock.

Section 446 (obligations) would authorize the Association, with the approval of the Secretary of the Treasury, to issue obligations having maturities and bearing such rates of interest as may be determined by the Secretary of the Treasury. Obligations would be redeemable before maturity at the option of the Association.

Subsection (b) of section 446 would authorize the Secretary of HEW to guarantee payment when due of principal and interest on such obligations.

Subsection (c) of section 446 would authorize the Secretary of HEW to issue notes or obligations to the Secretary of the Treasury in order to discharge his responsibilities under such guarantees. The Secretary of the Treasury would be authorized and directed to purchase such notes and could further sell any notes or obligations thus purchased. Such sums as necessary would be authorized to be appropriated to the Secretary of HEW to pay the principal and interest payments on such notes.

Section 447 (general authority) would give the Association authority--

(a) to sue and be sued, complain and defend, in its corporate name and through its own counsel;

(b) to adopt, alter, and use a corporate seal, which shall be judicially noticed;

(c) to adopt, amend, and repeal by its board of directors such bylaws, rules, and regulations as may be necessary for the conduct of its business;

(d) to conduct its business, carry on its operations, and have offices and exercise the authority granted by this part in any State without regard to any qualification or similar statute in any State;

(e) to lease, purchase, or otherwise acquire, own, hold, improve, use, or otherwise deal in and with any property, real, personal, or mixed, or any interest therein, wherever situated;

(f) to accept gifts or donations of services, or of property, real, personal, or mixed, tangible or intangible, in aid of any of the purposes of the Association;

(g) to sell, convey, mortgage, pledge, lease, exchange, and otherwise dispose of its property and assets;

(h) to appoint such officers, attorneys, employees, and agents as may be required, to determine their qualifications, to define their duties, to fix their salaries, to require bonds for them and fix the penalty thereof; and

(i) to enter into contracts, to execute instruments, to incur liabilities, and to do all things necessary or incidental to the proper management of its affairs and the proper conduct of its business.

Section 448 (audit) would require an audit of the Association's activities at least annually. Such audits would be conducted in accordance with generally accepted auditing standards by independent certified public accountants or by independent licensed public accountants, licensed on or before December 31, 1970, who were licensed or certified by a regulatory authority of a State or other political subdivision of the United States. Other persons who, in the opinion of the Secretary of HEW, met the standards of education and experience representative of the highest standards prescribed by the licensing authorities of the States which license CPA's could perform such audits until December 31, 1975. The Secretaries of HEW and the Treasury would receive copies of such audits.

Section 449 (obligations as lawful investments, acceptance as security) would classify all obligations issued by the Association as lawful investments. All stock and obligations issued by the Association would be deemed to be exempt securities within the meaning of the laws administered by the S.E.C. to the same extent as securities which are direct obligations of or obligations guaranteed as to principal or interest by the United States. The Association would be deemed to be an agency of the United States for the purposes of section 14(b)(2) of the Federal Reserve Act.

Section 450 (preparation of obligations) would authorize the Secretary of the Treasury to prepare obligations for the Association. The Association would reimburse Treasury for such expenses.

Section 451 (annual report) would require the Association to transmit an annual report to the President and Congress as soon as practicable after the end of each fiscal year.

Section 452 (separability) provides for the separability of the remainder of Part D if any section is held invalid.

Section 453 (interim financing arrangements for student loans) would authorize the Secretary of HEW to purchase subsidized loans from eligible institutions at 100 percent of unpaid principal and accrued interest until such time as the Association is able to purchase these loans. The Secretary would also be directed to advance funds to eligible institutions against future purchases of such loans where, in his judgment, such funds are needed for the making of loans.

Finally, the Secretary could enter into agreements with such institutions from which he has purchased such loans under which agreement the institution would continue to perform administrative functions with respect to the loans purchased by the Secretary and be reimbursed for the cost of such services.

Section 454 (authorization of appropriations) would authorize such sums as are necessary to carry out section 453.

Section 455 (termination of interim financing arrangement) would provide that, at such time as the Association is able to purchase student loans insured under Part C, the Association shall purchase from the Secretary those loans which he acquired under section 453(a). These loans would be purchased by the Association on such terms as the Board of Directors determined; and the Association could not deal in any other student loans until all of these loans had been purchased.

Section 456 (purchase of obligations by the Treasury) would authorize the Secretary of the Treasury to purchase obligations issued by the Association under section 446(a). For such purpose he would be authorized to use as a public debt transaction the proceeds from the sale of securities issued under the Second Liberty Band Act. The aggregate total amount of such purchases would be limited to $250,000,000. The Secretary of the Treasury would be authorized to sell any such obligations purchased; such sales would be treated as public debt transactions of the United States.

Section 421. Amendments Relating to Financial Institutions

Section 421 makes conforming amendments to 12 U.S.C. 24, 12 U.S.C. 84, 12 U.S.C. 1464(c) and 12 U.S.C. 1757(8)(E) to provide for obligations of the Association.

Section 422. Inapplicability of Truth In Lending Act

Section 422 would amend section 104 of the Truth in Lending Act (15 U.S.C. 1603) to make such act inapplicable to loans made under title II NDEA and title IV HEA. Insured loans are made on Federally prescribed teams; consequently, the paperwork burden involved for lenders in complying with the Truth In Lending Act is not justified, since it does not serve to further protect the student borrower.

Section 423. Effective Date

Section 423 would make the effective date of sections 420, 421, and 422 of the bill effective with respect to fiscal years beginning after June 30, 1971.

PART C--CONSOLIDATION OF SPECIAL SERVICES PROGRAMS

Section 430. New Part E

Section 430 of the bill amends Title IV of the HEA by adding a new Part E entitled "Identifying Qualified Low-Income Students; Preparing Them for Postsecondary Education; Special Services for Such Students in Institutions of Higher Education".

Section 461 of the new Part E provides for a consolidation of Upward Bound, Talent Search, and Special Services for Disadvantaged Students. These programs are currently authorized under section 408 of the Higher Education Act.

Subsection (a) of section 461 authorizes the Commissioner to make grants to, or contracts with, institutions of higher education, including institutions with vocational and career education programs, combinations of such institutions, public and private agencies and organizations (including professional and scholarly associations), and in exceptional cases secondary schools and secondary vocational schools. Such funds are to be used for planning, developing, or carrying out within States one or more of the activities described in (c) below. No grant may be made to a profit-making organization.

Subsection (b) of section 461 states that services shall be designed to enable youths from low-income backgrounds who have academic potential (but may lack adequate secondary school preparation or be physically handicapped) to enter, continue or resume a program of postsecondary education.

Subsection (c) of section 461 describes the services referred to, including such activities as:

(1) publicizing existing forms of student financial aid;

(2) identifying youths described in subsection (b) and encouraging them to complete secondary school and to undertake postsecondary education;

(3) encouraging youths who have dropped out of secondary school or college to reenter educational programs, including programs of postsecondary education;

(4) generating skills and motivation necessary for success in education beyond high school;

(5) providing counseling, tutorial, or other educational services, including special summer programs, to remedy academic deficiencies;

(6) providing career guidance, placement, or other student personnel services (including health services);

(7) identifying, encouraging, and counseling students with a view to their undertaking a program of graduate or professional education; and

(8) providing other special or supplemental services necessary to achieve the purposes set forth in subsection (b).

Subsection (d) of section 461 provides that enrollees who are participating on an essentially full-time basis in one or more of the services described in (c) above may be paid stipends, but not in excess of $30 per month, except in exceptional cases as determined by the Commissioner.

Subsection (e) of section 461 authorizes such sums as may be necessary for fiscal year 1972 and each of the four succeeding years to carry out the purposes of Part E.

Section 431. Effective Date

Section 431 of the bill provides that amendments made by section 430 of the bill shall be effective with respect to fiscal years beginning after June 30, 1971.

TITLE V--AMENDMENTS TO TITLE V OF HIGHER EDUCATION ACT (EDUCATION PROFESSIONS DEVELOPMENT ACT)

PART A--AMENDMENTS TO PART A OF TITLE V

Section 501. Extension of National Advisory Council on Education Professions Development and Program for Attracting Qualified Personnel to the Field of Education

Subsection (a) of section 501 extends the authorization for the National Advisory Council on Education Professions Development for five more years, through fiscal year 1976, at the level of $200,000 per year.

Subsection (b) of section 501 extends the authorization for programs under Part A (Attracting Qualified Persons to the Field of Education) for five additional years, through fiscal year 1976, at such sums as may be necessary.

PART B--AMENDMENTS TO SUBPART I OF PART B (TEACHER CORPS)

Section 510. Extension of Program

Section 510 amends section 511(b) of the Higher Education Act to extend the authorization for the Teacher Corps for five years, through fiscal year 1976, at such sums as may be necessary.

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PART C--AMENDMENTS TO SUBPART 2 OF PART B (ATTRACTING AND QUALIFYING TEACHERS TO MEET CRITICAL TEACHER SHORTAGES)

Section 520. Extension of Programs

Section 520 amends section 518(b) of the Higher Education Act to extend the program for attracting and qualifying teachers to meet critical teacher shortages for five years, through fiscal year 1976 at such sums as may be necessary.

Section 521. Retraining of Teachers and Employment of Tutors and Instructional Assistants

Section 521 amends section 518(a) of the Higher Education Act by adding two new programs under the authority for attracting and qualifying teachers to meet critical teacher shortages: (1) programs to employ high school and college students as tutors or instructional assistants for educationally disadvantaged children. (The Commissioner of Education is authorized to determine compensation rates for such persons, consistent with comparable federally-supported work-study programs); and (2) to provide necessary training to teachers to enable them to teach other grades or other subjects in which shortages exist.

Section 522. Reducing Minimum Allotment

Section 522 would amend section 519(a) of the HEA to reduce the minimum State allotment under subpart 2 from $100,000 to $50,000.

Section 523. Conforming Amendments and Increase in Amount Available for Administration

Section 523 amends section 520(a)(2) and 520(a)(3) to make conforming amendments (adding the items described in 521 above as eligible items of expenditure in the State plan). It also raises the maximum amount which a State may spend for administration of the State plan from 3 percent of the State's allocation to 5 percent or $20,000, whichever is greater.

Section 524. Eliminating Ceiling on Amount for Aides

Section 524 amends section 520(a) of the HEA by eliminating paragraph (5) which limits the amount of funds available for hiring and training teacher aides to one-third of funds appropriated for Part B(2) of the Education Professions Development Act. This section also amends paragraph (6) to provide that no person will be denied admission to training programs under subpart 2 because he is teaching or serving as a teacher aide in a private school.

PART D--AMENDMENTS TO PART D--IMPROVING TRAINING OPPORTUNITIES FOR NON-HIGHER EDUCATION PERSONNEL

Section 530. Extension of Program

Section 530 amends section 532 of the Higher Education Act by extending authorization for Part D for five years, through fiscal year 1976, at such sums as may be necessary.

Section 531 and 532. Support of Tutors and Instructional Assistants

Section 531 amends section 531(b) of the Higher Education Act by adding a new paragraph (11) to the list of eligible programs. Paragraph (11) authorizes programs or projects designed to employ tutors or instructional assistants in preschool, elementary, and secondary school classes, especially for educationally disadvantaged children.

Section 532 amends section 531(c) of the Higher Education Act to allow use of funds to pay tutors and instructional assistants at such rates as the Commissioner may determine to be comparable to compensation rates in Federally-supported work-study programs.

Sections 533 and 534. Developing and Strengthening Programs for the Education of Teachers and Related Educational Personnel

Section 533 amends section 531(b) by adding a new paragraph (12) to the list of eligible programs. Paragraph (12) describes programs designed to aid undergraduate programs designed to prepare educational personnel. Such programs would include exemplary undergraduate training programs, the introduction of high quality curricula, and provision of increased opportunities for practice teaching experience for prospective elementary and secondary school teachers.

Section 534 amends section 531(c) of the Higher Education Act to allow the use of funds to pay for programs to develop, expand, or improve undergraduate and other programs for training educational personnel.

Section 535. Application of Part D to Indian Schools

Section 535 amends section 532 of the Higher Education Act to add a new subsection (b) to provide that Part D funds may be used to support the preparation of teachers of children on Indian Reservations serviced by the Bureau of Indian Affairs schools and schools supported by the BIA. Payments are to be made to the Secretary of the Interior to carry out such programs.

PART E--CONSOLIDATION OF TITLE IV OF THE NATIONAL DEFENSE EDUCATION ACT OF 1958 WITH PART E OF TITLE V OF THE HIGHER EDUCATION ACT OF 1965 (EDUCATION PROFESSIONS DEVELOPMENT ACT)

Section 540. Extension of Program

Section 540 amends section 543 of the Higher Education Act by extending the authorization for Part E for five years, through Fiscal Year 1976, at such sums as may be necessary.

Section 541. Broadening Class of Institutions for Which Personnel May be Trained

Section 541 amends section 541(a) by changing the eligible class of grantees and contractors under Part E from "institutions of higher education" to "postsecondary institutions".

Subsection (b) of section 541 amends section 541 (b) of the Higher Education Act by repealing the prohibition against using Part E funds for fellowships which are eligible for support under title IV of the National Defense Education Act of 1958.

Section 542. Provision for Institutional Allowance

Section 542 amends section 542 of the Higher Education Act by adding a new subsection (b) which provides that the Commissioner of Education may pay eligible institutions which award stipends under section 542(a) an institutional allowance consistent with prevailing practices under comparable federally-supported programs, but in no case more than $3,500 per academic year for each person receiving such a stipend.

Section 543. Savings Provision

Section 543 provides that effective July 1, 1971, title IV of the National Defense Education Act is repealed. In the case of a fellowship awarded under title IV, NDEA, for which initial payment was made or was to be made from appropriations for any fiscal year ending before July 1, 1971, payments are to be made for periods after June 30, 1971, from appropriations for Part E, title V of the HEA, but under the terms and conditions of title IV, NDEA.

PART F--AMENDMENT TO PART F--TRAINING AND DEVELOPMENT OF VOCATIONAL EDUCATION PERSONNEL

Section 550. Extension of Program

Section 550 amends section 555 of the Higher Education Act by extending authorizations for Part F through fiscal year 1976 at such sums as may be necessary.

Section 551. Effective Date

Section 551 provides that, except where otherwise expressly provided, amendments made by title V of the bill are to be effective with respect to fiscal years beginning after June 30, 1971.

TITLE VI--REPEAL OF TITLES VI, VIII, IX, X, AND XI
OF THE HIGHER EDUCATION ACT

Section 601 repeals Title VI (Improving Undergraduate Instruction), Title VIII (Networks for Knowledge), Title IX (Education for the Public Service), Title X (Improvement of graduate programs) and Title XI (Law School Clinical Programs) effective July 1, 1971.

TITLE VII--AMENDMENTS TO GENERAL PROVISIONS

Section 701. Redesignation of Title XII
(General Provisions)

Section 701 of the bill redesignates title XII of the Higher Education Act as title VIII and renumbers sections accordingly.

Subsection (b) of section 701 amends title VIII, as redesignated, by inserting a new section 811 providing for uniform application requirements applicable to applications under titles II, III, and V submitted to the Commissioner by an institution of higher education or other eligible applicant. Such an application would be required to contain assurances satisfactory to the Commissioner with respect to maintenance of effort, fiscal control and fund account procedures, evaluation and dissemination procedures, and reporting requirements.

Section 702. Effective Date

Section 702 makes the amendments made by section 701 effective July 1, 1971.

TITLE VIII--AMENDMENTS TO HIGHER EDUCATION FACILITIES ACT

Section 801. Extension of Program

Section 801 amends the following sections:

(a) Section 101(b) of the Higher Education Facilities Act is amended to extend the authorization for grants for construction of academic facilities under title I through fiscal year 1973 at such sums as may be necessary;

(b) Section 105(b) of the Higher Education Facilities Act is amended to extend the authorization for expenditures under section 105(b) (State plan administration and comprehensive planning) through 1973 at such sums as may be necessary;

(c) Section 201 of the Higher Education Facilities Act is amended to extend the authorizations for grants under title II (Construction of Graduate Academic Facilities) through fiscal year 1973 at such sums as are necessary;

(d) Section 303(c) of the Higher Education Facilities Act is amended to extend authorization for payments into the loan fund under title III (Loans for Construction of Academic Facilities) through fiscal year 1973 at such sums as are necessary;

(e) Section 306(c) of the Higher Education Facilities Act is amended to extend the ceiling for contracts for interest grants at $18,500,000 through fiscal year 1973.

(f) Section 408(a) of the Higher Education Facilities Act is amended to extend the authority of the Commissioner to provide assistance under section 408 (Higher Education Facilities Construction Assistance in Major Disaster Areas) through fiscal year 1973.

Section 802. New Program of Insured Loans for Construction of Nonprofit Private Academic Facilities

Section 802 amends title III of the Higher Education Facilities Act by inserting after section 306 the following new sections 307-309.

Section 307 (academic facilities loan insurance) of the revised Title III authorizes the Commissioner to insure (up to 90 percent of the principal) the payment of interest and principal on loans made by nonprofit private institutions of higher education and nonprofit private higher education building agencies for the purpose of constructing academic facilities. Such institutions or agencies would have to meet the criteria prescribed by, and under section 306 of the HEFA.

Section 308 (right of recovery and incontestable nature of insurance) in subsection (a) provides that the United States shall be entitled to recover from any institution of higher education or agency to which loan insurance has been issued under section 307 the amount of any payment made pursuant to such insurance, unless the Commissioner waives this right.

Subsection (b) of section 308 states that any insurance issued under section 307 shall be incontestable in the hands of the institution or agency on whose behalf such insurance is issued, and as to any agency, organization, or person who makes or contracts to make a loan to such institution or agency in reliance thereon, except in the case of fraud or misrepresentation.

Section 309 (conditions) provides that the Commissioner may issue insurance under section 307 only if he determines that all aspects of the loan are sufficient to protect the financial interests of the United States and are in accordance with regulations. Such determination shall include a finding that the interest rate on any such loan is reasonable. The Commissioner would be authorized to charge reasonable premiums for such insurance to cover administrative expenses and probable losses under sections 307 and 308. The insurance would be subject to such further terms and conditions as the Commissioner determines to be necessary.

Section 803. Making Revolving Loan Fund Available for Loan Insurance

Section 803 of the bill makes amendments to section 305 of the HEFA which would allow the use of funds in the HEFA revolving fund to insure loans as well as to make direct loans.

Section 804. Effective Date

Section 804 makes amendments made by sections 801 and 802 effective July 1, 1971. Amendments made by section 803 are to be effective as if enacted on the date of enactment of section 305 of the HEFA.

TITLE IX--EXTENSION OF PROGRAM UNDER TITLE VI OF THE NATIONAL DEFENSE EDUCATION ACT

Section 901. Extension of Program

Section 901 amends section 601 by extending the authorization for activities under title VI for two fiscal years, through fiscal year 1973. Section 603 is amended to extend the authorization for appropriations for two fiscal years, through fiscal year 1973, at such sums as may be necessary.

Section 902. Effective Date

Section 902 makes the amendments made by section 901 effective July 1, 1971.

TITLE X --NONDISCRIMINATION ON THE GROUND OF SEX IN FEDERALLY ASSISTED EDUCATION PROGRAMS

Section 1001. Discrimination Prohibited

Section 1001 of the bill in subsection (a) provides that no person in the United States shall, on the ground of sex, be discriminated against by a recipient of Federal financial assistance for any educational program or activity. This language does not, however, preclude differential treatment based upon sex where sex is a bona fide ground for such differential treatment.

Subsection (b) of section 1001 provides that no recipient of Federal financial assistance for an education program or activity shall, because of an individual's sex,

(1) fail or refuse to hire (except in instances where sex is a bona fide occupational qualification) or discharge that individual, or otherwise discriminate against him or her with respect to compensation, terms, conditions, or privileges of employment; or

(2) limit, segregate, or classify employees in any way which would deprive or tend to deprive that individual of employment opportunities or otherwise adversely affect his or her status as an employee.

Section 1002. Enforcement

Section 1002 in subsection (a) authorizes and directs each Federal department and agency which is empowered to extend Federal financial assistance in any form (other than a contract of insurance or guaranty) to any education program or activity to issue rules, regulations, or orders to effectuate section 1001. No rule, regulation or order is to take effect until approved by the President.

Subsection (b) of section 1002 provides that compliance with any requirement adopted pursuant to subsection (a) may be effected by (1) termination of or refusal to grant to or to continue assistance to any recipient who fails to comply with such requirement (after a hearing and an express finding on the record), such termination or refusal to be limited to the particular political entity or part thereof, or other recipient as to whom such finding has been made, or (2) by any other means authorized by law. No action is to be taken until the appropriate person or persons has been notified of the violation and it has been determined that voluntary compliance cannot be secured.

Subsection (c) of section 1002 provides that, in the case of any action to terminate, the head of the Federal department or agency shall file with the committees of the House and Senate having legislative jurisdiction over the program or activity involved a full written report of the circumstances and the grounds for such action. No action is to become effective until thirty days from the filing of such report.

Section 1003. Judicial Review

Section 1003 provides that any department or agency action taken pursuant to section 1002 shall be subject to such judicial review as may otherwise be provided by law for similar action taken by such department or agency on other grounds. In the case of action, not otherwise subject to judicial review, terminating or refusing to grant or to continue financial assistance upon a finding of failure to comply with any requirement imposed pursuant to section 1002, any person aggrieved (including any State or political subdivision thereof and any agency of either) may obtain judicial review of such action in accordance with chapter 7 of title 5, U.S.C., and such action shall not be deemed committed to unreviewable agency discretion within the meaning of the chapter.

Section 1004. Preservation of Existing Authority

Section 1004 provides that nothing in title X shall add to or detract from any existing authority with respect to any education program or activity

under which Federal financial assistance is extended by way of a contract of insurance or guaranty.

Section 1005. Definition

Section 1005 defines "education" for the purposes of title X as including preschool, elementary, secondary and postsecondary education.

Fact Sheet

HIGHER EDUCATION OPPORTUNITY ACT OF 1971
(Excluding Student Financial Aid Programs)

Department of Health,
Education, and Welfare
February, 1971

FACT SHEET

HIGHER EDUCATION OPPORTUNITY ACT OF 1971

(Excluding Student Financial Assistance Provisions)

The following is a brief synopsis of the major provisions of the Higher Education Opportunity Act of 1971, excluding the provisions of Title IV relating to student financial assistance.

Title I

Title I of the HEOA extends existing community service and continuing education programs under Title I of the Higher Education Act for two years, through June 30, 1973.

Title II

Title II extends and amends the library programs contained in Title II of the HEA. At present there are three types of grants made under Title II--basic, supplemental, and special purpose grants. The bill would change the percentage of funds appropriated for Part A which would be available for each of these types of grants. Basic and supplemental grants would be reduced from 75 to 50 percent of the sums appropriated for Part A. The remaining 50 percent would be available for making special purpose grants. Grants under Part A are extended for two years, through June 30, 1973.

The research and demonstration provisions of Part B are repealed since they duplicate authority which already exists under the Cooperative Research Act. The librarian training authority in Part B is moved to a new Part G in Title V of the HEA (the Education Professions Development Act).

Part C, authorizing transfer of funds to the Library of Congress for the Library's use in acquiring valuable materials and in preparing cataloging

information, is repealed. These activities will be funded from Library of Congress appropriations.

Title III

Title III extends programs for Strengthening Developing Institutions under Title III of the HEA for five years, through June 30, 1976. Technical amendments clarify the requirements for participation of institutions which offer less than the bachelor's degree and provide that Professors Emeritus may come from the developing institutions themselves, as well as from stronger and more recognized colleges and universities.

Title IV

Title IV contains amendments to student financial aid programs.

Title V

Title V amends and extends programs dealing with the training of educators authorized by the Education Professions Development Act (Title V HEA). The provisions of Title V are:

Part A extends the authorization for the National Advisory Council on Education Professions Development for five years, through June 30, 1976, and also extends for five years the authorization for the program for attracting qualified persons to the field of education.

Part B extends the authorization for the Teacher Corps for five years, through June 30, 1976.

Part C amends the program for attracting and qualifying teachers to alleviate teacher shortages by encouraging high school and college students to serve as tutors or instructional assistants for educationally disadvantaged children. The amendments provide for compensation of these persons.

Authority is also added to provide necessary training to teachers to enable them to teach other grades or other subjects in which teacher shortages exist

The basic program itself is extended for five years, through June 30, 1976. This part also increased the amount available for administration of the State Plan from three percent to five percent or $20,000, whichever is greater, and eliminates the provision requiring that no more than one-third of the funds under this section shall be used for teacher aides.

Finally, the minimum State allotment under B(2) is reduced from $100,000 to $50,000.

Part D extends the authorization for the program of improving training opportunities for personnel serving in programs of education other than higher education for five years, through June 30, 1976, and amends it to provide for projects to encourage persons to serve as tutors in preschool, elementary, and secondary school classes, especially for disadvantaged children. In addition, Part D provides for compensation for these persons.

This part would also provide for programs for the development, expansion, or improvement of undergraduate programs for preparing educational personnel and for practice teaching experiences for prospective teachers in elementary and secondary schools.

Finally, Part D amends the training program by permitting the Commissioner to make payments to the Secretary of the Interior to carry out the program with respect to persons who are preparing to serve as teachers in schools operated on Indian reservations by the Department of Interior.

Part E consolidates the Title IV NDEA fellowship programs with Part E of the Education Professions Development Act and extends Part E for five years, through June 30, 1976. Provisions are included to insure that no student will receive less under the consolidated authority than he is currently receiving.

Part F extends the training program for vocational education personnel through June 30, 1976.

Title VI

Title VI repeals the following titles of the HEA: Title VI (Improvement of Undergraduate Instruction); Title VIII (Networks for Knowledge); Title IX (Education for the Public Service); Title X (Improvement of Graduate Programs); and Title XI (Law School Clinical Programs). The proposed National Foundation for Higher Education would have authority to fund similar activities in several of these areas.

Title VII

Title VII amends Title XII (general provisions) of the HEA by redesignating it as Title VIII and by adding a new section which would standardize assurances which applicants for aid under Titles II, III, and V must make to the Commissioner. These standardized assurances include maintenance of effort, fiscal control and fund accounting procedures, evaluation and dissemination procedures, and reporting requirements.

Title VIII

Title VIII extends the Higher Education Facilities Act through June 30, 1973. In addition, it adds a new program for Federal insurance of loans for the construction of academic facilities at private nonprofit institutions of higher education. Loans may be made either to the institutions or to nonprofit private higher education building agencies.

Title IX

Title IX extends Title VI of the National Defense Education Act (language development) for two years, through June 30, 1973.

Title X

Title X adds a new title which would prohibit discrimination on the basis of sex in any federally assisted education program, except where sex is a bona fide ground for differential treatment. The title provides that compliance may be effected by termination of grants to any recipient who fails to comply with this requirement. Provisions for adequate hearings, findings and judicial review are also included.

STUDENT FINANCIAL ASSISTANCE PROGRAMS

Department of Health,
Education, and Welfare
February, 1971

Foreword

> No qualified student who wants to go to college should be barred by lack of money

This is the opening sentence in ~~the~~ President Nixon's 1970 message on higher education. It expresses both the purpose and the theme of the Administration's proposal to improve and expand existing student aid programs.

The President's proposed changes in student financial aid programs would, for the first time in history, guarantee that every qualified student from a low-income family would have sufficient resources to attend college. Under the proposal, grants, work-study payments and subsidized loans will supplement what the families of low income students can afford to contribute to the post-secondary education of their sons and daughters.

The President's proposals will also increase the amount of unsubsidized loan funds available to students at all income levels. This improved access to federally-guaranteed loans will assist millions of undergraduate and graduate students to finance their educations.

Present Programs: Description and Problems

The Office of Education presently administers four major programs for aiding students: Educational Opportunity Grants, the College Work-Study program, National Defense Student Loans and Guaranteed Loans.

The first three programs are mainly funded by the Federal Government and administered by colleges and universities. The amount of funds available to the institution for these programs depends on the total funds appropriated by Congress, State distribution formulas and the approval of regional review panels. Once the college has its various allocations, the student aid office determines what mix of grants, work-study payments and loans is appropriate for each individual eligible student.

Commercial lending institutions, primarily banks, operate the Guaranteed Loan programs. Loans are made to students at a maximum interest rate of 7 percent. The Federal Government guarantees the loans against default, pays the student's interest while he is in college and makes a special payment to banks during tight money conditions.

There are several problems with this system of student aid:

- Availability of funds -- Students do not receive all the aid for which they are eligible under the present system. Allocation formulas, matching requirements and insufficient funds limit the aid which institutions can award to individual students. Colleges enrolling large numbers of disadvantaged students are in an especially difficult position because of the matching requirements.

- Limited loan funds -- Existing loan programs provide an inadequate volume of lendable funds because (a) the National Defense Student Loan program requires capital outlays from the Federal budget which has been under severe fiscal pressures and restraints for the last several years; and (b) students must compete with other borrowers (who often offer more profitable investment opportunities) for the lendable funds of banks under the Guaranteed Loan program. (Low-income students with poor bank connections sometimes find themselves at a particular disadvantage.)

- Open-ended expenditures -- The Federal Government is obligated to meet its commitment to pay the interest on Guaranteed Loans while students are in college. As interest rates rise, and as more and more middle and upper income families find it in their interest to take advantage of these subsidies, a larger and larger share of Federal funds for student aid is being diverted away from the most needy students. The system as a whole has a built-in tendency to become less progressive as these subsidies absorb a disproportionate part of any budget increase for student aid.

- Uncertainty -- A student who wants to go to college cannot tell where he can get aid or how much he can count on in advance of his admission and the particular student aid office determination. Nor can a bank assure the student in advance that it will have funds to lend to him.

- Inequitable distribution -- Federal funds do not necessarily go to those students who need them most. Moreover, different colleges assess need in different ways. Substantial subsidies go to middle and upper income students, especially under the Guaranteed Loan program.

Proposed Programs: Purposes

The Administration's improvements in the existing student aid programs have four major purposes:

--To assure the availability of funds to every qualified student.

--To assure that Federal funds go first, and in the largest amounts, to the students who need them most.

--To provide potential students with as accurate information as possible concerning the aid they can expect.

--To assure that all students of equal need are treated alike.

--To provide additional financial aid to students attending high cost institutions.

Proposed Program: Concept and Structure

The Administration is recommending a coordinated student aid system with two parts: (a) a combination of grants, work-study payments and subsidized loans for full-time undergraduate students with low to middle incomes attending public and non-profit postsecondary educational institutions as well as proprietary institutions of higher education; and (b) creation of a National Student Loan Association to raise money privately and make it available for all postsecondary students at all income levels.

A. Grants, work-study payments, subsidized loans

The basic concept is that all students whose families can be expected to make the same contribution should have the same help available for their education from Federal sources. The combination of family contributions plus Federal grants, work-study payments and subsidized loans would be enough to enable any student to meet minimum education expenses. The key determinant is family income (and, thus, family contribution). Students from lower income families would receive more Federal aid than students from higher income families. (Lower income students would also receive a larger proportion of their aid in the form of grants and work-study payments rather than in the form of subsidized loans.) But the total resources available (i.e., family contribution plus Federal aid) to students at different income levels would be made equivalent.

The system would work as follows. Each year the Secretary of HEW, after conferring with the Advisory Council on Financial Aid to Students, would publish a schedule indicating the amount of Federal funds available to students at different income levels. Each student's eligibility for aid would be calculated by determining the expected family contribution toward his educational costs. This determination would take into account such factors as the size of the family, the number of children in college, extraordinary family expenses and capital assets. The deficiency between expected family contribution and the amount of resources the student should have available to him would be met by a combination of grants, work-study payments and subsidized loans.

For example, under the Administration's fiscal 1972 budget proposals, students from families with adjusted family income of $10,000 or less, and with two children, one of whom is in college, would be eligible for Federal funds. The maximum total amount of subsidized aid (grant and work-study plus subsidized loan) available to any one student would be $1,400. The maximum grant available to any one student would be $1,000. In addition to these base amounts, students who (1) meet the eligibility criteria for subsidized aid, and (2) attend schools with annual average cost in excess of $1,400 would be eligible to

apply for an additional subsidized "cost of education" loan of up to $1,500. This program would be controlled by schools in a manner similar to the present NDEA loan programs and terms to students would be approximately the same as those governing present NDEA loans. The amounts of aid to be available at different income levels for the two-child family described previously as well as one with five children, two of whom are in school, under the funding levels contemplated by the Administration's proposals are illustrated in Attachment I.

Several others features of the proposal deserve mention:

- All aid from State and private student aid programs would be in addition to Federal aid, and would permit students eligible for it a wide choice of the type of institution they attend.

- A "grandfather" clause would assure that students receiving aid under the present program would receive no less under the new system than they were entitled to under the old one.

- Institutions of higher education would preserve the option, within national limits set by the Commissioner of Education, of determining the mix of grants and work-study payments appropriate to the individual student.

- The National Defense Student Loan Revolving Fund (currently about $140 million) would continue in its present form, except that no new Federal appropriations would be made to the fund. Loans would continue to be made in a manner similar to current NDSL's; however, cancellations for teaching, military service, Peace Corps service, etc. would be eliminated for new loans.

  Loans from this fund would go first to students eligible under the "grandfather clause" in the bill; remaining funds would be used to provide subsidized loans under the Higher Education Opportunity Act.

- Students attending proprietary institutions of higher education would be made eligible for all benefits.

Finally, these proposals would not alter the valuable features of existing programs.

- Educational Opportunity Grants would continue as the basic grant program but without matching requirements.

- The College Work-Study program would continue. Colleges would continue to match work-study funds provided by the Federal Government (one dollar for four) but this requirement would be waived for institutions or work programs which it would hamper.

- National Defense Student Loan benefits would continue under the same terms and conditions as at present for both of the subsidized loan programs discussed above. However, lendable capital would come from the private money markets rather than the Federal Budget.

B. National Student Loan Association

The purpose of the proposed National Student Loan Association (NSLA) is to increase the amount of resources available for loans (both subsidized and unsubsidized) to all students at all income levels.

NSLA would be a private corporation, chartered and established by the Federal Government. It would raise funds by issuing its own obligations for sale in private capital markets. These obligations would be guaranteed against default by the Government, allowing the NSLA to pay a lower rate of interest.

With the proceeds from its sales, NSLA would buy, sell, or warehouse (buy under the condition that the seller will repurchase, i.e., NSLA "stores" the loans) student loan paper from colleges, banks or other eligible lenders. Typically, a college without funds of its own to invest in student loans would make a loan to a student and then turn immediately to NSLA to sell the student's note. NSLA would pay enough for the note to restore the college's cash position.

NSLA would significantly increase the flow of funds into student loan markets. Both banks and colleges would be encouraged to do more student lending. It is estimated that NSLA may buy up to $2 billion worth of loans in its first year of operation.

The Guaranteed Loan Program would continue to be open to all college students, however high their family incomes. However, some changes would be made in the program. First, the 7 percent interest ceiling would be eliminated. Second, the interest subsidy paid by the Federal Government on student loans to above average income students while they are in college and the special allowance paid to banks would be eliminated. Thus, it would now be an unsubsidized loan program except for students meeting a test of need.

Several other features applicable to both subsidized and unsubsidized loans are of significance:

- Banks and other financial institutions would make both kinds of loans.

- Loan ceilings would be raised and would apply to the aggregate of both subsidized and unsubsidized loans. A student could borrow up to $2,500 a year for up to seven years.

- The length of the maximum permissible loan repayment period would be increased to twenty years from the present ten.

- Student borrowers would not have to pay interest while they were still in college. Federal payments would cover interest charges on subsidized loans. On unsubsidized loans, lender would be required to allow the student to defer payments of both interest and principle while the student was in college. The Government would guarantee deferred interest payments along with principle.

- The student could prepay his loan at any time without penalty.

- Lenders would also be permitted to agree, at the time the loan was made, to allow the student to defer payments and interest up to an aggregate of five additional years. In such cases, the student would be allowed to choose those times during the repayment period when regularly scheduled payments would be especially burdensome. The Federal Government would guarantee interest charges during such periods.

Proposed Program: Consequences

It is estimated that in Fiscal Year 1972, the first year of operation of the program,:

- 2 1/2 million students would receive benefits (including unsubsidized loans), an increase of one million over the number of students receiving assistance under present programs.

- approximately $575 million in grants and work-study payments would be available, an increase of $242 million above FY 1971.

- about $1.2 billion would be available to make loans under the subsidized loan programs, an increase of $830 million.

Problems Solved and Purposes Achieved

The Administration's student aid proposals overcome the problems and achieve the purposes noted earlier in this paper.

- Availability -- Every student who qualifies for direct Federal assistance under the schedule established by the Secretary of HEW will receive his Federal funds. NSLA will provide an adequate supply of lendable funds for students who do not qualify for subsidies.

- Need -- Grants, work-study payments and subsidized loans will be concentrated on those in most need: students from low-income families.

. Certainty -- The aid schedule published annually by the Secretary of HEW would inform every eligible student of the amount of aid he could expect.

. Equity -- Students whose families could be expected to make similar contributions would receive equivalent amounts of aid.

Conclusion

The Administration's proposals would assure that one of the President's deep convictions is fulfilled:

> "Equal educational opportunity, which has long been a goal, must now become a reality for every young person in the United States, whatever his economic circumstances."

AID ELIGIBILITY--BASIC PROGRAM
(Cost of Education Loans and All Other State and Private Aid
Would Be In Addition To These Benefits)

Typical Resources For A Student From A Two-Child Family, One Of Whom Is In College

Adjusted Family Income 2/	Family Contribution	Equal Opportunity Grant/ Work-Study	NDEA-Type Subsidized Loan	Family Contribution Plus Aid	Average Summer Savings	Total Student Resources	Cost of Education Loan 1/
$0-3500	$ 0	$1,000	$400	$1,400	$300	$1,700	$1,500
4500	220	780	400	1,400	300	1,700	1,500
5500	430	570	400	1,400	300	1,700	1,500
6500	640	360	400	1,400	300	1,700	1,500
7500	850	150	400	1,400	300	1,700	1,500
8500	1,050	0	350	1,400	300	1,700	1,500
9500	1,250	0	150	1,400	300	1,700	1,500
10,000 and above	1,400	0	0	1,400	300	1,700	0

Typical Resources For A Student From a Five-Child Family, Two of Whom Are In College

$0-5500	$ 0	$1,000	$400	$1,400	$300	$1,700	$1,500
6500	110	890	400	1,400	300	1,700	1,500
7500	195	805	400	1,400	300	1,700	1,500
8500	280	720	400	1,400	300	1,700	1,500
9500	360	640	400	1,400	300	1,700	1,500
10,500	440	560	400	1,400	300	1,700	1,500
11,500	510	490	400	1,400	300	1,700	1,500
12,500	580	420	400	1,400	300	1,700	1,500
13,500	650	350	400	1,400	300	1,700	1,500
14,500	700	300	400	1,400	300	1,700	1,500

Expected family contributions at higher income levels will depend importantly on the amount of capital assets available for meeting educational costs, and on other special family circumstances, as well as on family income. Hence, any aid to students from large families at higher income levels will depend on the overall financial situation of the family, and not simply on income.

1/ Cost of education loans would be available to eligible students who attend schools with average annual costs in excess of $1,400. The availability of these loans to students at various income levels is subject to appropriations for interest subsidy payments.

2/ Adjusted family income represents gross family income adjusted to reflect the number of children in the family, the number of children in school, extraordinary family expenses, and capital assets.

THE NATIONAL STUDENT LOAN ASSOCIATION

The National Student Loan Association would increase the loan capital available from private sources for students wishing to finance their education.

The Banking Problem

The Guaranteed Student Loan Program is in its fifth school year. Thus far, 3½ million loans totaling nearly $3 billion have been made to students attending 2,000 educational institutions:

Fiscal Year	Volume of Loans	Number of Loans
1966	$ 77 Million	48,495
1967	248	330,088
1968	436	515,408
1969	687	787,344
1970	840	921,896
1971 (1st 5 mos.)	656	656,042
TOTAL	$2.94 Billion	3,259,273

This rapid growth poses liquidity problems for lenders, despite the general easing in the supply of lendable funds in recent months.

For most borrowing students, repayments begin after graduation. For those who go to graduate school, the military, Peace Corps or VISTA, more years elapse before repayment starts. As the number of student loans increases, and more of their funds are tied up for long periods, lenders will reduce the amount of new lending to students or require a higher yield on loans.

The National Student Loan Association would relieve this shortage of funds by creating a secondary market for student loans, providing opportunities for the purchase by another party of the originating lender's interest in a loan. The Association would offer to buy federally-guaranteed student loans from the original lenders, thus permitting them to replenish their supply of lendable funds. Perhaps more important, the possibility of such sales will induce them to commit a greater share of their loan portfolios to student loans, to accept lower interest rates, or both.

NSLA and the Proposed Student Aid Reforms

To achieve the President's goal of eliminating financial barriers to minimum cost higher education, two changes have been proposed in the federal student aid programs which depend on the existence of a secondary market.

First, it is proposed to supply the capital needed for NDEA-type loans from the same private sources as for guaranteed loans. The needed expansion of NDEA-type programs would otherwise be difficult, given the inevitable competition for federal budget resources--not least the competition for funds between the NDEA program and the EOG and Work-Study programs, which also need to be expanded to meet the President's objective.

Second, it is proposed to remove interest subsidies on guaranteed loans to students who do not meet a resonable means test, thus releasing additional budget funds for NDEA subsidies, EOG's and Work-Study payments. Students who no longer qualify for subsidies will nonetheless wish to defer interest payments until after graduation. Such deferrals will reduce the cash-flow of lenders, and create an additional need for the liquidity a secondary market institution can provide.

How Would the Secondary Market Work?

Two basic secondary market mechanisms have been proposed for the National Student Loan Association to seek the goals of adequate liquidity, low interest charges and efficient loan servicing. The two basic mechanisms are: (1) purchasing; and (2) warehousing.

In a purchasing operation, the Association would offer to buy student loans from schools and banks at a yield consistent with that prevailing in the money markets and experienced servicing costs.

Under the warehousing operation, the Association would offer to advance funds to lending schools and banks up to 80 percent of the face value of the insured loans pledged. The borrower could reinvest these funds only in student loans, and of course, the lending institution would pay interest on its loan from the Association.

What Would Students Pay?

The interest rates payable by students would be related to the rates prevailing in the market.

Students taking out NDEA-type subsidized loans would pay no interest for the period in school and in national service, and 3% for 10 years thereafter. The difference between the students interest payments (0% or 3%) and the market-determined yield on student loans would be paid by the Federal Government.

Students eligible only for unsubsidized loans would have the option of deferring interest while in school, but would pay the full market-determined interest rate beginning after graduation. Interest payments deferred up to that time would be added to principal.

What Would Students Pay? cont.,

Principal repayments under both subsidized and unsubsidized loans would be deferred until after graduation.

Servicing

Student loans would be serviced by the original lender under the warehousing arrangement. Under the purchasing alternative, the lending school or bank would usually continue to service its student loans for a fee set by NSLA--probably in the range of 1½% of the consolidated indebtedness of the student.

Financing the Association

NSLA would raise its initial capital by selling common stock to eligible lenders--commercial banks, savings and loan associations, mutual savings banks, credit unions, and educational institutions. It also could sell preferred stock to parties wishing to support higher education. The Association then would issue its own debt obligations which would be federally guaranteed both as to principal and interest, thus attracting new sources of funds into the student loan program.

Provision for Interim Financing

Until the National Student Loan Association is ready for business, interim financing arrangements for NDEA-type student loans would be provided by authorizing the Secretary of HEW to purchase any federally-guaranteed student loan made by an institution of higher education. This purchase would be made at 100% of the value of the loan.

After such time as the Association is able to capitalize itself and purchase insured student loans, the Association would repurchase from the Secretary all student loans which he has acquired during the interim period. In this way, the Association purchase would "wash out" the initial financing done by HEW.

These special interim financing arrangements would enable colleges to participate immediately in the expanded NDEA-type loan program. The colleges, unlike banks and other lenders, do not generally have the cash resources to wait the six months that would probably be required for NSLA to open for business.

92D CONGRESS
1ST SESSION

S. 1161

IN THE SENATE OF THE UNITED STATES

MARCH 9 (legislative day, FEBRUARY 17), 1971

Mr. MONDALE introduced the following bill; which was read twice and referred to the Committee on Labor and Public Welfare

A BILL

To assist in removing the financial barriers to the acquisition of a postsecondary education by all those capable of benefiting from it.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Student Assistance Act of 1971".

TITLE I—STUDENT OPPORTUNITY GRANTS

EDUCATIONAL OPPORTUNITY GRANT AMENDMENTS

SEC. 101. (a) Title IV of the Higher Education Act of 1965 is amended—

(1) by redesignating part A as subpart 2;

(2) by redesignating sections 401 through 407

(and references thereto) as sections 414 through 420, respectively;

(3) by striking out "part" wherever it appears in such sections and inserting in lieu thereof "subpart"; and

(4) by striking out section 409.

(b) Such title is further amended—

(1) by redesignating section 408 (and references thereto) as section 421; and

(2) by inserting above the section heading the following:

"SUBPART 3—TALENT SEARCH AND UPWARD BOUND PROGRAMS SPECIAL SERVICES TO DISADVANTAGED STUDENTS IN INSTITUTIONS OF HIGHER EDUCATION"

(c) Such title is further amended by inserting the following after "TITLE IV—STUDENT ASSISTANCE":

"PART A—GRANTS TO STUDENTS

"SUBPART 1—STUDENT OPPORTUNITY GRANTS

STATEMENT OF PURPOSE AND AUTHORIZATION

"SEC. 401. (a) It is the purpose of this subpart—

"(1) to provide grants, to be known as student opportunity grants, assist in making available the benefits of higher education to qualified students who for lack of financial means of their own or their families

would be unable to obtain such benefits without such aid; and

"(2) to reimburse institutions in part for the cost, to them, of educating such students.

"It is the intent of the Congress that this program constitute a major step toward the ultimate removal of all financial barriers to the acquisition of a postsecondary education to the end that at least sixteen years of formal schooling will be guaranteed to all persons capable of benefiting from it.

"(b) The Commissioner is authorized, in accordance with the provisions of this subpart, to award student opportunity grants (hereinafter in this subpart called 'grants') to a student who (1) has been accepted for enrollment at an eligible institution or, in the case of a student already attending such institution, is in good standing there as determined by the institution, and (2) is carrying at least one-half of the normal full-time course of study as determined by the institution, at an eligible institution of the student's own choosing.

"(c) The amount of the grant for which a student carrying less than a normal full-time course of study at an eligible institution shall be computed as follows: Deductions from the amount for which the student is eligible

for full-time study (under section 404) shall be made for students who desire to attend school part time, if such an individual qualifies for a grant under section 404. For any period of time (as determined by the Commissioner under regulations prescribed by him) in which such an individual is a part-time student carrying not less than three-fourths of a normal full-time course of study (as determined by the Commissioner under regulations prescribed by him), the deduction from the student opportunity grant of such an individual shall be equal to one-fourth of the amount of such grant. For any period of time (as determined by the Commissioner under regulations prescribed by him) in which such an individual is a part-time student carrying a course of study in the eligible institution in which he is enrolled in not less than one-half of a full-time course of study (as determined by the Commissioner under regulations prescribed by him), the deduction from the student opportunity grant of such an individual shall be equal to one-half of the amount of such grant.

"DEFINITION OF ELIGIBLE INSTITUTION

"SEC. 402. As used in this subpart:

"(a) The term 'eligible institution' means (1) an institution of higher education, or (2) a vocational school.

"(b) The term 'institution of higher education' means an educational institution in any State which (1) admits

as regular students only persons having a certificate of graduation from a school providing secondary education, or the recognized equivalent of such certificate, (2) is legally authorized within such State to provide a program of education beyond secondary education, (3) provides an educational program for which it awards a baccalaureate degree or provides not less than a two-year program which is acceptable for full credit toward such a degree, or provides an education program for which it awards a graduate or professional degree, (4) is a public or other nonprofit institution, and (5) is accredited by a nationally recognized accrediting agency or association approved by the Commissioner for this purpose, or, if not so accredited, (A) is an institution with respect to which the Commissioner has determined that there is satisfactory assurance, considering the resources available to the institution, the period of time, if any, during which it has operated, the effort it is making to meet accreditation standards, and the purpose for which this determination is being made, that the institution will meet the accreditation standards of such an agency or association within a reasonable time, or (B) is an institution whose credits are accepted on transfer by not less than three institutions which are so accredited, for credit on the same basis as if transferred from an institution so accredited. Such term includes any public or other nonprofit collegiate

or associate degree school of nursing and any school which provides not less than a one-year program of training to prepare students for gainful employment in a recognized occupation and which meets the provisions of clauses (1), (2), (4), and (5). If the Commissioner determines that a particular category of such schools does not meet the requirements of clause (5) because there is no nationally recognized accrediting agency or association qualified to accredit schools in such category, he shall, pending the establishment of such an accrediting agency or association, appoint an advisory committee, composed of persons specially qualified to evaluate training provided by schools in such category, which shall (i) prescribe the standards of content, scope and quality which must be met in order to qualify schools in such category to participate in the program pursuant to this part, and (ii) determine whether particular schools not meeting the requirements of clause (5) meet those standards. For purposes of this subsection, the Commissioner shall publish a list of nationally recognized accrediting agencies or associations which he determines to be reliable authority as to the quality of training offered.

"(c) The term 'vocational school' means a business or trade school, or technical institution or other technical or vocational school, in any State, which (1) admits as regular students only persons who have completed or left elementary

or secondary school and who have the ability to benefit from the training offered by such institution; (2) is legally authorized to provide and provides within that State, a program of postsecondary vocational or technical education designed to fit individuals for useful employment in recognized occupations; (3) has been in existence for two years or has been specially accredited by the Commissioner as an institution meeting the other requirements of this subsection; and (4) is accredited (A) by a nationally recognized accrediting agency or association listed by the Commissioner pursuant to this clause, (B) if the Commissioner determines that there is no nationally recognized accrediting agency or association qualified to accredit schools of a particular category, by a State agency listed by the Commissioner pursuant to this clause and (C) if the Commissioner determines there is no nationally recognized or State agency or association qualified to accredit schools of a particular category, by an advisory committee appointed by him and composed of persons specially qualified to evaluate training provided by advisory committee appointed by him and composed of persons specially qualified to evaluate training provided by schools of that category, which committee shall prescribe the standards of content, scope, and quality which must be met by those schools in order for loans to students attending them to be insurable under this part and shall also determine

whether particular schools meet those standards. For the purpose of this subsection, the Commissioner shall publish a list of nationally recognized accrediting agencies or associations and State agencies which he determines to be reliable authority as to the quality of education or training afforded.

"(d) The term 'collegiate school of nursing' means a department, division, or other administrative unit in a college or university which provides primarily or exclusively an accredited program of education in professional nursing and allied subjects leading to the degree of bachelor of arts, bachelor of science, bachelor of nursing, or to an equivalent degree, or to a graduate degree in nursing.

"(e) The term 'associate degree school of nursing' means a department, division, or other administrative unit in a junior college, community college, college, or university which provides primarily or exclusively an accredited two-year program of education in professional nursing and allied subjects leading to an associated degree in nursing or to an equivalent degree.

"(f) The term 'accredited' when applied to any program of nurse education means a program accredited by a recognized body or bodies approved for such purpose by the Commissioner of Education.

"APPROPRIATIONS AUTHORIZED

"SEC. 403. To carry out the purposes of this subpart,

there are hereby authorized to be appropriated such sums as are necessary for the fiscal year ending June 30, 1970, to be used for planning and related activities, and such sums as may be necessary for each of the three succeeding fiscal years. Sums appropriated pursuant to this section for any fiscal year shall be available for payment until the close of the fiscal year succeeding the fiscal year for which they were appropriated.

"AMOUNT OF GRANT

"SEC. 404. (a) Subject to the limitations contained in subsections (b), (c), and (e), the amount paid under a grant awarded to a full-time student under this subpart, for each academic year during which such grant is in force, shall be an amount equal to the excess of the actual cost of attendance of the institution attended by the student, as last determined by the Commissioner, over the sum of—

"(1) the student's family contribution,

"(2) the expected student savings, as last determined by the Commissioner.

"(b) The portion of the actual cost of attendance at the institution attended by the student which shall be used for computing the amount of the grant shall be—

"(1) 100 per centum of the actual cost of attend-

ance at the institution attended by the student, up to $1,400,

"(2) 90 per centum of the actual cost of attendance at the institution attended by the student, in excess of $1,400 but less than $2,000,

"(3) 80 per centum of the actual cost of attendance at the institution attended by the student, in excess of $2,000 but less than $2,500,

"(4) 70 per centum of the actual cost of attendance at the institution attended by the student, in excess of $2,500 but less than $3,000,

"(5) 60 per centum of the actual cost of attendance at the institution attended by the student, in excess of $3,000 but less than the national average cost of attendance at a four-year nonpublic university as determined by the Commissioner, and

"(6) 40 per centum of the actual cost of attendance at the institution attended by the student, in excess of the national average cost of attendance at a four-year non-public university as determined by the Commissioner.

"(c) The amount paid under a grant awarded to a full-time student under this subpart for an academic year shall not exceed the lesser of—

"(1) the national average cost of attendance at a

four-year non-public university, as determined by the Commissioner, or

"(2) (A) the actual cost for such year to such student of tuition and fees, and

"(B) a minimum maintenance allowance applicable to all students receiving grant payments under this subpart as determined by the Commissioner for such year.

"(d) If the amount payment under a grant for an academic year, as determined under this section, would be less than $200 for a full-time student, no payment shall be made to that student for such year.

"(e) If, as determined by the Commissioner on the basis of estimates, the total amount of all payments for any academic year to be made pursuant to grants awarded under this subpart would exceed the amount available for such grants, the Commissioner shall reduce the amounts of such payments that would otherwise be payable in a manner most likely to preserve payments to students from the lowest-income families to the fullest possible extent.

"(f) As used in this subpart—

"(1) The term 'actual cost of attendance' means the actual per-student charges for tuition, fees, room and board, books, and an allowance for such other expenses which the Commissioner deems to be reasonably related to his edu-

cational experience, for an academic year incurred by students attending eligible institutions, as determined by the Commissioner.

"(2) The term 'national average cost of attendance at a four-year nonpublic university' means the average per-student charges for tuition fees, room and board, and an allowance for such other expenses which the Commissioner deems to be reasonably related to the educational experience for an academic year incurred by students attending such institutions, as determined by the Commissioner. Each determination of the Commissioner and the criteria on which it is based shall be published in the Federal Register. The national average cost shall be redetermined by the Commissioner at least once every two years and shall be redetermined at shorter time intervals if the Commissioner deems it necessary for the purposes of this subpart.

"(3) Except as otherwise provided pursuant to subsection (g), the term 'family contribution', with respect to a student, means the amount which the family of that student may be expected to contribute toward the cost of his post-secondary education for the academic year in question, as determined in accordance with regulations prescribed by the Commissioner on the basis of criteria set forth therein, including such criteria as effective family income (as defined in this section), number of dependents in the student's fam-

ily, and the number of dependents attending or likely to attend institutions of higher education. The Commissioner shall review and, if necessary, revise such regulations annually. The amount of the family contribution with respect to a student shall be determined as of the time that a determination (or redetermination) of effective family income is made for purposes of this subpart.

"(4) Except as otherwise provided pursuant to subsection (g), the term 'effective family income' with respect to a student means the annual adjusted family income, as determined in accordance with regulations prescribed by the Commissioner, received by the parents or guardian of that student (or the person or persons having an equivalent relationship to such student) minus Federal income tax paid or payable with respect to such income. In such regulations, the Commissioner may, to the extent consistent with the purposes of this subpart, and subject to such adjustments or variations as he may deem necessary or appropriate, adopt the criteria for determining taxable income for purposes of the individual income tax imposed by the Internal Revenue Code of 1954.

"(5) The term 'expected student savings' means the amount which in the judgment of the Commissioner reflects the amount of savings which a student may on the average be expected to save from summer, vacation, or part-time em-

ployment for application toward the cost of his postsecondary education for an academic year.

"(g) The Commissioner shall prescribe special rules for determining family contribution and effective family income in the case of students who are determined to be self-supporting. In prescribing such rules, the Commissioner shall provide an additional amount for the dependents of such students equal not to exceed $300 per dependent, or a total of $1,500, per academic year.

"DURATION OF GRANT

"SEC. 405. (a) The duration of a grant awarded under this part shall be—

"(1) for completion by the recipient of his undergraduate (or other, prebaccalaureate degree, training) education, the period of time shall not exceed four academic years (except where the Commissioner determines that the student is enrolled in a degree program which normally requires more than four academic years for a baccalaureate degree, in which event such period shall not exceed five academic years), or of an equivalent period of time of part-time enrollment, less any such period with respect to which the recipient has previously received payments, for his prebaccalaureate education, pursuant to a grant under this subpart or under subpart 2;

"(2) for completion by the recipient for education beyond the baccalaureate degree the period of time shall not exceed four academic years for a student pursuing a graduate or professional degree, or for an equivalent period of time of part-time enrollment.

"(b) A student awarded a grant under this part shall continue to be entitled to payments thereunder only if such student—

"(1) is maintaining good standing in the course of study which he is pursuing, according to the regularly prescribed standards and practices of the institution which he is attending, and

"(2) devotes at least half-time to such course of study, during the academic year, in attendance at an eligible institution, except that failure to be at an institution during vacation periods or periods of military service, or during other perods during which the Commssioner determines, in accordance with regulations, that there is good cause for his nonattendance (during which periods such students shall receive no payments), shall not be deemed contrary to the purposes and requirements of this clause.

"DELEGATION BY COMMISSIONER

"SEC. 406. (a) The Commissioner is authorized to designate one or more public or private nonprofit agencies

to carry out the functions or make the determinations prescribed in this subpart on his behalf, and to carry out such other functions related to the determination of eligibility of students for award of grants and the amounts of payments to them as he may deem appropriate. The Commissioner may enter into agreements with such agency or agencies providing for the conduct of such functions. Each such agreement shall provide for such fund-control and fund-accounting procedures as may be necessary to assure proper disbursement of and accounting for Federal funds paid to the agency under subsection (b), and for the making of such reports, in such form and containing such information, as may be necessary to enable the Commissioner to perform his functions under this subpart.

"(b) The Commissioner shall, if so provided in such agreements, pay to each such agency such amounts as the Commissioner determines to be necessary for the proper and efficient execution by such agency of its functions under this subpart. There are hereby authorized to be appropriated such sums as may be necessary to make such payments.

"(c) In making any such designation, the Commissioner shall reserve the right to review, upon his own initiative or that of any interested party, any finding, determination, or other action made or taken by such agency.

"ELIGIBLE APPLICANTS

"SEC. 407. (a) An individual shall be eligible to apply for a full educational opportunity grant under this subpart if he—

"(1) is a permanent resident of a State or, if not, is a national of and domiciled in the United States; and

"(2) (A) has—

"(i) completed at least ten years of school (or the equivalent level thereof), and

"(ii) is attending a secondary school, or

"(B) has a certificate of graduation from a secondary school or the recognized equivalent of such a certificate, or

"(C) is enrolled in at least a half-time course of study at an eligible institution.

"(b) For the purposes of this section, the term 'secondary school' means such a school as defined in section 1201 (d), except that, in the case of a school which is not in a State, such term means a school that provides secondary education as determined by the Commissioner.

"APPLICATION AND DETERMINATION OF TENTATIVE ELIGIBILITY FOR AWARD

"SEC. 408. (a) Application for a grant under this subpart shall be made at such time and in such manner, and

shall contain or be supported by such information, as may be prescribed by the Commissioner or pursuant to regulation. The Commissioner shall encourage the submission of such applications, to the extent practicable, by secondary school students, as early as the eleventh grade.

"(b) An applicant who is not currently enrolled at an eligible institution shall be determined to be tentatively eligible for a grant, if—

"(1) such individual meets the requirements of paragraphs (1) and (2) (A) or (B) of section 407(a);

"(2) such individual is capable of benefiting from study at an eligible institution; and

"(3) the amount of the payment for the first academic year of such grant, if computed as of the time of such determination, would be $200 or more as determined pursuant to section 404 and regulations prescribed thereunder.

"(c) Upon such determination, the applicant shall be notified of—

"(1) his tentative eligibility for a grant,

"(2) the tentative amount thereof computed in accordance with section 404(a) (subject to the limitations of section 404(b), but without reference to section 404(d)), and

"(3) the provisions of this subpart for redetermination of such eligibility and of such amount.

"AWARD OF GRANT—PAYMENTS—ANNUAL DETERMINATION

"SEC. 409. (a) Within the amounts available for grants under this subpart, with respect to any academic year beginning after June 30, 1971, the Commissioner shall award a grant under this subpart to an applicant therefor, and shall, subject to section 410, determine the amount payable with regard thereto for the initial academic year, if—

"(1) such applicant meets the requirements of paragraphs (1) and (2) (B) of section 407 (a); and

"(2) such applicant has been accepted for enrollment as a student in a course of study in a participating eligible institution or, in the case of a student already attending such an institution, is in good standing and in at least half-time attendance there as a student; and

"(3) the applicant is then otherwise eligible for such a grant.

"(b) The Commissioner shall notify both the applicant and the participating institution in which he is enrolled or has been accepted for enrollment of such award and determination. A separate determination shall, on the basis of the latest available data, be made as to the student's eligibility

for, and the amount of, payments to such student under the grant awarded under this section for each succeeding academic year of its duration (as determined under section 405).

"(c) The Commissioner shall, in accordance with agreements pursuant to section 411, utilize the facilities and services of participating institutions as fiscal agents for paying to students attending them the amounts, if any, to which such students have been determined, with respect to each academic year, to be entitled.

"INCOME REDETERMINATIONS

"SEC. 410. Whenever, prior to the making of an initial award pursuant to section 409, it appears that the facts upon which the income determination made pursuant to section 408(b)(3) is based are as of a year ending more than two years prior to the date in which the student becomes, or will become, enrolled in a participating institution for an academic year for which he will be entitled to grant payments, such award may not be made except upon the basis of a redetermination of income. Such income redetermination may be based upon facts as of the most recent year ending prior to the year for which such redetermination is made.

"PARTICIPATING INSTITUTIONS

"SEC. 411. (a) For the purposes of this subpart, the term 'participating institution' means an eligible institution

which has entered into an agreement with the Commission. Such agreement shall—

"(1) provide that the institution will cooperate with the Commissioner in carrying out the purposes of this subpart;

"(2) provide that the institution will periodically conduct a review to determine whether students enrolled therein and holding a grant award under this subpart continue to be entitled to payments under such grants, and the amounts of such payments; and that such review may include, if the Commissioner requires, a redetermination of a student's family contribution and effective family income;

"(3) provide for utilization of such institution as fiscal agent for payments to students under this subpart;

"(4) provide for such fiscal control and accounting procedures as may be necessary to assure proper disbursement of and accounting for Federal funds paid hereunder;

"(5) provide that the institution, in cooperation with other eligible institutions where appropriate, will make vigorous efforts to identify disadvantaged youths capable of benefiting from postsecondary education and to encourage such youths to enroll in such institution, through such activities as special recruiting programs in

poverty neighborhood secondary schools, and special remedial and other training programs for disadvantaged students;

"(6) provide that the institution will meet the requirements of section 464 of this Act (relating to maintenance of effort); and

"(7) include such other provisions as may be necessary to protect the financial interest of the United States and promote the purposes of this subpart.

"COST-OF-EDUCATION ALLOWANCES TO INSTITUTIONS

"SEC. 412. Upon such conditions as he shall prescribe, the Commissioner shall pay a cost-of-education allowance to any participating institution in which was enrolled a student who received payments during an academic year ending during such fiscal year, under a grant duly awarded pursuant to this subpart. The grant upon which the cost-of-education allowance is based shall not include any sums granted to a student for his dependents under section 404(f). With respect to each such student, such allowance shall be an amount equal to the sum of—

"(1) $100, and

"(2) (A) 25 per centum of the excess over $200 paid to such student during the academic year if such student is in his first year of postsecondary study or its equivalent of part-time enrollment, or

"(B) 30 per centum of the excess over $200 paid to such student during the academic year if such student is in his second year of postsecondary study or its equivalent of part-time enrollment, or

"(C) 35 per centum of the excess over $200 paid to such student during the academic year if such student is in his third year of postsecondary study or its equivalent of part-time enrollment, or

"(D) 40 per centum of the excess over $200 paid to such student during the academic year if such student is in his fourth year of postsecondary study or its equivalent in part-time enrollment, or, if such student is beyond his fourth year of postsecondary study or its equivalent in part-time enrollment but shall not have completed the requirements for the baccalaureate degree he shall be considered a fourth year student for purposes of computing the amount due the participating institution, or

"(E) 50 per centum of the excess over $200 paid to such student during the academic year if such student has completed his baccalaureate degree and is enrolled in a course of study leading to a graduate or professional degree.

pursuant to such grant. The Commissioner shall prescribe regulations to insure that a student who received such pay-

ments during an academic year in more than one institution is not counted more than once for the purposes of computing the $100 component of the cost-of-education allowance to which each such institution is entitled under this section.

"DEFINITION OF 'ACADEMIC YEAR'

"SEC. 413. As used in this subpart, the term 'academic year' means an academic year or its equivalent as defined in regulations of the Commissioner."

TERMINATION OF PRESENT STUDENT GRANT PROGRAM

SEC. 102. Section 414 of the Higher Education Act of 1965 (as redesignated by this Act) is amended by adding the following new subsections:

"(c) Notwithstanding anything contained in this subpart, the authority vested in the Commissioner and in any institution of higher education to make payments or awards under this subpart shall terminate on June 30, 1972, unless the Commissioner finds that as of such date the program authorized under subpart 1 is not sufficiently operational to provide grants to students eligible under that subpart at a level reasonably comparable to grants made pursuant to this subpart: *Provided, however,* That the authority vested in the Commissioner or any institution of higher education by this subpart shall terminate no later than June 30, 1973.

"(d) Upon the termination of the grant program authorized by this subpart, the Commissioner shall by regula-

tion provide for the disposition of unused funds previously allotted and paid to institutions of higher education pursuant to this subpart. To the extent practicable and consistent with applicable appropriation Acts, the Commissioner may authorize the retention of such funds by the institutions which are participating institutions for purposes of subpart 1 as advances to cover grants pursuant to such subpart."

PAYMENTS FOR ADMINISTRATIVE EXPENSES AUTHORIZED

SEC. 103. Section 463 (a) of the Higher Education Act of 1965 is amended to read as follows:

"SEC. 463. (a) An institution which has entered into an agreement with the Commissioner under subpart 1 or subpart 2 of part A or under part C of this title shall be entitled, for each fiscal year for which it receives payments, in its capacity as fiscal agent under subpart 1 of part A, or an allotment under subpart 2 of part A or under part C, to a payment in lieu of reimbursement for its expense during such fiscal year in administering programs assisted under such part. The payment for a fiscal year—

"(1) shall be payable in accordance with regulations of the Commissioner, and

"(2) shall (except as provided in subsection (b)) be an amount equal to 3 per centum of the sum of—

"(A) all the payments to students made by the

institution during such fiscal year in its capacity as fiscal agent under subpart 1 of part A;

"(B) the institution's expenditures during such fiscal year from its allotment under subpart 2 of part A; and

"(C) its expenditures during such fiscal year under part C for compensation of students."

TRANSITIONAL ADMINISTRATIVE PROVISIONS

SEC. 104. The Commissioner shall prescribe by regulation procedures for the award and payment of grants authorized under subpart 1 of part A of title IV of the Higher Education Act of 1965 to students who have been awarded grants under subpart 2 of such part and are eligible for grants under subpart 1 of such part. The Commissioner may further designate a date by which all applications for student assistance under subpart 2 of such part shall be treated as applications for assistance under subpart 1 thereof.

TITLE II—GRADUATE FELLOWSHIPS

PROGRAM AUTHORIZED

SEC. 201. The Higher Education Act of 1965 is amended by—

(1) redesignating title XII as title XIII,

(2) redesignating sections 1201 through 1210, and references thereto, as sections 1301 through 1310, respectively, and

(3) inserting immediately after title XI thereof the following new title XII:

"TITLE XII—FEDERAL FELLOWSHIPS

"PROGRAM AUTHORIZED

"SEC. 1201. (a) It is the purpose of this title to provide grants, to be known as Federal fellowships, to assist graduate students of exceptional ability, who also demonstrate a financial need, to complete their final two years of study toward the doctor of philosophy, or equivalent degree, to the end that the flow of highly trained individuals from universities may be speeded. The demonstration of financial need shall be determined in accordance with regulations prescribed by the Commissioner, taking into account the provisions under section 404 of this Act.

"(b) The Commissioner is authorized to award under the provisions of this title not to exceed 15,000 fellowships for the fiscal year ending June 30, 1972, 25,000 fellowships for the fiscal year ending June 30, 1973, and 35,000 fellowships for the fiscal year ending June 30, 1974.

"Fellowships awarded under the provisions of this title shall be for graduate study leading to a doctoral degree or research incident to the presentation of a doctoral dissertation. Such fellowships may be awarded for graduate study and research at any institution of higher education, library, archive, or any other research center provided by the Com-

missioner. Such fellowships shall be awarded for such periods as the Commissioner may determine, but not to exceed two years.

"(c) In addition to the number of fellowships authorized to be awarded by subsection (b) of this section, the Commissioner is authorized to award fellowships equal to the number previously awarded during any fiscal year under this title but vacated prior to the end of the period for which they were awarded; except that each fellowship awarded under this subsection shall be for such period of graduate work or research, not in excess of the remainder of the period for which the fellowship which it replaces was awarded, as the Commissioner may determine.

"AWARD OF FELLOWSHIPS

"SEC. 1202. Recipients of fellowships under this title shall be—

"(1) persons who have been accepted by an institution of higher education for graduate study leading to a doctoral degree or its equivalent, but not including such study required for a master's degree or its equivalent, or

"(2) persons who have completed all course work required for the granting of a doctoral degree (except such course work credited on the dissertation) and comprehensive examinations where appropriate, and whose

doctoral dissertation proposal has been approved by appropriate officials of an institution of higher education. For the purpose of this section, the term 'institution of higher education' means an educational institution in any State which (1) admits as regular students only persons having a certificate of graduation from a school providing secondary education, or the recognized equivalent of such a certificate, (2) is legally authorized within such State to provide a program of education beyond secondary education, (3) provides an educational program for which it awards a doctor's degree, (4) is a public or other nonprofit institution, and (5) is accredited by a nationally recognized accrediting agency or association, or, if not so accredited, is an institution whose credits are accepted, on transfer, by not less than three institutions which are so accredited, for credit on the same basis as if transferred from an institution so accredited.

"DISTRIBUTION OF FELLOWSHIPS

"SEC. 1203. In awarding fellowships under the provisions of this title the Commissioner shall endeavor to provide an equitable distribution of such fellowships throughout the Nation, except that to the extent he deems proper to provide for those who are in greatest financial need of such fellowships.

"STIPENDS AND INSTITUTION OF HIGHER EDUCATION ALLOWANCES

"SEC. 1204. (a) The Commissioner shall pay to persons awarded fellowships under this title such stipends as he may determine to be consistent with prevailing practices under comparable federally supported programs, except that the stipend shall not be less than $2,800 nor more than $3,500 for each academic year of study. An additional amount of $300 for each such academic year of study shall be paid to such person on account of each of his dependents, not to exceed the amount of $1,500 per academic year.

"(b) In addition to the amount paid to persons pursuant to subsection (a) there shall be paid to the institution of higher education at which each such person is pursuing his course of study an amount equal to 150 per centum of the amount paid, less the amount paid on account of each of such person's dependents, to such person, less any amount charged such person for tuition.

"(c) The Commissioner shall reimburse any person awarded a fellowship pursuant to this title for actual and necessary traveling expenses of such person and his dependents from his ordinary place of residence to the institution of higher education, library, archive, or other research center where he will pursue his studies under such fellowship, and to return to such residence.

"LIMITATION

"SEC. 1205. No fellowship shall be awarded under this title for study at a school or department of divinity. For the purposes of this section, the term 'school or department of divinity' means an institution or department or branch of an institution, whose program is specifically for the education of students to prepare them to become ministers of religion or to enter upon some other religious vocation or to prepare them to teach theological subjects.

"FELLOWSHIP CONDITIONS

"SEC. 1206. (a) A person awarded a fellowship under the provisions of this title shall continue to receive the payments provided in section 1204 (a) only during such periods as the Commissioner finds that he is maintaining satisfactory proficiency in, and devoting essentially full time to, study or research in the field in which such fellowship was awarded, in an institution of higher education, and is not engaging in gainful employment other than part-time employment in teaching, research, or similar activities, approved by the Commissioner. Such a person shall not be required to perform duties, by the institution of higher education in which he is receiving his education, which are not a part of the specific academic requirements for the degree he is pursuing as published in the rules and regulations of said institution of higher education.

"(b) The Commissioner shall require reports containing such information in such form and to be filed at such times as he determines necessary from each person awarded a fellowship under the provisions of this title. Such reports shall be accompanied by a certificate from an appropriate official at the institution of higher education, library, archive, or other research center approved by the Commissioner, stating that such person is making satisfactory progress in, and is devoting essentially full time to, the program for which the fellowship was awarded.

"ADMINISTRATION

"SEC. 1207. (a) The Commissioner is authorized to designate one or more public or private nonprofit agencies to carry out the functions or make the determinations, on his behalf, prescribed in this title, and to carry out such other functions related to the determination of eligibility for award of fellowships as he may deem appropriate. The Commissioner may enter into agreements with such agency or agencies providing for the conduct of such functions. Each such agreement shall provide for such fund-control and fund-accounting procedures as may be necessary to assure proper disbursement of and accounting for Federal funds paid to the agency under subsection (b), and for the making of such reports, in such form and containing such information, as may be necessary to enable the Commissioner to perform his functions under this title.

"(b) The Commissioner shall, if so provided in such agreements, pay to each such agency such amounts as the Commissioner determines to be necessary for the proper and efficient execution by such agency of its functions under this title. There are hereby authorized to be appropriated such sums as may be necessary to make such payments.

"(c) In making any such designation, the Commissioner shall reserve the right to review, upon his own initiative or that of any interested party, any finding, determination, or other action made or taken by such agency.

"APPROPRIATIONS AUTHORIZED

"SEC. 1208. There are authorized to be appropriated such sums as may be necessary for the fiscal year ending June 30, 1972, and for each of the two succeeding fiscal years, for payments for the initial year of fellowships awarded under this title. There are authorized to be appropriated for the fiscal year ending June 30, 1972, and for each of the two succeeding fiscal years such sums as may be necessary in order that fellowships already awarded might be completed."

TITLE III—HIGHER EDUCATION LOAN BANK

CREATION OF BANK

SEC. 301. There is hereby created a nonprofit corporation to be known as the "Higher Education Loan Bank" (hereinafter referred to as the "bank"). The bank, which

shall not be an agency or instrumentality of the United States Government, shall maintain such offices as may be necessary or appropriate in the conduct of its business. The right to repeal, alter, or amend this title at any time is expressly reserved.

BOARD OF DIRECTORS

SEC. 302. (a) The bank shall have a board of directors consisting of fifteen individuals who are interested and experienced in higher education, banking and finance, or public affairs. Members of the board shall be appointed by the President, by and with the advice and consent of the Senate. At least five members shall be students, at the time of their appointments, at postsecondary, or higher education institutions. Students appointed to the board shall be selected with a view to achieving the widest possible representation of geographic regions, fields of study, and undergraduate and graduate education. At least two of such students shall be participants in programs provided for by the Higher Education Act of 1965, or the Student Assistance Act of 1969. The President shall select one of the members of the board to serve as chairman.

(b) The terms of office of persons appointed to the board of directors of the bank shall be five years, except that (1) the terms of persons first taking office shall expire, as designated by the appointing officer at the time of appoint-

ment, three at the end of one year, three at the end of two years, three at the end of three years, three at the end of four years, and three at the end of five years; and (2) any person appointed to fill a vacancy occurring before the expiration of the term for which his predecessor was appointed shall be appointed for the remainder of such term.

(c) The board shall appoint a president of the bank and such other officers as it deems necessary to carry out the functions of the bank.

FUNCTIONS

SEC. 303. It shall be the function of the bank to—

(1) make loans each year, not to exceed the cost to the student of his education (as established under section 303 (1) (C) of this title) less any other federally aided assistance the student receives for his education during the period of the loan, for a period of up to five years for undergraduate or other study at an eligible institution, or its equivalent in part-time study, and for a period of up to five years for graduate study, or its equivalent in part-time study, to any student who (A) has been accepted for enrollment at an eligible institution or, in the case of a student already attending such institution, is in good standing there as determined by the institution, (B) is carrying at least one-half of the normal full-time workload as determined by the institu-

tion, and (C) has provided the bank with a statement of the institution which sets forth a schedule of the tuition and fees applicable to that student and its estimate of the cost of board, room, and books for such a student, upon such terms and conditions as nearly similar as the Board deems practicable to terms and conditions applicable to loans insured under title IV of the Higher Education Act of 1965;

(2) provide for a note or other written agreement evidencing such a loan which—

(A) contains provisions as nearly similar to loan agreements insured under title IV of the Higher Education Act of 1965 as the Board deems practicable;

(B) provides that periodic installments of principal and interest need not be paid during any period (i) during which the borrower is pursuing a full-time course of study at an "eligible institution", (ii) not in excess of three years, during which the borrower is a member of the Armed Forces of the United States, (iii) not in excess of three years during which the borrower is in service as a volunteer under the Peace Corps Act, or (iv) not in excess of three years during which the borrower is in service as a full-time volunteer under

title VIII of the Economic Opportunity Act of 1964, or (v) not in excess of three years during which the borrower is in service that the President may deem comparable to the service under (ii), (iii), and (iv) above; and

(C) contains such other terms and conditions as the Board deems necessary;

(3) consolidate all outstanding loans for each student borrower and establish a contractual repayment schedule which shall not exceed a period of thirty years from the date of such consolidation;

(4) enter into agreements with the Secretary of the Treasury for the payment of the amount of loss on any loan in the event of default, or the death or disability of the borrower;

(5) enter into agreements with the Secretary of the Treasury providing that the Internal Revenue Service can act as agent of the bank in collecting principal and interest on loans made by the bank;

(6) provide, under uniform standards, for the cancellation, in whole or in part, of the repayment due for any year in which such repayment, in the opinion of the bank, would constitute a hardship, but in no event shall the aggregate cancellation for any year under this

provision exceed 10 per centum of the total principal and interest owed by the student.

OBLIGATIONS OF BANK; FEDERAL GUARANTEE

SEC. 304. (a) The bank is authorized to issue and have outstanding obligations having such maturities and bearing such rate or rates of interest as may be determined by the bank with the approval of the Secretary of the Treasury. Such obligations may be redeemable at the option of the bank before maturity in such manner as may be stipulated therein. The aggregate amount of obligations of the bank outstanding at any one time shall not exceed $5,000,000,000. The bank may purchase in the open market any of its outstanding obligations.

(b) The Secretary of the Treasury shall, upon such terms and conditions as he may prescribe, guarantee obligations issued by the bank under this section. The Secretary may establish and collect fees for guarantees hereunder. Such fees shall, insofar as is practicable having due regard for the purposes of this Act, be fixed with a view to providing income sufficient for a self-supporting guarantee program. The full faith and credit of the United States is pledged to the payment of guarantees made under this section with respect to both principal and interest.

(c) To provide for the payment of any liabilities incurred as a result of guarantees made under this section,

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the Secretary of the Treasury is authorized to establish a revolving fund which shall consist of (1) receipts from fees, (2) recoveries under security or subrogation rights or other rights, and any other receipts obtained in connection with such guarantees, and (3) such additional sums, which are hereby authorized to be appropriated, as may be required from time to time to make payments required under such guarantees. Any sums so appropriated shall remain available until expended.

(d) Notwithstanding any other provision of law, the Secretary of the Treasury shall have power to pursue to final collection by way of compromise or otherwise all claims acquired by him in connection with any security, subrogation, or other rights obtained by him in connection with guarantees made under this section.

(e) Any guarantee made by the Secretary of the Treasury under this section shall be conclusive evidence of the eligibility of the obligations for such guarantee, and the validity of any guarantee so made shall be incontestable in the hands of a qualified holder of the guaranteed obligation except for fraud or material misrepresentation on the part of such holder.

GENERAL POWERS

SEC. 305. (a) The bank shall have power—

(1) to sue and be sued, complain and defend, in its corporate name and through its own counsel;

(2) to adopt, alter, and use a corporate seal, which shall be judicially noticed;

(3) to adopt, amend, and repeal by its board of directors such bylaws, rules, and regulations as may be necessary for the conduct of its business;

(4) to conduct its business, carry on its operations, and have offices and exercise the powers granted by this title in any State without regard to any qualification or similar statute in any State;

(5) to lease, purchase, or otherwise acquire, own, hold, improve, use, or otherwise deal in and with any property, real, personal, or mixed, or any interest therein, wherever situated;

(6) to accept gifts or donations of services, or of property, real, personal, or mixed, tangible or intangible, in aid of any of the purposes of the bank;

(7) to sell, convey, mortgage, pledge, lease, exchange, and otherwise dispose of its property and assets;

(8) to appoint such officers, attorneys, employees, and agents as may be required, to determine their qualifications, to define their duties, to fix their salaries, require bonds for them, and fix the penalty thereof; and

(9) to enter into contracts, to execute instruments, to incur liabilities, and to do all things as are necessary

or incidental to the proper management of its affairs and the proper conduct of its business.

(b) The bank is authorized to utilize the services of financial institutions and postsecondary or higher education institutions in the initiation of loans and the certification of the eligibility of prospective borrowers and to pay reasonable compensation to institutions so utilized for services rendered.

AUDIT OF FINANCIAL TRANSACTIONS

SEC. 306. (a) The financial transactions of the bank shall be audited by the General Accounting Office in accordance with the principles and procedures applicable to commercial corporate transactions and under such rules and regulations as may be prescribed by the Comptroller General of the United States. The audit shall be conducted at the place or places where the accounts are normally kept. The representatives of the General Accounting Office shall have access to all books, accounts, financial records, reports, files, and all other papers, things, or property belonging to or in use by the bank and necessary to facilitate the audit and they shall be afforded full facilities for verifying transactions with the balances or securities held by depositories, fiscal agents, and custodians.

(b) The expenses of any audit performed under this section shall be borne out of appropriations to the General

Accounting Office, and appropriations in such sums as may be necessary are authorized. The bank shall reimburse the General Accounting Office for the full cost of such audit as billed therefor by the Comptroller General, and the General Accounting Office shall deposit the sums so reimbursed into the Treasury as miscellaneous receipts.

AUDIT REPORT TO CONGRESS

SEC. 307. A report of each such audit for a fiscal year shall be made by the Comptroller General to the President and to the Congress not later than six months following the close of such fiscal year. The report shall set forth the scope of the audit and shall include a statement of assets and liabilities, capital and surplus or deficit; a statement of surplus or deficit analysis; a statement of income and expense; a statement of sources and application of funds; and such comments and information as may be deemed necessary to keep Congress and the President informed of the operations and financial condition of the bank, together with such recommendations with respect thereto as the Comptroller General may deem advisable, including a report of any impairment of capital or lack of sufficient capital noted in the audit. A copy of each report shall be furnished to the Secretary of Health, Education, and Welfare, the Secretary of the Treasury, and to the bank.

TAX EXEMPTIONS

SEC. 308. The bank, its property, its franchise, capital, reserves, surplus, security holdings, and other funds and its income shall be exempt from all taxation now or hereafter imposed by the United States or by any State or local taxing authority; except that (1) any real property and any tangible personal property of the bank shall be subject to Federal, State, and local taxation to the same extent according to its value as other such property is taxed, and (2) any and all obligations issued by the bank shall be subjected both as to principal and interest to Federal, State, and local taxation to the same extent as the obligations of private corporations are taxed.

OBLIGATIONS AS LAWFUL INVESTMENTS, ACCEPTANCE AS SECURITY

SEC. 309. All obligations issued by the bank shall be lawful investments, and may be accepted as security for all fiduciary, trust, and public funds, the investment or deposit of which shall be under authority or control of the United States or of any officer or officers thereof. All obligations issued by the bank pursuant to this Act shall be deemed to be exempt securities within the meaning of laws administered by the Securities and Exchange Commission, to the same extent as securities which are direct obligations of the United States.

PREPARATION OF OBLIGATIONS

SEC. 310. In order to furnish obligations for delivery by the bank, the Secretary of the Treasury is authorized to prepare such obligations in such form as the Board of Directors may approve, such obligations when prepared to be held in the Treasury subject to delivery upon order by the bank. The engraved plates, dies, bed pieces, and so forth, executed in connection therewith shall remain in the custody of the Secretary of the Treasury. The bank shall reimburse the Secretary of the Treasury for any expenditures made in the preparation, custody, and delivery of such obligations.

ANNUAL REPORT

SEC. 311. The bank shall, as soon as practicable after the end of each fiscal year, transmit to the President and the Congress an annual report of its operations and activities.

AMENDMENTS RELATING TO FINANCIAL INSTITUTIONS

SEC. 312. (a) The sixth sentence of the seventh paragraph of section 5136 of the Revised Statutes, as amended (12 U.S.C. 24), is amended by inserting "or obligations of the Higher Education Loan Bank," immediately after "or obligations, participations, or other instruments of or issued by the Federal National Mortgage Association or the Government National Mortgage Association,".

(b) Section 5200 of the Revised Statutes, as amended (12 U.S.C. 84), is amended by adding at the end thereof the following new paragraph:

"(14) Obligations of the Higher Education Loan Bank shall not be subject to any limitation based upon such capital and surplus."

FEDERAL PAYMENTS FOR DEFERRED INTEREST CANCELLATION AND IN THE EVENT OF DEFAULT

SEC. 313. (a) In accordance with the agreements entered into by him, the Secretary of the Treasury is authorized to pay in any fiscal year to the Higher Education Loan Bank such amounts as he determines to be necessary to reimburse the Higher Education Loan Bank for nonpayments due to deferments of principal and interest, cancellations of annual payments, defaults by the borrower, and the death or disablement of the borrower occurring in such year.

(b) There are hereby authorized to be appropriated such sums as may be necessary to carry out the purposes of this section.

DEFINITION OF ELIGIBLE INSTITUTION

SEC. 314. As used in this title—

(a) The term "eligible institution" means (1) an institution of higher education, (2) a vocational school, or (3) with respect to students who are nationals of the United States, an institution outside the States which is comparable to an institution of higher education or to a vocational school and which has been approved by the Commissioner of Education for purposes of section 435 of the Higher Education Act of 1965.

(b) The term "vocational school" means a business or trade school, or technical institution or other technical or vocational school, in any State, which the Commissioner of Education has designated pursuant to section 435(c) of the Higher Education Act of 1965.

TITLE IV—PROGRAMS FOR COLLEGE OPPORTUNITIES FOR THE DISADVANTAGED

INCENTIVE GRANTS

SEC. 401. (a) Section 421 of the Higher Education Act of 1965 (as redesignated by this Act), is amended by redesignating subsection (d) thereof as subsection (e) and inserting in lieu thereof the following new subsection:

"(d) Upon application made by an institution of higher education containing any combination of programs set forth in subsection (b) which the Commissioner determines provides a new and imaginative approach to achieving the objectives of this subpart and gives unusual promise in assisting youths to initiate, resume, or complete postsecondary education, he is authorized to make an incentive grant to any such institution to pay all of the cost of the program described in such application."

(b) (1) Section 421(e) of such Act, as redesignated by subsection (a) of this section is amended by striking out "There is authorized to be appropriated to carry out this section" and inserting in lieu thereof:

"(1) Except as provided in paragraph (2) of this subsection there are authorized to be appropriated to carry out this section".

(2) Such section 421(e) is further amended by adding at the end thereof the following new paragraph:

"(2) There are authorized to be appropriated such sums as may be necessary to carry out subsection (d) of this section for the fiscal year ending June 30, 1972, and for each of the two succeeding fiscal years."

TRAINING GRANTS

SEC. 402. Subpart III of part A of title IV of the Higher Education Act of 1965 (as redesignated by this Act), is amended by adding at the end thereof the following new section:

"GRANTS FOR TRAINING IN EDUCATIONAL ASSISTANCE OPPORTUNITIES

"SEC. 402A. (a) The Commissioner is authorized (without regard to section 3709 of the Revised Statutes (41 U.S.C. 5)) to make grants, to, or contracts with, State educational agencies and local educational agencies for special projects which will contribute to achieving the objectives of this subpart, and which provide training for teachers and counselors in secondary schools with respect to the availability of financial assistance for youths who desire to initiate, resume, or complete postsecondary education.

"(b) Whenever he determines that it will contribute to carrying out the purposes of this section, the Commissioner is authorized to permit programs under this section to include such training for student leaders in secondary schools.

"(c) The Commissioner is authorized to provide such stipends and allowances, if any, including travel and subsistence expenses for persons undergoing such training, and, if necessary, their dependents, as the Commissioner may by regulation prescribe.

"(d) There is hereby authorized to be appropriated such sums as may be necessary to carry out the purposes of this section for the fiscal year ending June 30, 1972, and for each of the two succeeding fiscal years."

HIGHER EDUCATION OPPORTUNITIES CENTERS

SEC. 403. (a) Section 1306 of the Higher Education Act of 1965 (as redesignated by this Act) is amended by redesignating subsection (b) thereof as subsection (c) and by inserting immediately after subsection (a) the following new subsection (b):

"(b) In order to assist in achieving the objectives of this section, the Commissioner is authorized (without regard to section 3709 of the Revised Statutes (41 U.S.C. 5)) to enter into lease agreements or other arrangements for the establishment of not more than five hundred college opportunities centers. Such centers shall be located in areas

easily accessible to students and parents and, wherever practicable, shall be located in areas having high concentrations of low-income families. Such centers shall make available information, including appropriate application forms, and furnish guidance and counseling services, with respect to all federally assisted programs designed to provide opportunities for education beyond high school, and with respect to attending vocational schools, and institutions of higher education."

(b) (1) Section 1306(c) of such Act (as redesignated by subsection (a) hereof) is amended by striking out "There are authorized to be appropriated to carry out the provisions of this section" and inserting in lieu thereof:

"(1) For the purpose of carrying out subsection (a) of this section, there are authorized to be appropriated".

(2) Such section 1306(c) is further amended by adding the following new paragraph:

"(2) There are authorized to be appropriated sums sufficient to carry out subsection (c) of this section for the fiscal year ending June 30, 1972, and for each of the two succeeding fiscal years."

COUNCIL ON COLLEGE OPPORTUNITIES

SEC. 404. (a) The Secretary of Health, Education, and Welfare shall appoint a National Advisory Council on College Opportunities composed of fourteen members. Seven

members shall be appointed from among individuals who are representative of Federal, State, and local public agencies concerned with providing educational opportunities beyond high school. Seven members shall be appointed from the general public. Of the members appointed from the general public, at least three shall be students receiving financial assistance, provided in whole or in part by the Federal Government, at an institution of higher education.

(b) The Council shall assist the Commissioner by—

(1) reviewing all programs designed to provide educational opportunities beyond high school for disadvantaged youth with the purpose of determining the effectiveness of such programs;

(2) developing and recommending administrative procedures for effective coordination of Federal programs offering opportunities for education beyond high school for such youth, particularly with respect to coordination at the local level of informational services on such programs and the establishment of procedures for exchanging such information among departments and agencies of the Federal Government administering or assisting programs designed to provide educational opportunities beyond high school;

(3) developing research and pilot projects which give promise of providing new and potentially more

successful means by which students who might benefit from educational opportunities beyond high school may be identified and oriented toward successful completion of such education.

(c) The Council shall report to the Secretary of Health, Education, and Welfare and to the Congress annually its findings and recommendations, including recommendations for changes in the law, not later than March 31 of each calender year beginning after the enactment of this Act.

(d) Each member of the Advisory Council who is appointed from private life shall receive $100 per diem (including traveltime) for each day during which he is engaged in the actual performance of his duties as a member of the Council. A member of the Council who is an officer or employee of the Federal Government shall serve without additional compensation. All members of the Council shall be reimbursed for travel, subsistence, and other necessary expenses incurred by them in the performance of such duties.

(e) The Secretary of Health, Education, and Welfare shall invite one representative each from the Social Security Administration, the Railroad Retirement Board, the Bureau of Indian Affairs, the United States Office of Education, the Veterans' Administration, and the Manpower Administration to participate in a Federal student assistance programs conference several times each year. This conference, and its

members, shall assist the Council on College Opportunities by—

(1) providing any information concerning student assistance programs administered by any of these agencies requested by the Council;

(2) making recommendations at least once each year to the Council concerning the duties of the Council under section 404(b)(2) of this Act.

STUDENT OUTREACH DEMONSTRATION PROJECTS

SEC. 405. (a) The Commissioner of Education, after consultation with the National Advisory Council on College Opportunity for Disadvantaged Youth, is authorized to arrange by contract, grant, or otherwise, with public and nonprofit private agencies for the carrying out by such agencies of programs which—

(1) involve the use of innovative methods of activities designed to identify youths of financial or cultural need who show reasonable promise of benefiting from education beyond high school and to assist such youths to undertake such education, and which the Commissioner determines may have national significance or will more effectively promote the objectives of subpart III of part A of title IV of the Higher Education Act of 1965; or

(2) involve programs carried out in secondary schools to identify students who are not now motivated

to undertake education beyond high school and to determine the means by which such students who potentially might succeed in education beyond high school can be motivated toward initiating such education, and which the Commissioner determines may have national significance or will more effectively promote the objectives of subpart III of part A of title IV of the Higher Education Act of 1965.

(b) The Commissioner shall approve arrangements pursuant to this section only on application by a public or nonprofit private agency and upon his finding that —

(1) the agency is qualified to carry out the project for which the application is made;

(2) the applicant has established effective procedures for fund accounting, evaluation of the results of the project, and necessary reporting; and

(3) the project has been submitted to the appropriate State educational agency prior to the submission of the application under this subsection.

(c) For the purpose of this section "State educational agency" has the same meaning as provided is section 801 (k) of the Elementary and Secondary Education Act of 1965.

(d) There are authorized to be appropriated sums sufficient for the purpose of this section for the fiscal year

ending June 30, 1972, and for the two succeeding fiscal years.

SPECIFIC INCLUSION OF GRADUATE STUDENTS IN SPECIAL SERVICES FOR DISADVANTAGED STUDENTS

SEC. 406. (a) Section 421 (b) (3) of the Higher Education Act of 1965 (as redesignated by this Act) is amended by inserting "undergraduate, graduate, or other" before "postsecondary".

TITLE V—NATIONAL ADVISORY COUNCIL ON STUDENT ASSISTANCE

NATIONAL COUNCIL

SEC. 501. (a) The Secretary of Health, Education, and Welfare shall appoint a National Advisory Council on Student Assistance which shall consist of ten members. At least five of the members shall be appointed from among students enrolled in eligible institutions as defined under title I of the Student Assistance Act of 1969. At least three of the members who are appointed pursuant to the preceding sentence shall be participants in the programs authorized by title IV of the Higher Education Act of 1965, or by title II of the National Defense Education Act of 1958, or shall be a recipient of any fellowship, scholarship, or grant-in-aid authorized by Federal law.

(b) The Council shall advise the Commissioner of Education on the administration of programs authorized by this

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Act, by title IV of the Higher Education Act of 1965 and by title II of the National Defense Education Act of 1958, including an evaluation of the effectiveness of such programs in terms of making available greater opportunities for youth to obtain an education beyond high school.

(c) The Secretary of Health, Education, and Welfare shall engage such technical assistance as may be required to carry out the functions of the Council, and the Secretary shall make available to the Council such secretarial, clerical, and other assistance and such pertinent data prepared by the Department of Health, Education, and Welfare as it may require to carry out such functions.

(d) The Council shall make an annual report of its findings and recommendations (including recommendations for changes in the provisions of this Act, title IV of the Higher Education Act of 1965, and title II of the National Defense Education Act of 1958) to the President and the Congress not later than January 31 of each calendar year beginning after the enactment of this title. The President is requested to transmit to the Congress such comments and recommendations as he may have with respect to such report.

(e) Each member of the Advisory Council who is appointed from private life shall receive $100 per diem

(including traveltime) for each day during which he is engaged in the actual performance of his duties as a member of the Council. A member of the Council who is an officer or employee of the Federal Government shall serve without additional compensation. All members of the Council shall be reimbursed for travel, subsistence, and other necessary expenses incurred by them in the performance of such duties.

92D CONGRESS
1ST SESSION

S. 1410

IN THE SENATE OF THE UNITED STATES

MARCH 30, 1971

Mr. HUMPHREY (for himself, Mr. HART, Mr. MATHIAS, Mr. MONDALE, Mr. MUSKIE, and Mr. STEVENS) introduced the following bill; which was read twice and referred to the Committee on Labor and Public Welfare

A BILL

To amend the Higher Education Act of 1965 to establish a student internship program to offer students practical political involvement with elected officials on the local, State, and Federal levels of government.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Interns for Political Leadership Act of 1971."

SEC. 2. Title IX of the Higher Education Act of 1965 is amended by adding at the end thereof the following new part:

"PART D—INTERNS FOR POLITICAL LEADERSHIP

"PROGRAM GRANTS AND CONTRACTS

"SEC. 931. The Secretary is authorized to enter into a contract or other arrangement with a private nonprofit agency (to be known as the "National Coordinating Agency") under which such agency will plan, develop, and carry out an internship program under which students will be provided practical political involvement with elected officials in the performance of their duties at all levels of government through internships in their offices. Such internship program shall be carried out through arrangements with institutions of higher education and State and local governments under which students in their third and fourth years of study at the institution will serve as interns in offices of State and local elected officials, and under which the interns will be assigned duties, which will give them an insight into the problems of the different levels of government, as well as an opportunity for research and for involvement in the policy-making process. Such arrangements shall provide for coordination between the on-campus educational programs of the persons selected and their activities as interns, with commensurate credit given for their work and achievement as interns. Such internship program shall also provide opportunities for students who have participated in the internship program at State and local levels to become interns in the

offices of Members of Congress for up to three months during the first year following the receipt of their bachelor's degree. Such internships shall be arranged by the National Coordinating Agency with the Members of Congress who wish to participate.

"SELECTION OF STUDENTS FOR PARTICIPATION

"SEC. 932. The students who are to participate in the internship program provided for in this part shall be selected by the National Coordinating Agency from among students whose names are proposed by participating institutions of higher education. Internships shall be distributed among the States so that insofar as practicable the number for each State bears the same ratio to the total number as the number of Members of Congress from that State bears to the total number of Members of Congress.

"FEDERAL SHARE

"SEC. 933. The amount of Federal payments on account of carrying out the program provided for in this title by providing for internships in the offices of State and local elected officials may not exceed one-half of the cost thereof.

"ADMINISTRATION

"SEC. 934. Subject to the terms of the contract or agreement between it and the Secretary, the National Coordinating Agency shall prescribe the stipends to be paid to the interns participating in the program provided for in

this part, and the duration and other terms and conditions of such internships. The cost of administration of a program may be paid by such agency.

"APPROPRIATIONS AUTHORIZED

"SEC. 935. There is authorized to be appropriated to carry out this part the sum of $10,000,000 for the fiscal year 1972 and for each of the two succeeding fiscal years.

"DEFINITION

"SEC. 936. Notwithstanding section 1201 (a) or section 921 (a), the term 'State' as used in this part means the fifty States, Puerto Rico, and the District of Columbia. For purposes of the distribution of internships among the States, in determining the number of Members of Congress for purposes of section 932, the Resident Commissioner for Puerto Rico and the Delegate from the District of Columbia shall be considered Members of Congress, and interns in the offices of Members of Congress shall be attributed to the State of the Member in whose office they are serving."

92D CONGRESS
1ST SESSION

S. 1453

IN THE SENATE OF THE UNITED STATES

APRIL 1, 1971

Mr. JAVITS introduced the following bill; which was read twice and referred to the Committee on Labor and Public Welfare

A BILL

To amend part A of title IV of the Higher Education Act of 1965, relating to educational opportunity grants, in order to authorize an increase in the amount of such grants in certain cases and to authorize such grants for students attending institutions of higher education on a less than full-time but at least half-time basis.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 402 of the Higher Education Act of 1965 is amended by striking out the second sentence and inserting in lieu thereof the following: "Such $1,000 limitation shall be increased to $1,200 in the case of a student who during the preceding academic year of college work received grades in

the upper half of his class. If the amount of the payment determined under the preceding sentences of this section for an academic year is less than $200 for a student, no payment shall be made under this title to that student for that year."

SEC. 2. Section 403 of the Higher Education Act of 1965 is amended by adding after "except that" in the first sentence the words "in the case of full-time students", and in the second sentence by striking out "full time" and inserting in lieu thereof "at least half time".

SEC. 3. Section 404 (b) of the Higher Education Act of 1965 is amended by striking out clause (1) and inserting in lieu thereof the following:

"(1) he has been accepted for enrollment as a full time or at least half time student at such institution or, in the case of a student already attending such institution, is in good standing, and in full time or at least half time attendance there as an undergraduate, but in the case of any such student accepted or in attendance on a less than full-time basis the maximum amounts prescribed in section 402 shall be ratably reduced;".

92D CONGRESS
1ST SESSION

S. 1755

IN THE SENATE OF THE UNITED STATES

MAY 4, 1971

Mr. CHILES introduced the following bill; which was read twice and referred to the Committee on Labor and Public Welfare

A BILL

To amend title IV of the Higher Education Act of 1965 to establish a Student Loan Marketing Association.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Student Loan Marketing Association Act of 1971".

SEC. 2. Title IV of the Higher Education Act of 1965 is amended by adding at the end thereof the following new part G:

"PART G—STUDENT LOAN MARKETING ASSOCIATION

"DECLARATION OF PURPOSE

"SEC. 471. Congress hereby declares that it is the purpose of this part to establish a Government-sponsored

private corporation which will be financed by private capital and which will serve as a secondary market and warehousing facility for insured student loans and provide liquidity for student loan investments.

"CREATION OF AGENCY

"SEC. 472. (a) There is hereby created a body corporate to be known as the Student Loan Marketing Association (hereinafter referred to as the 'Association'). The Association shall have succession until dissolved by Act of Congress. It shall maintain its principal office in the District of Columbia and shall be deemed, for purposes of venue in civil actions, to be a resident thereof. Offices may be established by the Association in such other place or places as it may deem necessary or appropriate for the conduct of its business.

"(b) The Association, including its franchise, capital, reserves, surplus, mortgages, or other security holdings, and income shall be exempt from all taxation now or hereafter imposed by any State, territory, possession, Commonwealth, or dependency of the United States, or by the District of Columbia, or by any county, municipality, or local taxing authority, except that any real property of the Association shall be subject to State, territorial, county, municipal, or local taxation to the same extent according to its value as other real property is taxed.

"(c) There is hereby authorized to be appropriated to the Secretary of Health, Education, and Welfare such sums as may be necessary for making advances for the purpose of helping to establish the Association. Such advances shall be repaid within such period as the Secretary may deem to be appropriate in light of the maturity and solvency of the Association.

"BOARD OF DIRECTORS

"SEC. 473. (a) The Association shall have a Board of Directors which shall consist of twenty-one persons, one of whom shall be designated Chairman by the President.

"(b) An interim Board of Directors shall be appointed by the President, one of whom he shall designate as interim Chairman. The interim Board shall consist of twenty-one members, seven of whom shall be representative of banks or other financial institutions which are insured lenders under this Act, seven of educational institutions, and seven of the general public. The interim Board shall arrange for an initial offering of common and preferred stocks and take whatever other actions are necessary to proceed with the operations of the Association.

"(c) When in the judgment of the President, sufficient common stock of the Association has been purchased by educational institutions and banks or other financial institutions, the holders of common stock which are educational institu-

tions shall elect seven members of the Board of Directors and the holders of common stock which are banks or other financial institutions shall elect seven members of the Board of Directors. The President shall appoint the remaining seven directors.

"(d) At the time the event described in subsection (c) has occurred, the interim Board shall turn over the affairs of the Association to the regular Board so chosen or appointed.

"(e) The directors appointed by the President shall serve at the pleasure of the President and until their successors have been appointed and have qualified. The remaining directors shall each be elected for a term ending on the date of the next annual meeting of the common stockholders of the Association, and until their successors have been elected. Any appointive seat on the Board which becomes vacant shall be filled by appointment of the President. Any elective seat on the Board which becomes vacant after the annual election of the directors shall be filled by the Board, but only for the unexpired portion of the term.

"(f) The Board of Directors shall meet at the call of its chairman. The Board shall determine the general policies which shall govern the operations of the Association. The Chairman of the Board shall, with the approval of the Board, select, appoint, and compensate qualified persons to fill the offices as may be provided for in the bylaws, with such

executive functions, powers, and duties as may be prescribed by the bylaws or by the Board of Directors, and such persons shall be the executive officers of the Association and shall discharge all such executive functions, powers, and duties.

"FUNCTIONS

"SEC. 474. (a) The Association is authorized, subject to the provisions of this part, pursuant to commitments or otherwise, to make advances on the security of, purchase, service, sell, or otherwise deal in, at prices and on terms and conditions determined by the Association, student loans which are insured under this Act.

"(b) Any warehousing advance made under subsection (a) of this section shall not exceed 80 per centum of the face amount of an insured loan. The proceeds from any such advance shall be invested in additional insured student loans.

"COMMON STOCK

"SEC. 475. (a) The Association shall have common stock having a par value of $100 per share which may be issued only to lenders under part B of title IV of this Act, pertaining to Guaranteed Student Loans, who are qualified as insured lenders under such part.

"(b) Each share of common stock shall be entitled to one vote with rights of cumulative voting at all elections

of directors. Voting shall be by classes as described in section 473 (c).

"(c) The common stock of the Association shall be transferable only as may be prescribed by regulations of the Secretary of Health, Education, and Welfare, and, as to the Association, only on the books of the Association. The Secretary of Health, Education, and Welfare shall prescribe the maximum number of shares of common stock the Association may issue and have outstanding at any one time.

"(d) To the extent that net income is earned and realized, subject to section 476 (b), dividends may be declared on common stock by the Board of Directors. Such dividends as may be declared by the Board shall be paid to the holders of outstanding shares of common stock, except that no such dividend shall be payable with respect to any share which has been called for redemption past the effective date of such call.

"PREFERRED STOCK

"SEC. 476. (a) The Association is authorized, with the approval of the Secretary of Health, Education, and Welfare, to issue nonvoting preferred stock with a par value of $100 per share. Any preferred share issued shall be freely transferable, except that, as to the Association, it shall be transferred only on the books of the Association.

"(b) The holders of the preferred shares shall be entitled

to such rate of cumulative dividends and such shares shall be subject to such redemption or other conversion provisions as may be provided for at the time of issuance. No dividends shall be payable on any share of common stock at any time when any dividend is due on any share of preferred stock and has not been paid.

"(c) In the event of any liquidation, dissolution, or winding up of the Association's business, the holders of the preferred shares shall be paid in full at par value thereof, plus all accrued dividends, before the holders of the common shares receive any payment.

"OBLIGATIONS

"SEC. 477. (a) The Association is authorized with the approval of the Secretary of Health, Education, and Welfare and the Secretary of the Treasury to issue and have outstanding obligations having such maturities and bearing such rate or rates of interest as may be determined by the Association. Such obligations may be redeemable at the option of the Association before maturity in such manner as may be stipulated therein.

"(b) The Secretary of Health, Education, and Welfare is authorized, on behalf of the United States, to guarantee payment when due of principal and interest on obligations issued by the Association in an aggregate amount determined by the Secretary in consultation with the Secretary

of the Treasury. The full faith and credit of the United States is pledged to the payment of all amounts which may be required to be paid under any guaranty under this subsection.

"(c) To enable the Secretary of Health, Education, and Welfare to discharge his responsibilities under guarantees issued by him, he is authorized to issue to the Secretary of the Treasury notes or other obligations in such forms and denominations, bearing such maturities, and subject to such terms and conditions, as may be prescribed by the Secretary of Health, Education, and Welfare with the approval of the Secretary of the Treasury. Such notes or other obligations shall bear interest at a rate determined by the Secretary of the Treasury, taking into consideration the current average market yield on outstanding marketable obligations of the United States of comparable maturities during the months preceding the issuance of the notes or other obligations. The Secretary of the Treasury is authorized and directed to purchase any notes and other obligations issued hereunder and for that purpose he is authorized to use as a public debt transaction the proceeds from the sale of any securities issued under the Second Liberty Bond Act, as amended, and the purposes for which securities may be issued under that Act, as amended, are extended to include any purchase of such notes and obligations. The Secretary of the Treasury may at any time sell any of the notes or

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other obligations acquired by him under this subsection. All redemptions, purchases, and sales by the Secretary of the Treasury of such notes or other obligations shall be treated as public debt transactions of the United States. There is hereby authorized to be appropriated to the Secretary of Health, Education, and Welfare such sums as may be necessary to pay the principal and interest on the notes or obligations issued by him to the Secretary of the Treasury.

"GENERAL POWERS

"SEC. 478. The Association shall have power—

"(1) to sue and be sued, complain and defend, in its corporate name and through its own counsel;

"(2) to adopt, alter, and use the corporate seal, which shall be judicially noticed;

"(3) to adopt, amend, and repeal by its board of directors bylaws, rules, and regulations as may be necessary for the conduct of its business;

"(4) to conduct its business, carry on its operations, and have officers and exercise the power granted by this part in any State without regard to any qualification or similar statute in any State;

"(5) to lease, purchase, or otherwise acquire, own, hold, improve, use, or otherwise deal in and with any property, real, personal, or mixed, or any interest therein, wherever situated;

"(6) to accept gifts or donations of services, or of property, real, personal, or mixed, tangible or intangible, in aid of any of the purposes of the Association;

"(7) to sell, convey, mortgage, pledge, lease, exchange, and otherwise dispose of its property and assets;

"(8) to appoint such officers, attorneys, employees, and agents as may be required, to determine their qualifications, to define their duties, to fix their salaries, require bonds for them and fix the penalty thereof; and

"(9) to enter into contracts, to execute instruments, to incur liabilities, and to do all things as are necessary or incidental to the proper management of its affairs and the proper conduct of its business.

"AUDIT OF FINANCIAL TRANSACTIONS

"SEC. 479. (a) The financial transactions of the Association shall be audited by the Secretary of Health, Education, and Welfare in accordance with the principles and procedures applicable to commercial corporate transactions and under such rules and regulations as he may prescribe. The audit shall be conducted at the place or places where the accounts are normally kept. The representatives of the Secretary shall have access to all books, accounts, financial records, reports, files, and all other papers, things, or property belonging to or in use by the Association and necessary to facilitate the audit, and they shall be afforded full facilities for

verifying transactions with the balances or securities held by depositaries, fiscal agents, and custodians.

"(b) The expenses of any audit performed under the section shall be borne out of appropriations to the Department of Health, Education, and Welfare, and appropriations in such sums as may be necessary are authorized. The Association shall reimburse the Department for the full cost of such audit as billed therefor by the Secretary, and the Department shall deposit the sums as reimbursed into the Treasury as miscellaneous receipts.

"AUDIT REPORT TO CONGRESS

"SEC. 480. A report of each such audit for a fiscal year shall be made by the Secretary of Health, Education, and Welfare to the President and to the Congress not later than six months following the close of such fiscal year. The report shall set forth the scope of the audit and shall include a statement (showing intercorporate relations) of assets and liabilities, capital and surplus or deficit; a statement of surplus or deficit analysis; a statement of income and expense; a statement of sources and application of funds; and such comments and information as may be deemed necessary to keep the President and the Congress informed of the operations and financial condition of the Association, together with such recommendations with respect thereto as the Secretary may deem advisable, including a report of any

impairment of capital or lack of sufficient capital noted in the audit. A copy of each report shall be furnished to the Secretary of the Treasury and to the Association.

"OBLIGATIONS AS LAWFUL INVESTMENT, ACCEPTANCE AS SECURITY

"SEC. 481. All obligations issued by the Association shall be lawful investments, and may be accepted as security for all fiduciary, trust, and public funds, the investment or deposit of which shall be under authority or control of the United States or of any officer or officers thereof. All stock and obligations issued by the Association pursuant to this part shall be deemed to be exempt securities within the meaning of laws administered by the Securities and Exchange Commission, to the same extent as securities which are direct obligations of, or obligations guaranteed as to principal or interest by, the United States. The Association shall, for the purposes of section 14(b) (2) of the Federal Reserve Act, be deemed to be an agency of the United States.

"PREPARATION OF OBLIGATIONS

"SEC. 482. In order to furnish obligations for delivery by the Association, the Secretary of the Treasury is authorized to prepare such obligations in such form as the Board of Directors may approve, such obligations when prepared to be held in the Treasury subject to delivery upon order by the

Association. The engraved plates, dies, bed pieces, and so forth, executed in connection therewith shall remain in the custody of the Secretary of the Treasury. The Association shall reimburse the Secretary of the Treasury for any expenditures made in the preparation, custody, and delivery of such obligations.

"ANNUAL REPORT

"SEC. 483. The Association shall, as soon as practicable after the end of each fiscal year, transmit to the President and the Congress a report of its operations and activities during each year.

"SEPARABILITY

"SEC. 484. If any provision of this part or the application thereof to any person or circumstance is held invalid, the validity of the remainder of the part, and the application of such provisions to other persons or circumstances, shall not be affected.".

AMENDMENTS RELATING TO FINANCIAL INSTITUTIONS

SEC. 3. (a) The sixth sentence of the seventh paragraph of section 5136 of the Revised Statutes, as amended (12 U.S.C. 24), is amended by inserting "or obligations or other instruments or securities of the Student Loan Marketing Association," immediately after "or obligations, participation, or other instruments of or issued by the Federal Na-

tional Mortgage Association or the Government National Mortgage Association,".

(b) Section 5200 of the Revised Statutes, as amended (12 U.S.C. 84), is amended by adding at the end thereof the following new paragraph:

"(14) Obligations of the Student Loan Marketing Association shall not be subject to any limitation based upon such capital and surplus."

(c) The first paragraph of section 5(c) of the Home Owners' Loan Act of 1933, as amended (12 U.S.C. 1464 (c)), is amended by inserting "or in obligations or other instruments or securities of the Student Loan Marketing Association;" in the second proviso immediately after "any political subdivision thereof".

(d) Section 8(8)(E) of the Federal Credit Union Act, amended (12 U.S.C. 1757(8)(E)), is amended by inserting before the semicolon at the end thereof the following: ", or in obligations or other instruments or securities of the Student Loan Marketing Association".

92D CONGRESS
1ST SESSION

S. 1756

IN THE SENATE OF THE UNITED STATES

MAY 4, 1971

Mr. CHILES introduced the following bill; which was read twice and referred to the Committee on Labor and Public Welfare

A BILL

To amend the Higher Education Act of 1965 in order to strengthen the student insured loan program, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be called the "Student Loan Assistance Act of 1971".

SEC. 2. (a) The first sentence of section 424 (a) of the Higher Education Act of 1965 is amended by striking out the word "three" and inserting in lieu thereof the word "eight".

(b) The second sentence of section 424 (a) of such Act

is amended by striking out "June 30, 1975" and inserting in lieu thereof "June 30, 1980".

SEC. 3. (a) (1) The first sentence of section 425 (a) of the Higher Education Act of 1965 is amended by inserting immediately before the period a comma and the following: "except that pursuant to such regulations as the Commissioner may establish, such total in any academic year or its equivalent may exceed $1,500 but not $2,500 if the student has been accepted for enrollment or is attending an eligible institution taking a course of study for which the fees are unusually high."

(2) The second sentence of section 425 (a) of such Act is amended by inserting before the period therein a comma and the following: "except that in any case where the total of loans made to any student in any academic year exceeds $1,500, such aggregate shall not at any time exceed $10,000".

(b) (1) The first sentence of section 425 (b) of such Act is amended by inserting before the period thereof a comma and the words "plus interest".

(2) The second sentence of such section is amended to read as follows: "The full faith and credit of the United States is pledged to the payment of all amounts which may be required to be paid under the provisions of section 430 or 437 of this part.".

SEC. 4. (a) Section 427 (a) (2) (B) of the Higher Education Act of 1965 is amended by striking out "less than 5 years", by striking out "(unless sooner repaid) was", and by striking out "earlier than 9 months nor".

(b) Section 427 (a) (2) (D) of such Act is amended by striking out "(but without thereby increasing the insurance liability under this part)".

SEC. 5. (a) Section 428 (a) (4) of the Higher Education Act of 1965 is amended by striking out "June 30, 1971" and inserting in lieu thereof "June 30, 1976", and by striking out "June 30, 1975" and inserting in lieu thereof "June 30, 1980".

(b) Section 428 (b) (1) (D) is amended by striking out "less than 5 years nor" and by striking out "earlier than 9 months nor".

(c) Section 428 (b) (1) of such Act is amended (1) by striking out the word "and" in paragraph (J) thereof, (2) by striking out the period at the end of paragraph (K) of such section and inserting in lieu thereof a semicolon and the word "and", and (3) by adding at the end thereof the following new paragraph:

"(L) provides that the lender will not collect or attempt to collect from the borrower any portion of the interest on the note which is payable by the Commissioner under this part."

SEC. 6. Section 429 (c) of the Higher Education Act of 1965 is amended by striking out "one-fourth of 1 per centum" and inserting in lieu thereof "one-half of 1 per centum".

SEC. 7. Section 434 of the Higher Education Act of 1965 is amended by striking out "up to 15 per centum of their assets,".

SEC. 8. Section 430 (a) of the Higher Education Act of 1968 is amended by striking out " (other than interest added to principal) ".

SEC. 9. Section 435 (a) of the Higher Education Act of 1965 is amended by adding at the end thereof the following new sentence: "Notwithstanding any other provision of this part, whenever the Commissioner determines that it is necessary in order to carry out the purposes of this part and after affording an opportunity for a hearing he is authorized to suspend or terminate eligibility under this part for any single otherwise eligible institution.

SEC. 10. Section 2 (a) (7) of the Emergency Insured Student Loan Act of 1969 is amended by striking out "June 30, 1971" and inserting in lieu thereof "June 30, 1976".

SEC. 11. Section 104 of the Truth in Lending Act (15

U.S.C. 1603) is amended by adding the following new paragraph at the end thereof:

"(5) Loans under title II of the National Defense Education Act of 1958 or loans to which title IV of the Higher Education Act of 1965 is applicable."

Senator PELL. Senator Javits has a statement he wishes to insert in the record at this point.

STATEMENT OF HON. JACOB K. JAVITS, A U.S. SENATOR FROM THE STATE OF NEW YORK

Senator JAVITS. Mr. Chairman, some years ago when he was president of the University of California, Clark Kerr, now chairman of the Carnegie Commission on Higher Education, observed:

> I find that the three major administrative problems on a campus are sex for the students, athletics for the alumni and parking for the faculty.

As Dr. Kerr has since acknowledged, times have changed.

We are living in an era where higher education enrollments have tripled since 1955, higher education budgets have doubled since 1960, and annual expenditures per student have been rising three times as fast as the cost of living.

When I graduated from high school, only 17 percent of all young Americans were able to finish secondary school—today almost 75 percent of all our youngsters finish high school, and more than half of these head for post-secondary education, either college or vocational. Higher education has an annual budget of $26 billion—8.2 million Americans are enrolled in the Nation's colleges and universities.

If we are to meet the challenges of this new era, then innovation, reform and quality programs must be nurtured. In the reports on the 1966 and 1968 higher education bills, the minority members of this committee joined in a statement asserting that:

> As Republicans we are actively interested in achieving the goal sought by our party for more than a century—making available a higher education for all young Americans who qualify and who seek it.

In our 1968 report we also urged "an exercise of imagination in fostering American higher education." The two go together—increased opportunities and innovation. Truly, innovation is the key if our colleges and universities are to be able to offer quality schooling to the growing number of people of all ages and from all walks of life desirous and capable of achieving it.

In keeping with this need, on yesterday, together with Senators Beall, Dominick, Griffin, Prouty, Schweiker and Scott, I introduced the administration's bill, the National Foundation for Higher Education Act of 1971, S. 1062, to establish within HEW the Foundation as the Government's principal agency for stimulating innovation and reform in post-secondary education and for the support of quality post-secondary programs.

I ask unanimous consent that following my remarks there be included the explanatory statement made on the Senate floor in introducing the bill.

Also yesterday I introduced three other bills relating to higher education; namely, an amendment to the Higher Education Facilities Act to provide 66 percent Federal construction matching funds for developing institutions, such as Negro colleges, S. 1072; the State Higher Education Student Aid Act, S. 1074, to provide student incentive grants to the States on a matching basis, and to provide for educational-opportunity centers to facilitate the recruiting of the disadvantaged into higher education; and the Consolidation of Special Higher Education Programs Act, S. 1073, to consolidate into one title a num-

ber of existing higher education programs which have been previously authorized by Congress, but not yet funded.

I ask unanimous consent that following my remarks there be included the explanatory statements made in the Senate in introducing these bills.

Finally, Mr. Chairman, I should like to express my support for yours and the subcommittee's intention thoroughly to explore our higher education problems in order that we might give the Congress and the Nation the legislation so very much needed. I hope that we will have an opportunity to hear all the Federal agencies concerned—HEW and Treasury—and the various groups at interest as well as distinguished authorities in the field.

(The information submitted by Senator Javits follows:)

[From the Congressional Record, Mar. 2, 1971]

NATIONAL FOUNDATION FOR HIGHER EDUCATION ACT

By Mr. JAVITS (for himself, Mr. Beall, Mr. Dominick, Mr. Griffin, Mr. Prouty, Mr. Schweiker, and Mr. Scott):

S. 1062. A bill to establish a National Foundation for Higher Education, and for other purposes. Referred to the Committee on Labor and Public Welfare.

Mr. JAVITS. Mr. President, I introduce for appropriate reference the National Foundation for Higher Education Act. I introduce the bill on behalf of myself, the Senator from Vermont (Mr. Prouty), the Senator from Maryland (Mr. Beall), the Senator from Colorado (Mr. Dominick), the Senator from Michigan (Mr. Griffin), the junior Senator from Pennsylvania (Mr. Schweiker), and the senior Senator from Pennsylvania (Mr. Scott).

Mr. President, this is an administration bill. Although the bill itself does not provide an amount of funds, it is budgeted by the administration at $100 million. Its purpose is to encourage innovation in higher education. We simply cannot take for granted in modern times that education is a 4-year course for undergraduates; that it is a 3-year course for postgraduates; that there are certain norms and forms for doctorates or masters' degrees; or that only those within given age groups, to wit, roughly from 19 to 24 or 25, are appropriate students for higher education.

The bill would create a National Foundation for Higher Education with the Department of Health, Education, and Welfare as the Federal Government's principal agency for stimulating innovation and reform in postsecondary education and for the support of quality postsecondary programs.

At a time when some 8.2 million of our young people are enrolled at the Nation's colleges and universities and higher education has an annual budget of $26 billion—and both figures are steadily increasing—it is vital that innovation, reform and educational excellence be nurtured if postsecondary schooling is to be able to meet the challenge of this new age.

Under the bill, institutions of higher education will be able to undertake innovative programs which they heretofore have not been able to venture into because of the narrow confines of existing Federal programs and their own tight budgets. The Foundation will have authority to make grants, for example, for programs based on communications technology, developing cost-effective methods of instruction and operation, introducing reforms in the structure of academic professions and the recruitment and retention of faculties, new combinations of academic and experimental learning, and the creation of programs of study tailored to individual needs.

The recent announcement by the Carnegie Corp. and the Ford Foundation that they intend to spend $1.8 million in New York State to help start two new off-campus degree programs represents exactly the type of activity which the Foundation might undertake to help break down the walls which exist in some areas of the higher education community.

Some years ago Clark Kerr, as president of the University of California, observed:

"I find that the three major administrative problems on a campus are sex for the students, athletics for the alumni and parking for the faculty."

In an era where enrollments have tripled since 1955, higher education budgets have doubled since 1960, and annual expenditures per student have been rising three times as fast as the cost of living, this no longer can be true.

Truly, in the years ahead, innovation is the key, if the Nation's colleges and universities are to be able to offer quality higher education to the growing number of our people of all ages and from all walks of life desirous and capable of achieving it. New models of teaching and learning must be developed. There must be a source of support for experimentation, for probings into new areas of scholarship, and for radically different kinds of education, time, and facilities in which to undertake them.

I ask unanimous consent that there be included at this point in my remarks a section-by-section analysis of the National Foundation for Higher Education Act of 1971, the pertinent excerpts from the President's February 22 message entitled "Expanding Opportunities for Higher Education," and the news story from the February 17 New York Times describing the Carnegie Corporation-Ford Foundation program in New York State to which I earlier referred.

There being no objection, the items were ordered to be printed in the Record, as follows:

"SECTION-BY-SECTION ANALYSIS OF THE NATIONAL FOUNDATION FOR HIGHER EDUCATION ACT OF 1971

"CITATION

"This section provides that the Act may be cited as the 'National Foundation for Higher Education Act of 1971.'

"*Section 2. Establishment of National Foundation for Higher Education*

"Section 2 of the bill establishes in the Department of Health, Education, and Welfare a National Foundation for Higher Education. The President is authorized to appoint, with the advice and consent of the Senate, a Director of the Foundation who is to perform such duties as the Secretary of HEW prescribes.

"*Section 3. Purposes of the Foundation*

"Section 3 states that the purposes of the Foundation are—

"(1) to encourage excellence, innovation, and reform in postsecondary education;

"(2) to provide assistance for the design and establishment of innovative structures for providing postsecondary education and innovative modes of teaching and learning therein.

"(3) to expand the ways and patterns of acquiring postsecondary education and to open opportunities for such education to individuals of all ages and circumstances;

"(4) to strengthen the autonomy, individuality, and sense of mission of postsecondary educational institutions, and to support programs which are distinctive or of special value to American society; and

"(5) to encourage postsecondary educational institutions to develop policies, programs, and practices responsive to social needs, and to provide an organization concerned with the rationalization of public policies toward postsecondary education.

"*Section 4. Higher Education Foundation Board*

"*Section 4* authorizes the President to appoint, without regard to laws governing appointment in the competitive service, an 18 member Higher Education Foundation Board. The Board is to advise the Secretary and the Director with respect to matters of general policy arising in the administration of this Act and programs to be carried out under the Act. The Board is also to prepare an annual report to the Secretary on the current status and needs of postsecondary education in the United States. The Secretary is to transmit this report to the President with his recommendations.

"*Subsection (b)* provides that there shall be 18 members on the Board, broadly representative of the general public and the education community. Members are to serve staggered three year terms, except that members appointed to fill a vacancy are to serve for the remainder of that term. Board members are to receive per diem and travel expenses while serving on the business of the Board.

"*Section 5. Assistance*

"*Section 5* authorizes the Secretary to make grants to and contracts with public or private agencies, organizations, or institutions, or any combination thereof, in order to achieve the purposes of the Foundation. Grants may be made only to non-profit private agencies, organizations, or institutions. Among the activities for which assistance may be awarded are—

"(1) the creation of institutions and programs involving new paths to career and professional training, and new combinations of academic and experimental learning;

"(2) the establishment of institutions and programs based on the technology of communications;

"(3) the carrying out in postsecondary education institutions of changes in internal structure and operations designed to clarify institutional priorities and purposes;

"(4) the design and introduction of cost-effective methods of instruction and operation;

"(5) the introduction of institutional reforms designed to expand individual opportunities for entering and re-entering institutions and pursuing programs of study tailored to individual needs;

"(6) the introduction of reforms in graduate education, in the structure of academic professions, and in the recruitment and retention of faculties;

"(7) the creation of new institutions and programs for examining and awarding credentials to individuals, and the introduction of reforms in current institutional practices related thereto;

"(8) the development or revitalization of education and training programs of national importance; and

"(9) the alteration or remodeling of buildings to the extent necessary to achieve the objectives of any other activity assisted under section 5.

"The Secretary is also authorized to make grants or contracts for studies in the field of postsecondary education, including studies related to postsecondary education finance, organization and management.

"*Section 6. Fellowships*

"*Section 6* authorizes the Secretary to award fellowships and to pay stipends (including allowances for subsistence and other expenses for the fellows and their dependents) to fellowship holders where appropriate and necessary to carry out the purposes of the Act.

"*Section 7. General authority*

"*Section 7* gives the Secretary the authority—

"(1) to enter into contracts without performance or other bonds, and without regard to section 3709 of the Revised Statutes (dealing with solicitation of proposals).

"(2) to make advance, progress, and other payments without regard to the provisions of Section 3648 of the Revised Statutes.

"(3) to receive money and other property donated, bequeathed, or devised to the Foundation with or without a condition or restriction, including a condition that the Foundation use other funds for the purposes of the gift; and to use, sell, or otherwise dispose of such property for the purposes of the Act;

"(4) to publish or arrange for the publication of information without regard to the provisions of section 501 of title 44, United States Code (requiring printing work to be done by the Government Printing Office).

"(5) to accept and utilize the services of voluntary and uncompensated personnel, notwithstanding the provisions of section 3679(b) of the Revised Statutes, and to provide transportation and subsistence as authorized by section 5703 of title 5, U.S.C. for persons serving without compensation; and

"(6) to arrange with and reimburse the heads of other Federal agencies for the performance of any activity which the Foundation is authorized to conduct.

"*Section 8. Miscellaneous provisions*

"*Section 8* in subsection (a) authorizes the Secretary to appoint and compensate such non-civil service technical and professional personnel as he deems necessary to accomplish the functions of the Foundation.

"*Subsection (b)* authorizes the transfer of funds appropriated under this Act to any other Federal department or agency for use (in accordance with an interagency agreement) by such agency for purposes for which such transferred funds could be otherwise expended by the Secretary under this Act. The Secretary is

likewise authorized to accept transferred funds from other Federal agencies for use under this Act.

"*Subsection (c)* requires that all laborers and mechanics employed on construction projects assisted under this Act be paid wages at rates not less than those prevailing on similar construction in the locality as determined by the Secretary of Labor in accordance with the Davis-Bacon Act.

"*Section 9. Joint funding*

"*Section 9* provides that, pursuant to regulations issued by the President, where funds are advanced by the Foundation and one or more other Federal agencies, any one agency may be designated to act for all in administering such funds. In such cases, any agency may waive a technical requirement which is inconsistent with similar requirements of the administering agency, or which the administering agency does not impose.

"*Section 10. Amendments to executive schedule*

"*Section 10* amends section 5316 of title 5, U.S.C. relating to positions at Level V of the Executive Schedule, by striking out the Commissioner of Education and inserting the Director of the National Foundation for Higher Education.

"*Subsection (b) of section 10* amends section 5315 of such title, relating to positions at Level IV of the Executive Schedule, by adding the Commissioner of Education.

"*Section 11. Availability of appropriations*

"*Section 11* provides that funds appropriated to carry out this Act shall remain available until expended."

"EXPANDING OPPORTUNITIES FOR HIGHER EDUCATION

("Message from the President of the United States)

"*To the Congress of the United States:*

"Nearly a year ago, in my first special message on higher education, I asked the Congress to join me in expanding higher education opportunities across the nation. First, I proposed to reform and increase aid to students. Second, I proposed a National Foundation for Higher Education designed to reform and strengthen post secondary education.

"Neither house of Congress acted on these proposals. Now the time for action is growing short. Existing legislative authority for the basic Federal higher education programs expires at the end of the current fiscal year.

"1971 can be a year of national debate on the goals and potentials of our system of higher education. It can be a time of opportunity to discover new concepts of mission and purpose, which are responsive to the diverse needs of the people of our country. I therefore again urge the Congress to join with me in expanding opportunities in two major ways:

* * * * * * *

"RENEWAL, REFORM AND INNOVATION

"If we are to make higher education financially accessible to all who are qualified, then our colleges must be prepared both for the diversity of their goals and the seriousness of their intent. While colleges and universities have made exceptional efforts to serve unprecedented numbers of students over the last decade, they must find additional ways to respond to a new set of challenges:

"—All to often we have fallen prey to the myth that there is only one way to learn—by sitting in class, reading books, and listening to teachers. Those who learn best in other ways are rejected by the system.

"—While the diversity of individuals seeking higher education has expanded in nearly every social dimension—age, class, ethnic background—higher education institutions have become increasingly uniform and less diverse.

"—Increasingly, many colleges, and particularly universities, have become large, complex institutions which have lost their way. The servants of many masters and the managers of many enterprises, they are less and less able to perform their essential tasks well.

"—At the present time, thousands of individuals of all ages and circumstances are excluded from higher education for no other reason than that the

system is designed primarily for 18–22 year olds who can afford to go away to college.

"—At the present time, institutional and social barriers discourage students from having sustained experiences before or during their college years which would help them get more out of college and plan for their future lives.

"The relationship between the Federal Government and the universities has contributed little to meeting these needs because it has not been a genuine partnership. In many cases the Federal Government has hired universities to do work which has borne little natural relationship to the central functions of the institution. Too often, the Federal Government has been part of the problem rather than part of the solution.

"Certain Federal agencies promote excellence, innovation, and reform in particular areas. The National Science Foundation has played a magnificent role in the public interest for science, and the National Institutes of Health have played a similar role for health.

"The National Foundation for Higher Education would fulfill a new role in the Federal Government. It would have as its mandate a review of the overall needs of the American people for postsecondary education. It would have as its operating premises, the principles of selectivity and flexibility. Its constituency would include people as well as institutions—and not only the usual secondary student entering college, but also others—such as the person who wants to combine higher education with active work experience, or the one who has left school and wants to return.

"The Foundation can do much to develop new approaches to higher education:

"—New ways of 'going to college.' I am impressed with the need for new and innovative means of providing higher education to individuals of all ages and circumstances (Britain and Japan, for example, have already taken significant steps in the use of television for this purpose).

"—New patterns of attending college. A theme of several recent reports is that students are isolated too long in school, and that breaking the educational 'lock-step' would enable them to be better and more serious students (as were the GI's after World War II). If so, student bodies would reflect a greater mix of ages and experience, and colleges would be places for integrating rather than separating the generations.

"—New approaches to diversify institutional missions. Colleges and universities increasingly have aspired to become complex and 'well rounded' institutions providing a wide spectrum of general and specialized education. The Foundation could help institutions to strengthen their individuality and to focus on particular missions by encouraging and supporting excellence in specific areas—be it a field of research, professional training, minority education, or whatever.

"CONCLUSION

"These are but some of the new approaches to higher education which need to be pursued. A theme common to all of them is a new kind of engagement between all the citizens of our society and our system of higher education. All of us can make a contribution to bringing about such an engagement by taking part in a thoughtful national discussion about our priorities for higher education. Students and faculties can make a contribution by reexamining their goals and the means they choose to achieve them. The Federal Government can do its part by supporting access to higher education for all of our people and by providing the resources needed to help develop new forms of higher education which would be responsive to all of their needs.

"RICHARD NIXON.

"THE WHITE HOUSE, *February 22, 1971.*"

["From the New York Times, Feb. 17, 1971]

"$1.8 MILLION TO AID OFF-CAMPUS STUDIES

("By M. S. Handler)

"The Carnegie Corporation and the Ford Foundation have awarded the State University of New York and the State Education Department grants totaling $1.8-million to help start two new off-campus degree programs.

"The programs, if successful, could introduce radical changes in the structure of higher education in the United States.

"The programs will permit off-campus students—adults who were unable to go to college—to earn degrees through independent study and examination outside the traditional patterns and rules of college education.

"The foundations each provided $500,000 to the State University and $400,000 to the State Education Department, to be disbursed over two years. Governor Rockefeller, in a statement yesterday, praised the program, which will also require financial support from the State Legislature.

"The general outlines of the off-campus degree programs, largely inspired by London University's external-degree program and Britain's new Open University, were discussed at a news conference yesterday.

"The participants were Alan Pifer, president of the Carnegie Corporation, Harold Howe, 2d, vice president of the Ford Foundation, Dr. Ernst L. Boyer, Chancellor of the State Universtiy of New York, and Ewald B. Nyquist, Commissioner of the State Education Department. The conference was held at Governor Rockefeller's office at 22 West 55th Street.

"Dr. Boyer said that the $1-million the University would receive would accelerate plans to establish an off-campus undergraduate college in the Albany area. Its function will be to administer the University's program.

"Under faculty direction centered at many of the system's colleges, students of the new college will pursue individual programs of study through counseling, correspondence, occasional seminars and examinations.

"NO TIME LIMIT SET

"There will be no time limit on the number of years required for a degree. High school graduates will be eligible for the program, which will be available in combinations suited to the individual's needs and circumstances.

"Chancellor Boyer estimated that at least 500 students would be enrolled in the academic year of 1971–72. He stressed the great reservoir of untapped talents among adults who did not get an opportunity to enter college because of financial or other reasons.

"The State Education Department's $800,000 program, which will start at the same time, while substantially different from that the State University, will complement it by reaching another category of adults.

"Under the department's program, the Board of Regents will award an associate or bachelor's degree to persons who pass the required number of college level examinations regardless of how they prepared for them.

"Commissioner Nyquist said there were many men and women who had acquired more than a bachelor's knowledge in the working careers and were capable of taking examinations for degrees.

"REGENTS TO AWARD DEGREES

"The Board of Regents will award undergraduate degrees to persons, without regard to such considerations as age or place of residence within the state, who possess knowledge equivalent to that of a regular college graduate.

"Mr. Pifer and Mr. Howe said the two New York State programs would be the largest off-campus degree experiments yet tried in the United States.

"Mr. Pifer said the Carnegie Corporation and the Ford Foundation had for many years been interested in introducing greater flexibility in American higher education and that they were delighted when Mr. Nyquist and Dr. Boyer came forward with their specific program suggestions.

"Pursuing its policy of greater flexibility in higher education, the Ford Foundation also announced yesterday two other grants—One, for $400,000, will go to 19 institutions participating in the planning and development of a new University Without Walls program. The other, for $300,000, will go to the Policy Insurance of Syracuse University to study the establishment of an external baccalaureate degree program coordinated through institutions in the counties of Onondaga, Madison, Oswego, Cayuga and Cortland."

By Mr. JAVITS:

S. 1072. A bill to amend the Higher Education Facilities Act of 1963 in order to increase the maximum Federal share under such act to 66 per centum in the case of certain developing institutions. Referred to the Committee on Labor and Public Welfare.

Mr. JAVITS. Mr. President, I introduce for appropriate reference a bill to amend the Higher Education Facilities Act to provide 66 percent Federal construction matching funds for "developing institutions," defined in title II of the Higher Education Act as colleges which, for financial or other reasons, are struggling for survival and are developing institutions themselves. These schools, for the most part, serve students from lower income families and have very little in the way of endowments or other financial resources to meet their needs.

Under existing law, all colleges, both established and developing institutions, receive 50 percent Federal matching funds for construction of facilities.

The education appropriation bill for the current fiscal year provides $43 million for grant construction assistance.

Typical of these developing institutions are the 68 private and 43 public higher education institutions with a predominantly Negro student body. The median family income of the students attending these institutions is $3,900; the national median is $7,974. In 1968 and 1969, predominantly white colleges received $96 million in grants from private philanthropy of which $11 million was for building and equipment. This is contrasted with the $4.6 million given to predominantly black schools of which some $150,000 was for construction and equipment.

The Office of Education indicates that there are some 400 developing institutions in the Nation. Included among those which are located in New York State are the College of St. Rose in Albany, Keuka College in Keuka Park, Manhattan College in the Bronx in New York City, and Trocaire College in Buffalo.

CONSOLIDATION OF SPECIAL HIGHER EDUCATION PROGRAMS ACT

By Mr. JAVITS:

S. 1073. A bill to consolidate and improve certain programs for higher education, and for other purposes. Referred to the Committee on Labor and Public Welfare.

Mr. JAVITS: Mr. President, I introduce, for appropriate reference, the Consolidation of Special Higher Education Programs Act.

This bill consolidates into one title a number of existing higher education programs which have been previously authorized by the Congress but not funded. These programs are interinstitutional networks for knowledge—title VIII of the Higher Education Act, education for the public service—title IX of the Higher Education Act, clinical experience for students of law—title XI of the Higher Education Act, and international affairs and foreign language education—the International Education Act and title VI of the National Defense Education Act.

By consolidating these provisions, new life can be breathed into them so that they might realize the promise envisioned when first enacted by the Congress.

An authorization of $86.5 million for fiscal year 1972 is provided, which is the sum of the authorizations which were provided for the component programs; thus consolidation does not diminish the intent of the legislation.

STATE HIGHER EDUCATION STUDENT AID ACT OF 1971

By Mr. JAVITS:

S. 1074. A bill to authorize assistance to the States in establishing and carrying out programs of higher education student aid. Referred to the Committee on Labor and Public Welfare.

Mr. JAVITS. Mr. President, I introduce for appropriate reference the State Higher Education Student Aid Act of 1971.

This measure has two principal provisions:

First, the bill would provide student incentive grants to the States on a matching basis to assist young people from families of substantial need to obtain a higher education. This provision is designed to encourage the States to expand their present programs of grant assistance to students, and complements the administration bill and existing student-aid programs of Federal educational opportunity grants, direct and guaranteed loans, and work-study. States would receive funds only when they expand their present efforts. Thus, this money would supplement, not supplant, existing programs.

Second, the bill would provide for educational-opportunity centers in areas with major concentrations of low-income population to facilitate the recruiting of disadvantaged children into higher education. These centers would provide in-

formation concerning financial and academic support available at colleges, assistance in applying for admittance to such schools, including preparing detailed documentation for use by admissions and financial aid officers, provide counseling services and tutorial help. This second part follows recent recommendations of the Carnegie Commission on Education, which has emphasized that—

"To make recruiting programs fully effective, there is an urgent need for institutions to coordinate planning and combine resources."

Thus, programs such as New York State's urban centers would be encouraged throughout the Nation by this provision.

For the first year, the bill authorizes $50 million for the student incentive grant program and $20 million for the educational opportunity center program.

What is being done now by my own State of New York to assist individual students to attend college serves as an example of what this measure seeks to develop. During the last complete school year some 245,500 young New Yorkers held State scholarships and grants worth about $69.9 million, a tenfold increase over the past decade. And just as New York is being confronted with pressures due to increased enrollments and rising tuition costs to still further expand its program, so are other States similarly beset. In New York, the dollar amount of regents scholarships ranges from $250 to $1,000 yearly, depending upon the financial resources of the student. My bill would provide up to 750 Federal dollars for each student in equal matching funds from the State.

College enrollment, now at over 8 million and double that of a decade ago, is expected to increase nearly 50 percent by 1976–77. Today 40 per cent of young Americans enter college; a century ago, shortly after President Lincoln had signed the land-grant college law, only 2 per cent were so privileged.

And while enrollments have increased, so have costs. The average amount an undergraduate pays for tuition and required fees has doubled in the past 10 years. The Office of Education indicates that the estimated average amounts for tuition and required fees, board and dormitory rooms is $1,324 in 4-year public colleges and $2,844 in private universities.

It is obvious that if we are to achieve the goal iterated by President Nixon in his February 22 message on higher education, that "no qualified student who wants to go to college should be barred by lack of money", not only must the Federal Government enlarge its efforts, but the States must also do so. This bill seeks to encourage the States to do just that.

Senator PELL. Philosophically, I believe that the Federal Government should provide a floor of assistance, as a matter of right, to all students who wish to pursue a post-secondary education.

The administration's proposal, on the other hand, would provide limited amounts of grants turning on need and rely upon a system of loans to provide further assistance. While some would say this is a different method, I disagree, it is indeed a difference in philosophic approach.

Just what is to be the continuing role of the Federal Government in regard to higher education? For example, would not the establishment of something like a national student loan association, create a permanent institution which would forestall the day of direct grants? Would it not be wiser to generate student loan funds through a warehousing device available to meet the needs, but flexible in its purpose?

These are some of the questions we will explore in these hearings. There are many facts and figures which must be generated and understood, but underlying our consideration will be the basic question of the Federal role. Once that issue is resolved, I think the other questions will fall into place.

Today and tomorrow we will be hearing from the administration. Today the administration will be discussing its general higher education bill and I must say it is unfortunate that the bill is not before us. Our bill, as you know, has been in for a number of weeks. I regret that we don't have the administration's bill for this will limit the ex-

tensiveness of our questions, but we do have the general thrust of it from the messages that have been sent up to us.

We are having these hearings at this time as a joint effort on behalf of the Secretary and our own subcommittee in our efforts to move ahead promptly, because if we wait we will not get the legislation through in a timely manner.

My understanding is that the Secretary would like to make his presentation first, and hopefully that questions to him would take a short period of time, then Commissioner Marland and Mr. Muirhead will carry on. This procedure is acceptable, however, I have not consulted with other members of the subcommittee, so we will have to see how it goes.

STATEMENT OF HON. ELLIOT L. RICHARDSON, SECRETARY OF HEALTH, EDUCATION, AND WELFARE; ACCOMPANIED BY DR. SIDNEY P. MARLAND, JR., U.S. COMMISSIONER OF EDUCATION; PETER MUIRHEAD, EXECUTIVE DEPUTY COMMISSIONER, U.S. OFFICE OF EDUCATION; AND CHRISTOPHER CROSS, DEPUTY ASSISTANT SECRETARY FOR LEGISLATION (EDUCATION)

Secretary RICHARDSON. Thank you very much, Mr. Chairman.

From my point of view, it would be helpful to have the Commissioner complete his testimony before the subcommittee proceeds to questions. Possibly it would then have before it a more complete presentation of the administration's proposals.

Senator PELL. I agree that would be better, but I had understood you could not remain.

Secretary RICHARDSON. Tomorrow I would like to be able to present the presentation on the Foundation, and then leave. But today, since we will be all here for as long as the session lasts, it would be preferable to proceed with our statements.

Senator PELL. That fills the gap in communication.

Secretary RICHARDSON. Thank you very much, Mr. Chairman.

I am sure I speak for my associates in saying that we welcomed the statement of the basic issues with which you opened this hearing.

I am accompanied by, as you see, Dr. Sidney P. Marland, Jr., U.S. Commissioner of Education and Mr. Peter P. Muirhead, Executive Deputy Commissioner, U.S. Office of Education, and on my left is Mr. Christopher Cross, Deputy Assistant Secretary for Legislation with responsibility in the field of education.

I noted Mr. Chairman, your notation of the fact that you hoped action could be taken on this important subject. It is true, of course, that legislation now in effect will be expiring with the end of the current fiscal year, and so we do want to work with you and the subcommittee as cooperatively as we can to try to assure that you will be able to report out legislation in time for it to be acted upon before the current legislation expires, and in time so that the concerned students and institutions will be able to make their plans in the confident awareness that funds will be available for the coming academic year.

I believe you have before you the Higher Education Foundation bill, and the student assistance legislation will be filed, I believe, today or tomorrow.

Last week the President sent to the Congress his second special message on higher education, urging your prompt action on proposals which would greatly expand higher education opportunities for the people of this Nation. I am pleased to be with you this morning to discuss these proposals and to join the President in urging your immediate attention to this matter of great national concern.

Senator PELL. Mr. Richardson, if you would permit me to interrupt for a moment, I would like to say that within the scope of higher education we definitely include the junior 2-year colleges: Indeed there is a very strong representation in this hearing room today from the American Association of Junior Colleges which is meeting in town. I had the pleasure of meeting some of them yesterday, and I just want to welcome them to this hearing.

Secretary RICHARDSON. Thank you, Mr. Chairman. We certainly welcome the opportunity to testify in their presence. In fact, I look forward to speaking to their association tomorrow.

The President's program for expanding higher education opportunities is based on two important proposals: expansion and reform of student financial aid programs and the encouragement of basic structural changes in higher education through the establishment of the National Foundation for Higher Education. For the first time in the history of Federal higher education policy, this administration is also submitting a budget which requests sufficient funds to support its commitment to expanded educational opportunities.

The basic tenet of our program for the reform and expansion of student aid programs is the commitment that no qualified student who wants to go to college should be barred by lack of money. The legislative proposal which is before you provides that Federal funds would go first, and in the largest amounts, to the neediest students, placing them on an equal footing with students from higher income families. In addition, the proposal provides that needy students would have advance assurance of the type and amount of Federal assistance they could expect to get for their college education.

Commissioner Marland and Mr. Muirhead will develop the profound significance of this new direction in Federal policy. For the time being, I would like to emphasize that we are proposing nothing less than an assured level of basic Federal support for every student from a low-income family who is qualified to enter college. This assurance will have an important effect on the college aspirations of high school, and even elementary school, students. In addition, it will provide, as never before, a degree of freedom for college-bound students from low-income families to choose among a variety of educational institutions with an assurance of a basic level of Federal support, regardless of which type of institution they choose to attend.

PURPOSES OF PROGRAM

The administration's improvements in the existing student aid programs have five major purposes:

1. To assure the availability of funds to every qualified student.
2. To assure that Federal funds go first, and in the largest amounts, to the students who need them most.
3. To provide potential students with as accurate information as possible concerning the aid they can expect.

4. To assure that all students of equal need are treated alike.

5. To provide additional financial aid to students attending high cost institutions.

The administration is recommending a coordinated student aid system with two parts: (a) a combination of grants, work-study payments, and subsidized loans for undergraduate students with low to middle incomes attending postsecondary educational institutions as well as proprietary institutions of higher education, and (b) creation of a National Student Loan Association to raise money privately and make it available for all postsecondary students at all income levels.

The basic concept of the student aid system is that all students whose families can be expected to make the same contribution should have the same help available for their education from Federal sources. The combination of family contributions plus Federal grants, work-study payments, and subsidized loans would be enough to enable any student to meet minimum education expenses.

The system would work in the following manner:

Each year the Secretary of HEW, after conferring with the Advisory Council on Financial Aid to Students, would publish a schedule indicating the amount of Federal funds available to students with differing family contribution levels. The college or university would calculate each student's eligibility for aid by determining the expected family contribution toward his educational costs. This determination would take into account such factors as the size of the family, the number of children in college, extraordinary family expenses, and capital assets. The deficiency between expected family contribution and the amount of resources the student should have available to him would be met by a combination of grants, work-study payments, and subsidized loans.

It should be noted that what we are proposing represents a Federal floor for educational assistance. Added to this floor will be, in a majority of cases, financial aid from State sources, institutional aid, and private financial assistance, which amounted to an estimated total of $994 million in academic year 1969–70.

As an example of State programs that are available, I might note that in New York, State assistance this year will aid about 250,000 students with an average award of $280. In Ohio, a student enrolling in a private institution from a family with an income of under $3,000 receives a $900 State grant. If he enrolls in a public institution, he receives a $300 grant. In either case, that assistance would be added to his eligibility for Federal assistance.

Many other States have similar programs of student aid. Institutions, particularly private ones, also devote a significant portion of their income to student assistance. We would anticipate that they would use those funds to provide supplemental awards for low-income students and whatever limited assistance might be needed for students not qualifying for direct Federal subsidy. Of course, in no instance would Federal aid, combined with other aid, exceed the cost of education at the institution in question.

Mr. Chairman, it has been charged that our proposal ignores the problems faced by middle income families in putting their children through college. I would like to emphasize how untrue this is by

pointing out to the committee some concrete examples of how our proposals would work under the President's budget commitment:

A family with $12,000 income and three children in college would be eligible for almost $1,000 per student just in basic grants and loans.

Children from large families with incomes over $15,000 would often be eligible for up to $1,500 per student in "cost-of-education" loans subsidized at the very favorable rates of the NDEA loan program.

Each child from a small family with income of $13,500 and with only two children, both in college, but with medical expenses of $2,400, would be eligible for basic subsidized loans of almost $400 per student and additional subsidized cost of education loans.

If these are not "middle-income families," Mr. Chairman, I have to ask what kind of families we mean when we use this phrase. Median family income in the United States is about $9,800. I would suppose that families in the brackets on either side of this line are truly "middle income." And these families are going to be helped—not just by loan guarantees, but by substantial grants and subsidy allowances.

We feel that the concept of relating student aid to family contribution, and hence to family income available for support of the student's education, is the only workable way to determine the extent and type of Federal student assistance. The use of the amount of Federal income tax paid by a family, as proposed in S. 659, to determine Federal student assistance is, according to economists, nearly always more regressive than adjusted family income.

I cannot overemphasize at this point the fact that under the administration bill, eligibility for student assistance will be made on the basis of family income and claims on that income. The key individual in this equation will be the college financial aid officer who will make the determination of adjusted family income, and hence qualification for direct Federal subsidy.

The commitment of this administration to increasing student aid is reflected in the President's budget for fiscal year 1972. That budget calls for a $575 million appropriation for education opportunity grants and work-study in fiscal year 1972, a 70-percent increase over the current year. It also provides funds to subsidize nearly four times the volume of loans covered in the fiscal year 1971 budget. We believe this demonstrates quite clearly the commitment of this administration to higher education.

The President's proposal will also provide dramatically increased access to Federally guaranteed loans for all students, regardless of their families' financial status. In the past, the supply of guaranteed loans has been arbitrarily restricted by the lack of a secondary market which could buy student loan paper and provide lenders with new loan capital. To meet this problem we propose the establishment of the National Student Loan Association, with authority to buy and warehouse student loans made by institutions of higher education and commercial lenders. We estimate that this new marketing institution would supply as much as $1 billion in new lendable funds for guaranteed loans.

NSLA would be a private corporation, chartered and established by the Federal Government. It would raise funds by issuing its own

obligations for sale in private capital markets. These obligations would be guaranteed against default by the Government, allowing the NSLA to pay a lower rate of interest.

With the proceeds from its sales, NSLA would buy, sell, or warehouse student loan paper from colleges, banks, or other eligible lenders. Typically, a college without funds of its own to invest in student loans would make a loan to a student and then turn immediately to NSLA to sell the student's note and regain liquidity. To insure the operation of NSLA and ease the transition into a secondary market, the fiscal 1972 budget calls for an appropriation of $400 million, which would be used to assist colleges in making loans and would be returned to the Treasury after NSLA begins operation.

NSLA would significantly increase the flow of funds into student loan markets. Both banks and colleges would be encouraged to do more student lending.

There are proposals for a secondary market before both the House and Senate which provide only for warehousing of student loans. While the warehousing function, which involves cash advances to be repaid by the lender, is vital to a secondary market institution, authority to buy and sell student loans is also essential.

Finally, several other features of the President's student aid proposals merit attention:

Educational opportunity grants would continue as the basic grant program, but without matching requirements.

The college work-study program would continue. Colleges would continue to match work-study funds provided by the Federal Government—$1 for $4—but this requirement would be waived for institutions or work programs which it would hamper.

National defense student loan benefits would continue. However, lendable capital would come from the private money markets rather than the Federal Treasury.

Institutions of higher education would preserve the option, within national limits set by the Commissioner of Education, of determining the mix of grants and work-study payments appropriate to the individual student.

The guaranteed loan program would continue to be open to all college students, however high their family incomes. The interest subsidy paid by the Federal Government on student loans to above-average-income students while they are in college and the special allowance paid to banks would be eliminated.

Loan ceilings would be raised to $2,500 annually and would apply to the aggregate of both subsidized and unsubsidized loans.

The length of the maximum permissible loan repayment period would be increased to 20 years from the present 10.

The student could prepay his loan at any time without penalty.

Providing increased access to higher education is only one part of the administration's strategy for expanding higher education opportunities. The President said in his message on higher education:

> If we are to make higher education financially accessible to all who are qualified, then our colleges must be prepared both for the diversity of their goals and the seriousness of their intent.

To encourage basic structural change in higher education and to provide new and more meaningful educational options for students, the

President proposes to establish the National Foundation for Higher Education.

For too long the relationship between the Federal Government and the Nation's colleges and universities has aggravated rather than solved problems. In many cases, the Federal Government has hired universities to do work which has had little or no relationship to their essential functions. The National Foundation for Higher Education will forge a new and constructive partnership for basic change and innovation designed to meet the needs of the American public.

Mr. Chairman, I understand that I will return tomorrow to discuss in detail the Foundation proposal. Today, however, let me make clear that I am personally responsible for, and am committed to the specific design of the Foundation.

It has been carefully drawn up to achieve independent yet coordinated action. It will be an agency within the Department of Health, Education, and Welfare, run by a Presidential appointed Director, and advised by a strong Board. The director of the foundation will have close working relationships with the Commissioner of Education and the Director of the proposed National Institute of Education. Since I have made it clear that the Commissioner of Education is the chief education officer, I intend to ask the director of the foundation to report to me through him.

I am pleased to see that S. 659, which you have introduced, Mr. Chairman, includes a foundation, as well as another key request of the President in the area of education reform. The National Institute of Education is also before you as S. 434, which was introduced by Senator Prouty. It would appear that the members of this subcommittee share with the President a major concern for the reform and revitalization of education in this Nation. I believe that our differences can be readily resolved and we can get on with the task at hand—making education more exciting, more challenging, and more productive.

During the past year we have consulted frequently with representatives of the higher education community and of the Congress in an attempt to reach accommodation on a higher education bill which would be accepted by all concerned. These consultations have resulted in several important changes in this year's proposals over last year's. We have, for example, added a new component to our student aid proposals—cost of education loans—which will provide benefits identical to those currently received by students under the national defense student loan program, enabling low- and middle-income students to attend higher tuition institutions. At the suggestion of Members of Congress and leaders in the higher education community, we have also proposed a new program of loan insurance for private college facilities and requested extension of existing authority for direct loans and grants under the Higher Education Facilities Act.

Finally, our consultations have resulted in important changes in our proposal for the National Foundation for Higher Education. We have removed from the Foundation the programs which clouded its reformist image last year, and we have, as noted, modified its structure to place it within the Department of Health, Education, and Welfare.

The Higher Education Opportunity Act also contains a number of other titles and provisions which either extend or modify many existing provisions of the Higher Education Act of 1965, the Higher

Education Facilities Act, and the National Defense Education Act. Commissioner Marland will discuss these modifications with you in detail.

In closing, Mr. Chairman, I would like to emphasize the importance of prompt congressional action on the President's proposals for higher education. Failure to act immediately could, as I noted in the beginning, mean a denial of much-needed support for as many as 1 million students who have not previously had access to Federal student aid programs. Time is of the essence. We must act now in order to assure students and institutions alike that Federal resources will be available for the opening of school in the fall.

The theme common to all of the administration's higher education proposals is expanding higher education opportunities for all who can benefit from them. The President called for a "new kind of engagement between all the citizens of our society and our system of higher education." I urge the Congress to join in this exciting new effort to make good on our national commitment to equality of educational opportunity.

Thank you.

Senator PELL. I would like to mention at this point that Senator Alan Cranston, who would have liked to have been with us all morning, has other committee responsibilities, and had to leave. He asked me to pass on a special welcome to the Californians who are here.

Commissioner Marland, will you proceed.

Dr. MARLAND. Thank you, Mr. Chairman, members of the subcommittee.

I am certain that I don't need to stress to the members of this committee the value of higher education in America today, both to the individual and to this Nation. Latest figures show that a person with 4 years of higher education will, over the course of his life, earn about $213,000 more than a person with a high school diploma. Yet this figure, significant as it is, does not begin to reflect the value to the person of the sense of satisfaction which comes from knowing that one has been able to grow to the fullest possible extent.

As I pointed out at my White House Press Conference last week, a student from a family with an income of $15,000 is almost five times more likely to be able to attend college than is one from a family with an income of $3,000 per year.

Senator PELL. Excuse me, Mr. Commissioner. I note you have a 24-page statement.

Dr. MARLAND. I will come to that, Mr. Chairman, and will suggest that I conclude after page 3 or 4, and submit the remainder for the record.

Mr. PELL. Fine; thank you very much.

Dr. MARLAND. As I pointed out, we think that we have proposed an answer to this dilemma which will insure that any student who wants to go on to higher education will not be denied that chance, simply because his family's resources are too meager. I will leave the discussion of the specifics of our student financial aid proposals to a later point in my testimony; but I would like the committee to consider what this prospect will mean—to the student, to his parents, to the school, to the community.

First, to the students and his parents—and I speak here as a school administrator, deeply conscious of boys and girls in our high schools today—the knowledge that the money for a college education will be available when needed should have a pronounced effect on the goals of children from lower income families. No longer will parents have to try to discourage a bright child from dreaming too much about the future simply because there is no prospect that the money will be there when the need is. No longer need parents encourage their children to take high school courses which do not fully meet their needs simply because there is little likelihood that the traditional academic courses will provide the skills necessary for one who must earn a living immediately after graduating from highschool.

To the school, this turn of events will mean that guidance counselors can really begin to help promising students develop to their fullest potential without the guilty feeling, which some must have, that they are not really acting in the student's best interests when they raise his or her sights, only to have these young ambitions crushed because of lack of money.

Finally, to the community, this group of young people will serve as examples of what can be done to break the grinding cycle of poverty. Younger children will know that they too can dream, and see their dreams fulfilled. Parents will be able to speak with pride of their son, the doctor, or their daughter, the engineer.

In short, Mr. Chairman, we are talking about hope.

We do not, of course, claim that making available the opportunity for higher education will solve all the problems of the world; but we do believe that many of the ills of our society which result from frustrated hopes can be ameliorated.

The second feature of the administration's proposals which I should like to briefly touch on is our recommendation for the National Foundation for Higher Education.

In many ways I believe that the Foundation proposal is analogous to our student financial aid proposals, for both are aimed at aiding the recipient—in one case, the school; in the other, the student—to fulfill its potential.

I view the National Foundation as a device to aid schools, colleges, universities, to decide rationally what they want to become and to be a source of seed money for them in their attempts to realize their plans.

In some cases these plans may involve new ways of doing familiar things, such as developing more economic methods of administering institutions or changing the methods of recruiting and retaining faculties. In other instances, more fundamental change may be desirable, such as the development of new kinds of institutions for higher education. In both situations the National Foundation would be a source of aid.

In addition, the Foundation hopefully would work toward the development of a national policy for higher education, including an examination of the Federal Government's impact on policy formulation and institutional behavior.

Many of the activities which the Foundation ultimately would fund might very well arise as a result of research activities originally supported by the proposed National Institute of Education. The Foundation would provide financially pressed higher education insti-

tutions with an extra margin of funds to begin putting promising concepts to work.

As a final point in my personal remarks, Mr. Chairman, I should like to stress once again the urgency which exists to act on both the Higher Education Opportunity Act and the National Foundation for Higher Education Act. June 30 is approaching rapidly and letters of admissions are already being sent out to next year's freshmen. I hope that the Congress will see fit to pass this legislation at the earliest possible moment.

And here, Mr. Chairman, I would pause in the prepared text with your permission, noting that there are some 15 pages of detailed exposition concerning the 10 titles of the Higher Education Act, and I would submit them for the record, without further discussion.

Senator PELL. Thank you very much, indeed.

(Dr. Marland's prepared statement follows:)

Statement by
Honorable Sidney P. Marland, Jr.
U.S. Commissioner of Education
Before the
Subcommittee on Education
Committee on Labor and Public Welfare
United States Senate
Wednesday, March 3, 1971
10:00 a.m. EST

Mr. Chairman and Members of the Committee:

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I would now like to describe in some detail the provisions of the Higher Education Opportunity Act of 1971.

Title I

Title I would extend Title I of the Higher Education Act through 1973. The existing authority for community services and continuing education programs contained in that title would continue without change. Because we are reviewing the place of categorical programs such as this in the context of the broader Federal role in higher education, however, we are only asking for a two-year extension.

Title II

Title II would extend and amend the library programs contained in Title II of the HEA. At present there are three types of grants made under Title II--basic, supplemental, and special purpose grants. We propose to increase the proportion of funds targeted on special purpose grants, reducing basic and supplemental grants from seventy-five to fifty percent of the sums appropriated for Part A. The remaining fifty percent available for special purpose grants would provide more

assistance for:

--institutions or their branches which demonstrate a special need for additional library resources;

--institutions or their branches which can meet special national or regional needs in library or information sciences; and

--combinations of institutions which need special assistance in establishing and strengthening joint-use facilities.

We feel that a greater concentration of Federal assistance in such institutions will help assure that the resources devoted to library materials will have the greatest impact on the quality of postsecondary education in this country. Again, because we are reviewing the place of categorical programs such as this, we are asking for a two-year extension

In Part B of Title II, relating to Library Training and Research, we would propose two changes. First, we believe that the provisions which relate to training of library professions should be coordinated with other education professions training activities. Therefore, we are proposing that this authority be transferred from Title II and added as a new Part G to Title V (Education Professions Development Act). Second, we are asking for repeal of the research and demonstration component of Part B, which merely duplicates authority already contained in the Cooperative Research Act.

We are also asking for repeal of Part C, which allows the transfer of HEW funds to the Library of Congress for the Library's use in acquiring valuable materials and in preparing cataloging information. This vital function will be continued more appropriately under the budget authority of the Library of Congress.

Title III

Title III extends, with technical amendments, Title III of the HEA--Strengthening Developing Institutions. This title has played a significant role in assisting weaker institutions of higher education, especially predominantly black colleges in the South, in their struggle to stay in the mainstream of academic life in this country. Federal assistance has come in the form of grants for cooperative arrangements between a developing institution and a stronger one, in National Teaching Fellowships, and in the support of Professors Emeritus.

We are also proposing two amendments to the existing law. One would clarify the requirements for participation of institutions which offer less than the bachelor's degree. This would provide that only institutions which award a bachelor's degree must meet the requirements of sections 302 (a) and (b) that institutions be established for five years before they may meet the definition of developing institutions. This change would allow new community colleges, which are being established at the rate of 60 a year to receive funds promptly under this title. Such institutions would, of course, be funded under the existing set-aside of 23 percent for two-year colleges.

The second amendment would amend the professors emeritus program to provide that professors emeritus may come from the developing institutions themselves, as well as from stronger and more recognized colleges and universities. We have found that these faculty members often understand the unique problems of students at developing institutions much better than other retired faculty from more traditional schools.

Title IV

Title IV contains amendments to student financial aid programs.

I. Present Programs: Description and Problems

The Office of Education presently administers four major programs for aiding students: Educational Opportunity Grants, the College Work-Study program, National Defense Student Loans and Guaranteed Loans.

The first three programs are mainly funded by the Federal Government and administered by colleges and universities. The amount of funds available to the institution for these programs depends on the total funds appropriated by Congress, State distribution formulas and the approval of regional review panels. Once the college has its various allocations, the student aid office determines what mix of grants, work-study payments and loans is appropriate for each individual eligible student.

Commercial lending institutions, primarily banks, operate the Guaranteed Loan programs. Loans are made at a maximum interest rate of 7 percent to the student. The Federal Government guarantees the loans against default, pays the student's interest on subsidized loans while he is in college and makes a special payment to lenders during tight money conditions.

There are several problems with this system of student aid:

. Availability of funds --Allocation formulas, matching requirements and insufficient funds limit the aid which institutions can award to individual students. Colleges enrolling large numbers of disadvantaged students are in an especially difficult position because of the matching requirements.

- Limited loan funds -- Existing loan programs provide an inadequate volume of lendable funds because (a) the National Defense Student Loan program requires capital outlays from the Federal budget which has been under severe fiscal pressures and restraints for the last several years; and (b) students must compete with other borrowers (who often offer more profitable investment opportunities) for the lendable funds of banks under the Guaranteed Loan program. (Low-income students with limited bank connections sometimes find themselves at a particular disadvantage.)

- Open-ended expenditures -- The Federal Government is obligated to meet its commitment to pay the interest on subsidized Guaranteed Loans while students are in college. As interest rates rise, and as more and more middle and upper income families find it in their interest to take advantage of these subsidies, a larger and larger share of Federal funds for student aid is being diverted away from the most needy students. The system as a whole has a built-in tendency to become less progressive as these subsidies absorb a disproportionate part of any budget increase for student aid.

- Uncertainty -- A student who wants to go to college cannot tell where he can get aid or how much he can count on in advance of his admission and the particular student aid office determination. Nor can a bank assure the student in advance that it will have funds to lend to him.

. Inequitable distribution -- Federal funds do not necessarily go to those students who need them most. Moreover, different colleges assess need in different ways. Substantial subsidies go to middle and upper income students, especially under the Guaranteed Loan program.

II. Proposed Programs: Purposes

The Administration's improvements in the existing student aid programs have four major purposes:

--To assure the availability of funds to every qualified student.

--To assure that Federal funds go first, and in the largest amounts, to the students who need them most.

--To provide potential students with as accurate information as possible concerning the aid they can expect.

--To assure that all students of equal need are treated alike.

--To provide additional financial aid to students attending high cost institutions.

III. Proposed Program: Concept and Structure

The Administration is recommending a coordinated student aid system with two parts: (a) a combination of grants, work-study payments and subsidized loans for full-time undergraduate students with low to middle incomes attending public and non-profit postsecondary educational institutions as well as proprietary institutions of higher education; and (b) creation of a National Student Loan Association to raise money privately and make it available for all postsecondary students at all income levels.

A. Grants, work-study payments, subsidized loans

The basic concept is that all students whose families can be expected to make the same contribution should have the same help available for their education from Federal sources. The combination of family contributions plus Federal grants, work-study payments and subsidized loans would be enough to enable any student to meet minimum education expenses. The key determinant is family income (and, thus, family contribution). Students from lower income families would receive more Federal aid than students from higher income families. (Lower income students would also receive a larger proportion of their aid in the form of grants and work-study payments rather than in the form of subsidized loans.) But the total resources available (i.e., family contribution plus Federal aid) to students at different income levels would be made equivalent.

The system would work as follows. Each year the Secretary of HEW, after conferring with the Advisory Council on Financial Aid to Students, would publish a schedule indicating the amount of Federal funds available to students with varying family contributions. Each student's eligibility for aid would be calculated by determining the expected family contribution toward his educational costs. This determination would take into account such factors as the size of the family, the number of children in college, extraordinary family expenses and capital assets. The deficiency between expected family contribution and the

amount of resources the student should have available to him would be met by a combination of grants, work-study payments and subsidized loans.

For example, under the Administration's fiscal 1972 budget proposals, students from families unable to provide more than $1,400 to assist with the cost of postsecondary education would be eligible for Federal funds. The maximum foundation support (grant and work-study plus subsidized loan) available to any one student would be $1,400; i.e., to students from families unable to afford any support. The maximum grant available to any one student would be $1,000. In addition to these base amounts, students who (1) meet the eligibility criteria for subsidized aid, and (2) attend schools with annual average cost in excess of $1,400 would be eligible to apply for an additional subsidized "cost of education" loan of up to $1,500. This program would be controlled by schools in a manner similar to the present NDEA loan programs and terms to students would be approximately the same as those governing present NDEA loans. The amounts of aid to be available at different income levels for families of different sizes under the funding levels contemplated by the Administration's proposals are illustrated in Attachments I and II.

Several others features of the proposal deserve mention:

. All aid from State and private student aid programs would be <u>in addition</u> to Federal aid, and would permit students eligible for it a wide choice of the type of institution they attend.

- A "grandfather" clause would assure that students receiving aid under the EOG, work-study, and NDEA title II programs would receive no less under the new system than they were entitled to under the old one.
- Institutions of higher education would preserve the option, within national limits set by the Commissioner of Education, of determining the mix of grants and work-study payments appropriate to the individual student.
- The National Defense Student Loan Revolving Fund (currently about $140 million not already lent) would continue in its present form, except that no new Federal appropriations would be made to the fund. Loans would continue to be made in a manner similar to current NDSL's; however, cancellation for reaching, military service, Peace Corps service, etc. would be eliminated for new loans.

  Loans from this fund would go first to students eligible under the "grandfather clause" in the bill; remaining funds would be used to provide subsidized loans under the Higher Education Opportunity Act.
- Students attending proprietary institutions of higher education would be made eligible for all benefits.

Finally, these proposals would not alter the valuable features of existing programs:

- Educational Opportunity Grants would continue as the basic grant program but without matching requirements.
- The College Work-Study program would continue. Colleges would continue to match work-study funds provided by the Federal

Government (one dollar for four) but this requirement would be waived for institutions or work programs which it would hamper.

B. National Student Loan Association

The purpose of the proposed National Student Loan Association (NSLA) is to increase the amount of resources available for loans (both subsidized and unsubsidized) to all students at all income levels.

NSLA would be a private corporation, chartered and established by the Federal Government. It would raise funds by issuing its own obligations for sale in private capital markets. These obligations would be guaranteed against default by the Government, allowing the NSLA to pay a lower rate of interest.

With the proceeds from its sales, NSLA would buy, sell, or warehouse (buy under the condition that the seller will repurchase, i.e., NSLA "stores" the loans) student loan paper from colleges, banks or other eligible lenders. Typically, a college without funds of its own to invest in student loans would make a loan to a student and then turn immediately to NSLA to sell the student's note.

NSLA would significantly increase the flow of funds into student loan markets. Both banks and colleges would be encouraged to do more student lending. It is estimated that NSLA may buy up to $2 billion worth of loans in its first year of operation.

The Guaranteed Loan Program would continue to be open to all college students, however high their family incomes. However, some changes would be made in the program. First, the 7 percent interest ceiling would be eliminated. Second, the interest subsidy paid by the Federal Government on student loans to other than low income students while they are in college and the special allowance paid to banks would be eliminated. The program would continue to be an unsubsidized loan program except for students meeting a test or need.

Several other features applicable to both subsidized and unsubsidized loans are of significance:

- Banks and other financial institutions would make both kinds of loans.

- Loan ceilings would be raised and would apply to the aggregate of both subsidized and unsubsidized loans. A student could borrow up to $2,500 a year for up to seven years.

- The length of the maximum permissible loan repayment period would be increased to twenty years from the present ten.

- Student borrowers would not have to pay interest while they were still in college. Federal payments would cover interest charges

on subsidized loans. On unsubsidized loans, lender would be required to allow the student to defer payments of both interest and principal while the student was in college. The government would guarantee deferred interest payments along with principal

- The student could prepay his loan at any time without penalty.

- Lenders would also be permitted to agree, at the time the loan was made, to allow the student to defer payments and interest up to an aggregate of five additional years. In such cases, the student would be allowed to choose those times during the repayment period when regularly scheduled payments would be especially burdensome. The Federal Government would guarantee interest charges during such periods.

IV. Proposed Program: Consequences

It is estimated that in Fiscal Year 1972, the first year of operation of the program,:

- 2 1/2 million students would receive benefits, an increase of one million over the number of students receiving assistance under present programs.

- approximately $575 million in grants and work-study payments would be available, an increase of $242 million above FY 1971.

- about $1.2 billion would be available to make loans under the subsidized loan programs, an increase of $830 million.

V. Problems Solved and Purposes Achieved

The Administration's student aid proposals overcome the problems and achieve the purposes noted earlier.

. Availability -- Every student who qualifies for direct Federal assistance under the schedule established by the Secretary of HEW will receive such assistance. NSLA will provide an adequate supply of lendable funds for students who do not qualify for subsidies.

. Need -- Grants, work-study payments and subsidized loans will be concentrated on those in most need: students from low-income families.

Certainty -- The aid schedule published annually by the Secretary of HEW would inform every eligible student of the amount of aid he could expect, subject to review by the financial aid officer at the college of his choice.

. Equity -- Students whose families could be expected to make similar contributions would receive equivalent amounts of aid.

Title V

Title V amends and extends programs dealing with the training of educators authorized by the Education Professions Development Act (Title V, HEA). The Administration is proposing eight technical amendments to the Education Professions Development Act. Following is a brief description of the amendments, outlining the reasons why each is being proposed.

I. Extension of Parts A, B, D, E, and F of Title V for Five Years

We are proposing the combination of Parts C (Graduate Fellowships) and D (Training Programs) of EPDA. This is accomplished by allowing the appropriations authorization for Part C to lapse. The reasons for this proposed change are:

A. The language of Part D (Improving Training Opportunities for Personnel Serving in Programs of Education Other Than Higher Education) is broader than that of Part C (Fellowships for Teachers and Related Educational Personnel). Everything funded under Part C can be supported under Part D; and in fact, the Bureau of Educational Personnel Development is not using the Part C authority at all in 1971 due to the narrowness of its concerns.

B. Two very high national priorities, increasing the educational achievement of children of low-income families through provision

of better teachers, and implementing the most promising new approaches to effective training and retraining of teachers, either cannot be addressed effectively or are precluded under Part C. The broader language of Part D encourages the direction of resources to these needs.

C. Potential applicants under Part C are limited to institutions of higher education with graduate programs. This is in direct contrast to Part D under which all colleges and universities, including junior and community colleges, State departments of education and local educational agencies (18,000 school districts) are potential applicants. Cooperative Federal-State relationships under Part D have proven useful and effective. Nearly 50 per cent of all EPDA funded projects are funded through local education agencies, which have the best knowledge of their own training needs.

D. Individual and institutional payments under Part C are on a set formula basis, requiring a stipend to the student and an institutional assistance grant to the university of $3,500 each. This does not cover the actual training costs or encourage local contributions to projects as occurs under Part D.

E. Teacher fellowship programs such as the Prospective Teacher Fellowship Program funded under Part C, have not produced substantial numbers of teachers for the disadvantaged, and have tended to attract teachers from fields which are now in surplus nationally. Part D addresses itself specifically to meeting

areas of shortage such as early childhood, special education, and vocational-technical education. In addition, the Teacher Corps is proving to be a much more effective vehicle for attracting talented college graduates (especially males and minorities) to teaching the disadvantaged and providing them with appropriate preparation than was the case with fellowship programs funded under Part C.

II. Amendments to Part B (2)

A. Increasing the amount of State funds for Administration

The States are currently allowed 3 percent of their State allotment for administrative costs. This amount has not proven sufficient for most States to assess critical needs, administer the program, and evaluate projects. The amendment would allow States a sum not to exceed 5 percent of $20,000, whichever is higher.

B. Elimination of the ceiling on amounts expended by States for teacher aides.

Currently the States can utilize only one-third of their allotment to attract, train and qualify teacher aides. The amendment removes this one-third restriction and allows State discretion as to the proportion of funds expended for training teachers. This amendment is included since experience has indicated wide variation among States in the needs for recruitment and teaching of teachers and teacher aides.

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C. Authorization of training programs directed at retraining teachers already in school systems so that they may teach in other grades or in other subject matter areas.

Currently the legislation allows for the recruitment and training of people who have never been, or who are not now employed in the schools. The St te grant program was designed as a means of attracting people to the field of education, particularly in critical shortage areas. However, there is now a national surplus of teachers, and many States would prefer to use Federal funds to retrain teachers already employed to meet shortages rather than recruiting new personnel.

III. An Amendment To Make Indian Schools Eligible For Funding Under EPDA.

Federally run and Federally supported Indian schools under the Bureau of Indian Affairs are not presently eligible for funding under Part D of EPDA. Inclusion of these schools would allow for on-premises staff training in these schools and a wide variety of other benefits. The National Advisory Council on EPDA has recommended that BIA schools be made eligible for personnel development benefits.

IV. Amendment To Allow For The Compensation of Tutors Participating In Youth-Tutoring-Youth Projects and Other Tutors in Career Opportunities Programs.

At the present time tutors, typically selected by GOP project directors from high school and college students, to tutor other disadvantaged children cannot be compensated for their services or even for expenses involving their services under EPDA, since the tutors themselves are not necessarily training to be teachers.

Elaborate arrangements have had to be made with the Neighborhood Youth Corps in order to arrange for compensation. Experience to date indicates that youth-tutoring-youth programs are an effective means of attracting and involving low-income students in the educational process and of improving the learning capabilities of both the tutor and tutee. We feel that the program would be more effectively administered if authority to minimally compensate tutors (who often come from low income homes and cannot even afford bus fares) were included in EPDA.

V. Extension Of Authority Under Part D to Permit Large Scale Upgrading Of The Undergraduate Preparations of Teachers and Other Educational Personnel.

This amendment is designed to fill a gap in EPDA. The present authorization does not permit grants for the direct reform of regular undergraduate programs for the development of educational personnel. Since those programs prepare over 90 percent of all teachers and other educational personnel, the gap is a serious one insofar as it affects BEPD ability to deal with "improving the quality of teaching", one of the two primary purposes of the EPDA. The proposed amendment does not authorize stipends and other types of support for individual students. It would, direct all of its resources to the development of better programs for training those undergraduates. The amendment would provide a more productive vehicle than the traditional institutes for bringing those concerned with the academic disciplines together with those concerned with teacher training in joint efforts to improve the quality of teaching.

VI. Addition of A New Part G To Authorize Training of Library Personnel.

This amendment simply creates a new Part G of EPDA containing the language formerly in Sections 221-223 of Title II of the Higher Education Act. These sections authorize the Commissioner to make grants to institutions of higher education for establishing training institutes and fellowship programs for persons coming under the category of "librarians". These sections of HEA Title II are being transferred to EPDA in an attempt to place all educationally connected training programs within the same act. This is consistent with Administration efforts at consolidation and coordination of programs.

VII. Consolidation of NDEA title IV (National Defense Fellowships) with title V-E.

The bill repeals title IV NDEA effective July 1, 1971 and broadens existing authority in Part E of title V HEA to allow funding similar activities under title V.

Title VI

Title VI would repeal five existing titles of the HEA--Title VI (Financial Assistance for the Improvement of Undergraduate Instruction); Title VIII (Networks for Knowledge); Title IX (Education for the Public Service); Title X (Improvement of Graduate Programs); and Title XI (Law School Clinical Programs). These are all relatively narrow categorical programs and the last four have never been funded. Rather than maintaining these categorical authorities, the Administration is proposing the creation of the National Foundation for Higher Education. The broad authority for the Foundation, one of the purposes of which is "to provide assistance for the design and establishment of innovative structures for providing postsecondary education and innovative modes of teaching and learning therein". This authority will permit funding of projects of merit in all of these areas.

Title VII

Title VII amends the General Provision in Title XII be redesignating XII as VIII and by adding a new section which requires that applicants under Titles II, III, and V must make assurances that there will be:

--no supplanting of Federal funds for other funds;

--fiscal control and fund accounting to assure proper disbursement and accounting for Federal funds;

--proper evaluation and dissemination of results;

--such reports made and such records kept as the Commissioner may find necessary.

Similar provisions in Titles II, III, and V are repealed. These amendments continue the efforts already begun in P.L. 91-230 to

standardize general provisions wherever possible.

Title VIII

Title VIII extends the Higher Education Facilities Act through June 30, 1973, including the grants authority under titles I and II. In addition, it adds a new program designed to aid private nonprofit institutions of higher education by providing Federal insurance of loans for the construction of academic facilities at these schools. The Federal insurance of both principal and interest on these loans should greatly improve the borrowing power of these institutions, as well as creating considerable for the Federal government in loan subsidy payments. This authority should prove to be especially beneficial to private black institutions.

Title IX

Title IX extends title VI of the National Defense Education Act (Language Development) for two years. Once again, we are asking for a two-year extension because of the general review of categorical programs.

Title X

Title X deals with discrimination against women in the educational community. It would prohibit discrimination on the basis of sex by any recipient of Federal assistance for any educational activity or program, except where sex is a bona fide ground for differential treatment. This latter provision would allow single sex institutions to continue.

The title would permit termination of grants to any recipient of Federal funds for education who fails to comply with this requirement. This action would only be authorized as a last step, of course, and only after adequate hearings, formal findings of noncompliance, and judicial review, if necessary.

ATTACHMENT I

FAMILY CONTRIBUTION BY INCOME LEVELS AND
NUMBER OF CHILDREN IN THE FAMILY

Income Levels	Family Contribution by Number of Children				
	(1)	(2)	(3)	(4)	(5)
$ 3,000	0	0	0	0	0
4,000	$ 300	$ 110	0	0	0
5,000	530	320	$ 160	0	0
6,000	750	540	350	$ 220	$ 140
7,000	990	750	530	390	310
8,000	1,220	950	710	560	480
9,000	1,460	1,150	890	720	640
10,000	1,690	1,350	1,060	890	800
11,000	1,920	1,540	1,230	1,040	890
12,000	2,150	1,730	1,400	1,190	1,090

Family contribution, as well as the amount of available resources, would vary as family income is weighted to reflect the number of children in the family, the number of children in college, extraordinary family expenses, and capital assets.

BENEFITS AVAILABLE TO STUDENTS BY THEIR EXPECTED FAMILY CONTRIBUTION

FAMILY CONTRIBUTION	GRANT/WORK-STUDY SUPPORT	SUBSIDIZED LOANS	COST OF EDUCATION LOANS	TOTAL
$ 0	$1,000	$400	$1,500	$2,900
200	800	400	1,500	2,900
400	600	400	1,500	2,900
600	400	400	1,500	2,900
800	200	400	1,500	2,900
1,000	0	400	1,500	2,900
1,200	0	200	1,500	2,900

THESE FEDERAL SUPPORT LEVELS CAN BE SUPPLEMENTED BY:

1. INSTITUTIONAL STUDENT ASSISTANCE;
2. STUDENTS SUMMER EARNINGS;
3. STATE AND PRIVATE STUDENT ASSISTANCE;
4. FEDERALLY GUARANTEED LOANS.

Senator PELL. I would like at this time to welcome Senator Beall. I am delighted that he is a member of this subcommittee. He knows how much I liked his father, and I look forward to serving with him.

Senator BEALL. Thank you, Mr. Chairman.

Senator PELL. Would you like to ask any questions at this point?

COMMUNITY COLLEGES IN MARYLAND

Senator BEALL. I would like to indulge in a little parochial pride, if I might, and state to the Secretary and Dr. Marland, and others, that this morning I had breakfast with 16 community college presidents from the State of Maryland. We are rather proud of our community college system in the State, which has grown at a very rapid rate. These gentlemen are in the audience here today listening with a great deal of interest to the administration's programs for aiding higher education. I wish to welcome them and say how delightful I am that they are with us.

Secretary RICHARDSON. We congratulate the State of Maryland on the development of its community college system, which is certainly an outstanding one.

Senator BEALL. Thank you.

Thank you, Mr. Chairman.

Senator PELL. Thank you very much.

Dr. Muirhead?

Dr. MUIRHEAD. I have no formal statement, Mr. Chairman.

Senator PELL. I have a variety of questions. They are not in as good order as I would like, but I am so interested in the subject matter that they came to me as we moved along.

REVENUE SHARING

First, a very, very general question, and I am sure the answer is negative, but am I correct in saying that the proposals of the administration, the financing of these programs, would not include funds from any of those programs that are recognized as categrical aid programs, those that would be consolidated under the revenue sharing plan perhaps to be proposed by the administration.

Secretary RICHARDSON. No. None of them. We are talking today only about higher education, and the proposed programs for consolidation under the special revenue-sharing proposal are all programs affecting elementary and secondary education.

Senator PELL. Right. I just wanted that for the record, and I am delighted to hear it.

Now in your effort to concentrate funds on low income students, regulations, and guidelines must have been or are in the process of being issued. Could you supply for the record these guidelines and regulations, a representative sample of the forms that are used by the colleges to ascertain the income, and needs of students?

Secretary RICHARDSON. This can be done, Mr. Chairman.

(The information subsequently supplied follows:)

Determining Financial Need Under Major Federal
Programs of Student Financial Aid

Under the existing student financial aid programs, institutions annually sign an "Agreement" covering participation which calls, among other things, for the use of systematic methods for determining the financial need of applicants under the programs. Institutions agree to "give preference to students from low-income families" under the College Work-Study Program and to award Educational Opportunity Grants to those students who have "exceptional financial need." Institutions further must indicate that they use one of four suggested student financial need assessment systems, or they may provide a complete description of any other system employed. (See Attachment I)

The College Scholarship Service and the Financial Need Analysis Service of the American College Testing Program both are recognized as acceptable need assessment systems. In addition, the Division of Student Financial Aid has published (last edition in March 1968) a booklet describing the principles of need analysis. This publication, Determining Awards Under Federal Student Aid Programs, presents two additional need assessment systems that might be employed by a college, the Federal Income Tax System and the Alternate Income System. A sample data collection document for family financial circumstances is suggested and illustrated in the booklet. (See Attachment II)

Under the three college-based programs, the Division of Student Financial Aid has not attempted to establish specific guidelines for the collection of financial information from parents, nor has it become involved in any way in the actual collection of family financial information. Institutions may use anything from a parental affadavit of nonsupport to lengthy and complex questionnaires, as long as they attest to using "systematic methods" for determining the financial need of applicants.

The Student Application for Federally Insured Loans, under the Guaranteed Loan Program, is the only approved form issued by the Division of Student Financial Aid for the collection of family financial information. This document is designed to serve banks and other lenders in determining student eligibility for Federal subsidized loan assistance. (See Attachment III)

It has been accepted that it is the role of and responsibility of the financial aid officer to review the financial circumstances of the family and to make an evaluation which is equitable for the student, and systematic and fair in the dispersal of Federal student aid funds. It is extremely difficult to draw a line between the data essential to equitable need assessment and that point where the questions asked begin to invade the realm of personal privacy. As long as financial need is a determining factor for student aid programs, it is necessary for all applicants to provide family income data sufficient to substantiate that financial need.

ATTACHMENT I

FINANCIAL NEED ANALYSIS

An objective system of financial need analysis must try to treat all families equitably, recognizing the peculiarities of each family's situation to the greatest extent possible. It must recognize expenses and expenditures that are not a matter of family choice. And it must recognize family benefits, in addition to salaries and wages, that raise the real standard of living. Most systems of financial need analysis are based on the following specific assumptions:

1. Parents have an obligation to pay for the education of their children to the extent that they are able to do so.
2. A family's income is the primary source of support for college education, but assets must also be considered. Income and assets, combined, produce the most complete index of a family's financial strength and therefore its ability to pay.
3. In determining a family's ability to pay for college, the computation system must consider the size of the family and the extraordinary expenses that the family may have.

4. The system must assume that the student has an obligation to assume a responsibility for a portion of the cost of his education.

The first essential of any need analysis system is data collection. The financial aid officer must collect information about the financial circumstances of the family under consideration. The date collection device must permit the family to list:

1. All the income that the family has available, such as salaries and wages, interest and dividends, public assistance payments, and other types of income must be included, but need not be itemized. Benefits not in the form of cash, but having a precise cash value and serving to relieve the family budget from normal burdens should be included.
2. All the major assets that the family has available, including residence equity, other real estate, family-owned businesses or farms, stocks, bonds, bank accounts, and other investments.
3. The unusual expenses that the family must meet from its income and assets. Working mothers, other dependents, medical and dental needs, indebtedness, and so forth may create extraordinary expenses that should be included.

4. Special problems that the family faces or expects to face. Such circumstances as illness of the working parent and younger children which will be seeking higher education should be allowed for.

Unusual Expenses

The usual expenses for which adjustments are made include the following:

Schooling expenses. A procedure is used to determine the ability of a family to contribute an absolute amount toward the total higher education expenses of siblings in college at that time. This absolute amount is then allocated equally among all the children in one family who are attending college in the same year.

Expenses for a working mother. An allowance for the expenses of a working mother is made because it costs more for a family to have two people earn a given income than to have one person earn the same income. Therefore, if both parents work, an allowance of 50 percent of the mother's first $2,000 income and 25 percent of income over $2,000 (up to a maximum annual allowance of $1,500) is often granted.

Medical and dental expenses. An allowance is made for medical and dental expenses in excess of 5 percent of before-tax income. This base amount represents the normal expenditures for medical expenses at a moderate level of income.

Emergency expenses. Allowances are also given for certain expenditures that are not normal expenses of family life and do reduce the family's usable income.

Indebtedness. An allowance for debt is subtracted from the family's assets.

Expenses for dependents other than children. Some parents must provide total or partial support for their own parents or other relatives. An allowance of $600 is made for each of these dependents.

Determining Additional Income.

Some parents receive benefits, in addition to their salaries and wages, that raise their real standard of living. The financial aid officer must be careful to consider these in arriving at an equitable and reasonable contribution for educational expenses. Some examples of this follow:

1. While living expenses for farm families differ little in amount from those of urban families, there are certain non-cash benefits to the farm family in housing and home-produced food products. The financial aid officer may wish to increase family net income by $800, an average annual value for rental housing in rural areas.

2. Families receiving public assistance, social security and other realted benefits are asked to report all income considered as family resources.

3. Ministers and private school teachers may receive rent-free housing as a pre-requisite of their employment. A conservative estimate of the value of such free housing is 15 percent of the annual income.

Treatment of Assets

The first step in computing the supplemental contribution of a family from its assets is to determine the net worth of the family: the fair market value of family assets less indebtedness. One approach to treating the remaining assets is to then provide a $10,000 retirement and emergency reserve allowance against them, with twenty-five percent of the remainder expected toward the expenses of college.

Conclusion

Any system that analyzes financial need must deal first with the objective facts of family financial circumstances. It cannot make distinctions between the frugal poor and the spendthrift. It cannot distinguish between improvidence and financial tragedy. It must be based on the assumption that an applicant and his family are simply accepted in their present financial condition. Families with similar incomes may have dissimilar assets for a variety of reasons. Previous illness, bankruptcy, or unemployment may have depleted the assets of a frugal family.

The primary purpose of financial aid programs, and therefore of financial need analysis, is to permit college attendance by students who cannot afford to pay the expenses themselves. If a family were expected to contribute an amount greater than its present ability dictated, the student would be penalized by being forced to find a way to assume the financial burden that could not be met either by his parents or the college's student aid program.

Although accurate, objective data are the basis for systematic need analysis, the resulting contribution can never be considered to be a scientifically accurate recommendation. Complexities in individual family financial circumstances and differences in attitudes toward education will require that an aid officer make adjustments in order to determine the appropriate contribution from a specific family. In doing this, he must evaluate both the objective and subjective information available to him from all sources. A system of need analysis must always be a guide for judgment, not a substitute.

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ATTACHMENT II

U.S. DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE
OFFICE OF EDUCATION
BUREAU OF HIGHER EDUCATION
DIVISION OF STUDENT FINANCIAL AID

DETERMINING AWARDS

UNDER

FEDERAL STUDENT AID PROGRAMS

Second Revised Edition, March 1968

FOREWORD TO SECOND REVISED EDITION

The booklet "Determining Awards Under Federal Student Aid Programs" was produced originally by the College Scholarship Service, under contract with the Office of Education, to assist financial aid officers in institutions of higher education in making determinations of student financial need consistent with the rules and regulations established by the Commissioner for the implementation of the Federal Student Financial Aid Programs administered by the Division of Student Financial Aid, Bureau of Higher Education: The National Defense Student Loan Program, the College Work-Study Program, and, in particular, the Educational Opportunity Grants Program.

Stocks of the original booklet were exhausted some months ago. This abbreviated version has been developed, as an interim measure, to meet the needs of those institutions which will be participating in the Federal Student Financial Aid Programs for the first time in Fiscal Year 1969.

Administrative manuals have been developed by each of these programs since the original "Determining Awards" booklet appeared. For this reason, only those portions of the original text which reflect material not discussed elsewhere have been retained here. In particular, emphasis is placed on the computation of the expected parental contribution from income and assets toward educational costs, under the Federal Income Tax System and under the Alternate or Income System. A completely revised version of "Determining Awards Under Federal Student Aid Programs" is in preparation and will be distributed to all participating institutions in 1968.

March, 1968

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I. INTRODUCTION

The Federal grant, loan, and work-study programs are designed for students who are admissible to post-secondary institutions or who are enrolled in such institutions, who are in need of assistance to pay their college expenses, and who are in "academic good standing."

Before need analysis is discussed, an additional comment about the academic eligibility is important. The Congressional intent is that financial need shall be a fundamental requirement for award of this Federal assistance, but superior academic promise or performance shall not. The Draft Regulations for Educational Opportunity Grants, issued by the Office of Education in February 1966, specify that a student is eligible if he "has been accepted for enrollment as a full-time undergraduate student, or is in good standing and in full-time attendance as an undergraduate student."

It must be remembered that these programs are "opportunity" programs and not "scholarship" programs, as many gift-aid programs more typically are. In the Federal grant, work, and loan programs, the intent of the phrase "in good standing" is to include, as a minimum, all students progressing normally toward a degree. It may also include, at the discretion of the institution, all those eligible to continue as enrolled students at the institution, including those who may be temporarily on academic probation. "Good standing" is in no way meant to suggest that a student must be expected to or must actually maintain a strong academic average.

The successful implementation of these programs requires that institutions accept the flexibility of the academic requirements that are to be applied to students being considered for Federal funds. This may be in conflict with the procedures many institutions have developed (and may wish to continue to utilize) in the awarding of the non-Federal funds under their jurisdiction, particularly gift assistance. This conflict may trouble some institutions, but it is an issue that must be faced. An institution can either make the academic requirements for the other aid under its jurisdiction more flexible, or it can operate on two different standards--one for its own programs and a different one for the Federal grants, loans, and jobs. The Federal student assistance programs require that a student is, and will continue to be, eligible for assistance under them as long as:

1. The student is allowed to remain in the institution.
2. He continues to show academic promise.
3. It is reasonable to expect that he will be graduated.
4. The Federal funds continue to be available.
5. The financial need remains.

Flexibility regarding academic criteria is explicitly encouraged with respect to Educational Opportunity Grants. Section 403 of the Higher Education Act of 1965 carries the clear suggestion that such grants be renewed for the duration of the recipient's undergraduate program, not to exceed four academic years, as long as he maintains satisfactory progress in his course of study.

The fact that one of the major intents of the Higher Education Act is to reduce dropouts and to encourage re-entry into educational programs of those who may have dropped out lends further strength to the importance of the renewal of the awards. The absence of renewals and of the necessary matching funds to meet need could well cause recipients to drop out of college for financial reasons. Forced withdrawals by the very students who, by definition, are particularly in need would clearly be in contradiction to the intent of the Educational Opportunity Grants Program, its encouragement of the full utilization of educational talent, and the elimination of unnecessary dropouts on the part of those with the ability to pursue post-secondary programs profitably.

Even though the academic qualifications of students selected to receive funds under the Federal programs are not rigorous, the financial need qualifications definitely are. Successful administration of these programs by colleges, particularly the Educational Opportunity Grants Program, will require the colleges to identify young men and women of exceptional financial need, to determine the amount of assistance they need to continue their education beyond high school, and to offer a package of financial assistance adequate to meet each student's needs.

II. WHAT IS FINANCIAL NEED?

Financial need is the difference between the amount of money a student and his family can provide for an education and the expense of that education. Financial need is not a term synonymous with poverty. It is related to college expenses as well as family financial strength. While maintaining its objectively measured standard of living, a family that would need substantial financial aid to send its child to one college might need much less to meet that child's expenses at another institution. Two elements must always be considered:

1. The amount of money the student and his family can reasonably be expected to contribute toward a definite period of education, usually an academic year.

2. The expense of the education during that period at the institution of higher education the student plans to attend.

Financial need is the difference between these two amounts. The greater the difference the greater the need, measured on a scale relative to college expenses.

In assessing eligibility for the Federal programs, particularly for the Educational Opportunity Grants Program, the institution should determine financial need as measured on an absolute scale relative to the amount the parents of the student can contribute toward the expense of education at any institution.

Eligibility for the Educational Opportunity Grants Program is limited to students of "exceptional financial need" as measured on the absolute scale of parental contribution. These are students from families in which the parents are able to contribute up to approximately $625 an academic year.

III. HOW TO MEASURE A FAMILY'S ABILITY TO PAY (UNDER THE FEDERAL INCOME TAX SYSTEM AND THE ALTERNATE OR INCOME SYSTEM)

A. Computing the Parents' Expected Contribution:

The Federally financed student assistance programs assume that a student and his parents have the primary obligation to pay for the education of the student. Parents are expected to provide, as well as they are able, the basic essentials of life whether the student lives at home or on the college campus. The student is expected to use a portion of his own savings to assist in meeting the expense of his education. When these responsibilities have been met, the college, society, or the government may accept the additional responsibility through programs of student financial assistance.

All need analysis systems recognize that a certain level of income and assets is necessary to maintain a family. It is only when income and assets exceed this level that funds are considered to be available to assist in meeting the expense of education.

A system of evaluating ability to pay for college expenses must relate in some way to the total financial strength of a family. No need analysis system can scientifically provide an exact recommendation of the contribution that can be expected from any particular family. Financial need analysis can only indicate the approximate contributions that can be expected from a family. It is the role and responsibility of the financial aid officer to review the financial circumstances of the family and make an evaluation which adequately reflects the particular problems that must be faced by a particular family living in a particular situation. This section discusses two methods by which the financial aid officer may estimate the amount that the parents can be expected to contribute toward the expense of a college education.

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The first essential of any need analysis system is data collection. The financial aid officer must collect information about the financial circumstances of the family under consideration. The data collection device must permit the family to list:

1. All the sources of income that the family has available. Items such as salaries and wages, interest and dividends, public assistance payments, and other types of income must be included.

2. All the major assets that the family has available. Items usually included are residence equity, value of other real estate, value of family-owned businesses or farms, stocks, bonds, bank accounts, and other investments.

3. The unusual expenses that the family must meet from its income and assets. Working mothers, other dependents, medical and dental needs, indebtedness, and so forth may create extraordinary expenses that should be included.

4. Special problems that the family faces or expects to face. Such circumstances as illness of the working parent, anticipated expenses for home maintenance, and so forth should be described.

It is important not only to obtain the information that the financial aid officer must have to make his evaluation, but also to provide the family with an opportunity to explain the circumstances which it feels are important and should be known. In addition to providing additional information from which to estimate the ability of the family to pay the expenses of a college education, this information will frequently provide an insight into the attitudes of the family about college attendance.

FEDERAL INCOME TAX SYSTEM

The graduated Federal income tax is generally accepted as a fair and equitable method of assessing the economic status of a family unit. For most of the families in the United States, the Federal income tax paid bears a relatively direct relationship to the amount of income that the family receives and the unusual expenses that it must pay from its income. The amount of Federal income tax paid, therefore, may be used as one basis for determining the amount of money the family can be expected to contribute from income toward meeting the expense of a college education.

Use of the Federal income tax paid as a measure of ability to pay for the expense of higher education has special advantages for many families and for many institutions. It does not require that the family maintain special records about its income and expenditures, nor does it require that it make additional calculations. It uses information that is readily available to most families. The system is easily explained and generally understood. It has the tendency to eliminate some of the value judgments that are necessary in other systems of need analysis. The information can be verified; with the cooperation of the family, it is possible for the institutional financial aid officer to obtain a certified copy of the Federal income tax return from the Internal Revenue Service.

The system works quite simply. The family is asked to provide information about its income and expenses taken directly from Form 1040 or 1040A of its last two Federal income tax returns. This information is used by the financial aid officer to compute the amount of Federal income tax paid last year (or to verify the amount that the family has indicated on the data collection form). For families that itemize their deductions, the reported tax can be verified through use of the marginal taxation rates given in Table I. For families that take the standard deduction, Table II may be used to verify the amount of income tax reported.

For families in which there is a general stability of income from year to year (as is the case with most salaried workers), the amount of income tax paid last year can be used in estimating the amount of money that the family can be expected to contribute from its income. In those cases in which the amount of the family's income has changed significantly during the past two years, the contribution from family income can be estimated by use of the average income tax paid during the two years reported on the form.

Next, the family is asked to provide information about its assets and investments. These items include:

1. Home equity--the fair market value of the home minus the amount of mortgage or home improvement loans outstanding.

2. Other real estate equity--the fair market value of any other real estate owned by the family, minus the amount of mortgage or improvement loans outstanding.

3. Value of business or farm--the total assets (fixed and current) of the farm or business less the total liabilities (fixed and current) of the business. If the family owns only a portion of the business or farm, the value must be adjusted to reflect its share of ownership.

4. Bank accounts--both savings and checking.

5. Other investments--including stocks, bonds, loans that the family has made to others, and so forth.

The value of these assets is totaled, and an allowance of $10,000 is made against the total to provide for the retirement needs of the family and to allow for other financial commitments (any indebtedness) that the family may have outstanding. A contribution of 1 percent of the assets beyond $10,000 can be reasonably expected toward the expense of college each year.

The contribution from family income, derived from the amount of income tax paid, and the contribution from family assets are then added together to provide the total parental contribution.

There are some disadvantages to the use of this system. Many families, reasonably or unreasonably, have a strong reluctance to divulge information which they have submitted to the Internal Revenue Service. Some are concerned that release of such information will prejudice their position with the Internal Revenue Service in future years. They may look upon it as an attempt to audit their tax return. Others may see it as a way of verifying information that they have given to other agencies, such as the welfare department, and may be concerned that disclosure of the information may affect the benefits that they are receiving.

The Federal income tax system does not take into consideration certain circumstances which can affect the family's ability to pay. When a family computes the Federal income tax it will pay, no allowance is made, for example, for the costs of educating an older brother or sister who may be attending the same or a different college. Such an expenditure does affect the family's ability to contribute to the expense of the applicant's education. Allowance is also made for other dependents only if the parents provide more than half of their support. In many instances the family may be making a significant contribution to an aged grandparent, aunt, or uncle, which will influence its ability to contribute toward a child's education, even though the amount may not be sufficient to provide it with a deduction on its Federal income tax. It is generally agreed that it costs a family more for two people to earn a given income than for one person to earn the same income. The Federal income tax system does not make any allowance for the additional expenses of a working mother. These are examples of expenses that the financial aid officer may wish to consider in making evaluations of the family financial circumstances as they affect the ability to pay for a college education.

Finally, this system is based on information that may be out-of-date by the time the funds are actually given to the student. Financial aid applications received in the spring, for awards to be made in September, will be based on information for the year ending the preceding December. In some cases significant changes in family circumstances will have occurred and the contribution that has been calculated may be unfair to the family or to the college. If there is any indication that such

changes may have occurred, the financial aid officer will be well advised to verify the information he received in the spring with later data obtained at the time of registration in the fall.

This problem exists with any need analysis system, since circumstances do change. The only point to emphasize here is that a system reflecting actual income for an expired year is more likely to be out-of-date than one using projected income estimates from families for the current year--the year in which the student actually enrolls in or continues in his post-secondary school program.

A sample data collection form that may be used with the Federal income tax system of computing the family's ability to pay is shown at the end of this publication.

AN ALTERNATE APPROACH, THE INCOME SYSTEM

As has been shown, any system of need analysis that is sensitive to the unusual and unique situations of families will use a number of different variables. For many families, these more complicated systems are not necessary because the family circumstances are not complicated. In addition, the lower the family income and assets, the less impact complicated circumstances can have on the parental contribution figure because that figure is low by definition. It cannot, therefore, be reduced greatly by tax deductions or by allowances.

An alternate system, which can be referred to simply as the "income system," utilizes family income directly for the identification of the family contribution from income. The financial aid officer need only know the family's income and number of dependents to determine, from Table III, the contribution that may reasonably be expected from the family income. Family assets are then treated as in the Federal income tax system--all assets are totaled, an allowance of $10,000 is granted against them, and a contribution of 1 percent of the remainder is expected from the family.

To apply this system, the institution need only collect the following information from the family.

- Annual income from wages, salaries, and other sources
- Number of dependent children
- Net assets, including real estate equity (home and other), bank accounts, investments, and value of farm or business. This system obviously has the advantages of requiring relatively simple data collection and relatively few steps in computing the parents' contribution. It has the disadvantage of not accommodating any unusual expenses that the family may incur and that may affect its ability to meet college expenses.

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SAMPLE CASE

One sample case, the Adams case, is presented at the end of this booklet, on the data collection form suggested for use with the Federal Income Tax System.

This family includes a father, aged 50, who earns $4,200 and a mother who earns $1,000, two children, the applicant, Thomas, aged 17, and a younger sister, aged 12. The family lists medical expenses of $450 in 1965 and of $465 in 1966.

The results of the need analyses under each system are summarized briefly below. Under the Federal Income Tax System the parental contribution figure is just under $300, but in the alternate or income system, which is less sensitive, it is $350.

(a) Federal Income Tax System

As is indicated on line 13, the Adams family paid a Federal income tax of $290 for 1965, and its assets of $7,500 are below $10,000. Therefore, their parental contribution would be $290, based on itemized deductions of $800, of which $300 reflects medical expenses in excess of 3 percent of income.

(b) Alternate or Income System

Under the alternate or income system, Table III may be used directly. For an income of $5,200 and two children, the parental contribution would be $350.

As in the Federal Income Tax System, there is no additional contribution from the assets of $7,500 since they are below $10,000. Therefore, the total parental contribution would be $350.

B. Other Factors in Computing Financial Need

The parents' contribution, as calculated by one of the foregoing methods, is the basic element in computing financial need. It also forms the primary basis of eligibility for consideration in the Educational Opportunity Grants Program. But in order to reflect the applicant's financial circumstances accurately, the financial aid officer must take into account three other factors:

- The amount that can be expected from the student's savings
- The amount that the student can be expected to earn during the summer preceeding his registration
- The expenses that the student will have during the academic year of study.

STUDENT SAVINGS AND EARNINGS

The savings that the student has accumulated during the preceding years certainly can be considered as one source of meeting the expense of his college education. In an effort not to exhaust the savings too quickly and to allow the recipient some flexibility in the use of loans and part-time employment, many colleges divide student savings by the number of years the student will remain in college and expect the resulting amount to be made available during each year.

Each college must evaluate for itself the reasonable expectation that it can make for savings from the summer earnings of its students. Colleges that draw heavily from urban areas may expect more; colleges that draw from rural areas may expect less. Institutions also should be ready to make individual exceptions where justified by special circumstances; for instance, a student may be unable to find any employment or may have to use all his summer earnings to assist in the support of his family.

The following amounts can be used as general guidelines for the savings that can be expected from student summer earnings:

Rank of the student	Men	Women
Pre-freshman	$ 300	$ 200
Pre-sophomore	350	250
Pre-junior	400	300
Pre-senior	450	350

DETERMINING A STUDENT BUDGET FOR AN ACADEMIC YEAR

The final important element in the assessment of student financial need is the establishment of a reasonable college budget. This budget must adequately reflect the charges that are made to a student by the institution as well as the reasonable amounts he will be expected to pay for non-institutional expenses. The budget for a student in residence should include: tuition, fees, room and board, and a reasonable amount for such expenses as the replacement and maintenance of clothing, laundry, amusements, incidentals, books, and travel. Many institutions include $400 for personal expenses and $150 for books and supplies as reasonable estimates of the average expenditures of most students.

The budget for the commuting student should reflect the amount of tuition, fees, books, and personal expenses, as for the student in residence. In place of the room and board charged by the institution, an amount must be added to reflect the cost of room and board at home and meals eaten on campus. Many institutions include $500 as a reasonable estimate of the expenses that families of commuting students must pay to provide room and board at home plus meals on campus.

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Travel expenses vary from student to student, but the college must include some amount in the budget in order to set proper awards. For the commuting student it is frequently possible to calculate the actual cost of public transportation. For a resident student, it is generally appropriate to include the cost of two round trips by rail or air-coach.

Extraordinary expenses for such items as additional clothing for students attending college in substantially different climates from that at home, extra courses taken for remedial purposes or to enrich a program, residence on campus during vacation periods, or unusual health and medical needs must be treated in each individual case as exceptions to the normal budget.

The following examples of typical budgets for institutions of different types may be of assistance in developing a reasonable budget.

A PRIVATE COLLEGE

	Resident Student	Commuting Student
Tuition and fees	$ 1,400	$ 1,400
Room and board on campus	850	---
Maintenance at home	---	500
Books and supplies	150	150
Personal expenses	400	400
Transportation	200	150
	$ 3,000	$ 2,600

A STATE-SUPPORTED UNIVERSITY

	Resident Student	Commuting Student
Tuition and fees	$ 400	$ 400
Room and board on campus	850	---
Maintenance at home	---	500
Books and supplies	150	150
Personal expenses	400	400
Transportation	200	150
	$ 2,000	$ 1,600

A TUITION-FREE COMMUNITY COLLEGE

	Resident Student	Commuting Student
Tuition and fees	---	---
Room and board on campus	---	---
Maintenance at home	---	$ 500
Books and supplies	---	150
Personal expenses	---	400
Transportation	---	100
		$1,150

These represent the total expenses that must be met by families and students for the nine-month academic year at each type of institution. They include all the expenditures that the institutions have found, through study, are typical of the majority of their students, and the budgets are adequate for a student to maintain himself and study adequately without undue pressure from finances.

C. Special Problems in Need Analysis

Institutions frequently encounter difficulties in their efforts to assess accurately and equitably the financial need of older, self-supporting, and married students. It can be argued that the parents of such students have no responsibility to provide support. It can also be argued that parents have a greater obligation to provide support for children, regardless of their age, than has a college, the society, or the government.

The various administrative manuals contain guidelines for institutions in dealing with these problem cases.

TABLE I

Tax rates of the Internal Revenue Service by level of taxable income (for use with the Federal Income Tax system)

Schedule for married taxpayers filing joint returns

Taxable income	Federal income tax
Not over $ 1,000	14% of taxable income
$ 1,000 to 2,000	$ 140 plus 15% of excess over $ 1,000
2,000 to 3,000	290 plus 16% of excess over 2,000
3,000 to 4,000	450 plus 17% of excess over 3,000
4,000 to 8,000	620 plus 19% of excess over 4,000
8,000 to 12,000	1,380 plus 22% of excess over 8,000
12,000 to 16,000	2,260 plus 25% of excess over 12,000
16,000 to 20,000	3,260 plus 28% of excess over 16,000
20,000 to 24,000	4,380 plus 32% of excess over 20,000
$24,000 to $28,000	$5,660 plus 36% of excess over $24,000

Schedule for heads of households

Taxable income	Federal income tax
Not over $ 1,000	14% of taxable income
$ 1,000 to 2,000	$ 140 plus 16% of excess over $ 1,000
2,000 to 4,000	300 plus 18% of excess over 2,000
4,000 to 6,000	660 plus 20% of excess over 4,000
6,000 to 8,000	1,060 plus 22% of excess over 6,000
8,000 to 10,000	1,500 plus 25% of excess over 8,000
10,000 to 12,000	2,000 plus 27% of excess over 10,000
12,000 to 14,000	2,540 plus 31% of excess over 12,000
14,000 to 16,000	3,160 plus 32% of excess over 14,000
16,000 to 18,000	3,800 plus 35% of excess over 16,000
18,000 to 20,000	4,500 plus 36% of excess over 18,000
20,000 to 22,000	5,220 plus 40% of excess over 20,000
$22,000 to $24,000	$6,020 plus 41% of excess over $22,000

TABLE II Federal income tax payments, based on standard deductions, by level of net income and size of family (for use with the Federal Income Tax system)

Net income (before Federal Tax)	1-child		2-child		3-child		4-child	
	Two-parent family	One-parent family	Two-parent family	One-parent family	Two-parent family	One-parent family	Two-parent family	One-parent family
$1,000 - 1,249	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
1,250 - 1,499	0	10	0	0	0	0	0	0
1,500 - 1,749	0	40	0	0	0	0	0	0
1,750 - 1,999	0	70	0	0	0	0	0	0
2,000 - 2,249	20	100	0	20	0	0	0	0
2,250 - 2,499	50	130	0	50	0	0	0	0
2,500 - 2,749	80	170	0	80	0	0	0	0
2,750 - 2,999	110	200	30	110	0	30	0	0
3,000 - 3,249	140	240	60	140	0	60	0	0
3,250 - 3,499	180	270	90	180	10	90	0	10
3,500 - 3,749	210	310	120	210	40	120	0	40
3,750 - 3,999	240	350	150	250	70	150	0	70
4,000 - 4,249	280	390	190	290	100	190	20	100
4,250 - 4,499	310	430	220	320	130	230	50	130
4,500 - 4,749	350	470	250	370	160	260	80	170
4,750 - 4,999	380	510	290	410	200	300	110	200
5,000 - 5,249	420	550	320	450	230	340	140	240
5,250 - 5,499	460	590	360	490	270	380	180	270
5,500 - 5,749	490	640	400	530	300	420	210	310
5,750 - 5,999	530	680	430	570	340	460	240	350
6,000 - 6,249	570	720	470	610	370	500	280	390
6,250 - 6,499	610	770	510	650	410	540	310	430
6,500 - 6,749	650	810	550	690	440	580	350	470
6,750 - 6,999	690	860	580	740	480	620	380	510
7,000 - 7,249	740	900	620	780	520	660	420	550
7,250 - 7,499	780	950	670	830	560	710	460	590
7,500 - 7,749	820	990	710	870	600	750	490	640
7,750 - 7,999	860	1,040	750	920	640	800	530	680
8,000 - 8,249	910	1,080	790	960	680	840	570	720
8,250 - 8,499	950	1,130	840	1,010	720	890	610	770
8,500 - 8,749	990	1,180	880	1,050	760	930	650	810
8,750 - 8,999	1,040	1,230	920	1,100	810	980	690	860
9,000 - 9,249	1,080	1,280	960	1,150	850	1,020	740	900
9,250 - 9,499	1,120	1,330	1,010	1,200	890	1,070	780	950
9,500 - 9,749	1,160	1,380	1,050	1,250	940	1,120	820	990
9,750 - 9,999	1,210	1,430	1,090	1,300	980	1,170	860	1,040

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5-child		6-child		7-child		8-child		
Two-parent family	One-parent family	Two-parent family	One-parent family	Two-parent family	One-parent family	Two-parent family	One-parent family	Net income (before Federal Tax)
$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$1,000 - 1,249
0	0	0	0	0	0	0	0	1,250 - 1,499
0	0	0	0	0	0	0	0	1,500 - 1,749
0	0	0	0	0	0	0	0	1,750 - 1,799
0	0	0	0	0	0	0	0	2,000 - 2,249
0	0	0	0	0	0	0	0	2,250 - 2,499
0	0	0	0	0	0	0	0	2,500 - 2,749
0	0	0	0	0	0	0	0	2,750 - 2,999
0	0	0	0	0	0	0	0	3,000 - 3,249
0	0	0	0	0	0	0	0	3,250 - 3,499
0	0	0	0	0	0	0	0	3,500 - 3,749
0	0	0	0	0	0	0	0	3,750 - 3,999
0	20	0	0	0	0	0	0	4,000 - 4,249
0	50	0	0	0	0	0	0	4,250 - 4,499
0	80	0	0	0	0	0	0	4,500 - 4,749
30	110	0	30	0	0	0	0	4,750 - 4,999
60	140	0	60	0	0	0	0	5,000 - 5,249
90	180	10	90	0	10	0	0	5,250 - 5,499
120	210	40	120	0	40	0	0	5,500 - 5,749
150	250	70	150	0	70	0	0	5,750 - 5,999
190	290	100	190	20	100	0	20	6,000 - 6,249
220	320	130	230	50	130	0	50	6,250 - 6,499
250	370	160	260	80	170	0	80	6,500 - 6,749
290	410	200	300	110	200	30	110	6,750 - 6,999
320	450	230	340	140	240	60	140	7,000 - 7,249
360	490	270	380	180	270	90	180	7,250 - 7,499
400	530	300	420	210	310	120	210	7,500 - 7,749
430	570	340	460	240	350	150	250	7,750 - 7,999
470	610	370	500	280	390	190	290	8,000 - 8,249
510	650	410	540	310	430	220	320	8,250 - 8,499
550	690	440	580	350	470	250	370	8,500 - 8,749
580	740	480	620	380	510	290	410	8,750 - 8,999
620	780	520	660	420	550	320	450	9,000 - 9,249
670	830	560	710	460	590	360	490	9,250 - 9,499
710	870	600	750	490	640	400	530	9,500 - 9,749
750	920	640	800	530	680	430	570	9,750 - 9,999

TABLE II (continued) Federal income tax payments, based on standard deductions, by level of net income and size of family (for use with the Federal Income Tax system)

Net income (before Federal Tax)	1-child		2-child		3-child		4-child	
	Two-parent family	One-parent family	Two-parent family	One-parent family	Two-parent family	One-parent family	Two-parent family	One-parent family
$10,000 - 10,249	$1,250	$1,480	$1,140	$1,350	$1,020	$1,220	$ 910	$1,090
10,250 - 10,499	1,300	1,540	1,190	1,410	1,070	1,270	960	1,140
10,500 - 10,749	1,350	1,610	1,230	1,460	1,120	1,330	1,000	1,200
10,750 - 10,999	1,400	1,670	1,280	1,520	1,170	1,380	1,050	1,250
11,000 - 11,249	1,450	1,730	1,330	1,580	1,210	1,440	1,100	1,310
11,250 - 11,499	1,510	1,790	1,380	1,640	1,260	1,490	1,150	1,360
11,500 - 11,749	1,560	1,860	1,430	1,710	1,310	1,560	1,190	1,420
11,750 - 11,999	1,620	1,920	1,480	1,770	1,360	1,620	1,240	1,470
12,000 - 12,249	1,670	1,980	1,540	1,830	1,410	1,680	1,290	1,530
12,250 - 12,499	1,730	2,050	1,590	1,890	1,460	1,740	1,340	1,590
12,500 - 12,749	1,780	2,110	1,650	1,960	1,520	1,810	1,390	1,660
12,750 - 12,999	1,840	2,180	1,700	2,020	1,570	1,870	1,440	1,720
13,000 - 13,249	1,890	2,250	1,760	2,090	1,630	1,930	1,500	1,780
13,250 - 13,499	1,950	2,320	1,810	2,160	1,680	1,990	1,550	1,840
13,500 - 13,749	2,000	2,380	1,870	2,220	1,740	2,060	1,610	1,910
13,750 - 13,999	2,060	2,450	1,920	2,290	1,790	2,130	1,660	1,970
14,000 - 14,249	2,110	2,520	1,980	2,360	1,850	2,200	1,720	2,030
14,250 - 14,499	2,170	2,590	2,030	2,430	1,900	2,260	1,770	2,100
14,500 - 14,749	2,220	2,670	2,090	2,490	1,960	2,330	1,830	2,170
14,750 - 14,999	2,280	2,750	2,140	2,560	2,010	2,400	1,880	2,240
15,000 - 15,249	2,340	2,830	2,200	2,640	2,070	2,470	1,940	2,300
15,250 - 15,499	2,400	2,900	2,250	2,720	2,120	2,530	1,990	2,370
15,500 - 15,749	2,470	2,980	2,320	2,800	2,180	2,610	2,050	2,440
15,750 - 15,999	2,530	3,060	2,380	2,870	2,230	2,690	2,100	2,510
16,000 - 16,249	2,590	3,140	2,440	2,950	2,290	2,760	2,160	2,580
16,250 - 16,499	2,650	3,220	2,500	3,030	2,350	2,840	2,210	2,660
16,500 - 16,749	2,720	3,300	2,570	3,110	2,420	2,920	2,270	2,730
16,750 - 16,999	2,780	3,380	2,630	3,180	2,480	3,000	2,330	2,810
17,000 - 17,249	2,840	3,460	2,690	3,260	2,540	3,070	2,390	2,890
17,250 - 17,499	2,900	3,540	2,750	3,340	2,600	3,150	2,450	2,970
17,500 - 17,749	2,970	3,620	2,820	3,420	2,670	3,230	2,520	3,040
17,750 - 17,999	3,030	3,700	2,880	3,500	2,730	3,310	2,580	3,120
18,000 - 18,249	3,090	3,780	2,940	3,580	3,790	3,390	2,640	3,200
18,250 - 18,499	3,150	3,860	3,000	3,660	2,850	3,470	2,700	3,280
18,500 - 18,749	3,220	3,950	3,070	3,740	2,920	3,550	2,770	3,360
18,750 - 18,999	3,280	4,040	3,130	3,830	2,980	3,630	2,830	3,440

5-child		6-child		7-child		8-child		
Two-parent family	One-parent family	Two-parent family	One-parent family	Two-parent family	One-parent family	Two-parent family	One-parent family	Net income (before Federal Tax)
$ 800	$ 960	$ 680	$ 840	$ 570	$ 720	$ 470	$ 610	$10,000 - 10,249
840	1,020	730	900	620	780	510	660	10,250 - 10,499
890	1,070	780	940	660	820	560	700	10,500 - 10,749
940	1,120	820	1,000	710	880	600	760	10,750 - 10,999
990	1,180	870	1,040	760	920	640	800	11,000 - 11,249
1,030	1,230	920	1,100	810	980	690	860	11,250 - 11,499
1,080	1,290	970	1,150	850	1,020	740	900	11,500 - 11,749
1,130	1,340	1,010	1,210	900	1,080	790	960	11,750 - 11,999
1,180	1,400	1,060	1,260	950	1,130	830	1,000	12,000 - 12,249
1,220	1,450	1,110	1,320	1,000	1,190	880	1,060	12,250 - 12,499
1,270	1,510	1,160	1,370	1,040	1,240	930	1,110	12,500 - 12,749
1,320	1,570	1,200	1,430	1,090	1,300	980	1,160	12,750 - 12,999
1,370	1,630	1,250	1,480	1,140	1,350	1,020	1,220	13,000 - 13,249
1,420	1,690	1,300	1,540	1,190	1,410	1,070	1,270	13,250 - 13,499
1,470	1,760	1,350	1,610	1,230	1,460	1,120	1,330	13,500 - 13,749
1,530	1,820	1,400	1,670	1,280	1,520	1,170	1,380	13,750 - 13,999
1,580	1,880	1,450	1,730	1,330	1,580	1,210	1,440	14,000 - 14,249
1,640	1,940	1,510	1,790	1,380	1,640	1,260	1,490	14,250 - 14,499
1,690	2,010	1,560	1,860	1,430	1,710	1,310	1,560	14,500 - 14,749
1,750	2,070	1,620	1,920	1,480	1,770	1,360	1,620	14,750 - 14,999
1,800	2,140	1,670	1,980	1,540	1,830	1,410	1,680	15,000 - 15,249
1,860	2,210	1,730	2,050	1,590	1,890	1,460	1,740	15,250 - 15,499
1,910	2,280	1,780	2,110	1,650	1,960	1,520	1,810	15,500 - 15,749
1,970	2,340	1,840	2,180	1,700	2,020	1,570	1,870	15,750 - 15,999
2,020	2,410	1,890	2,250	1,760	2,090	1,630	1,930	16,000 - 16,249
2,080	2,480	1,950	2,320	1,810	2,160	1,680	1,990	16,250 - 16,499
2,130	2,550	2,000	2,380	1,870	2,220	1,740	2,060	16,500 - 16,749
2,190	2,630	2,060	2,450	1,920	2,290	1,790	2,130	16,750 - 16,999
2,240	2,700	2,110	2,520	1,980	2,360	1,850	2,200	17,000 - 17,249
2,300	2,780	2,170	2,590	2,030	2,430	1,900	2,260	17,250 - 17,499
2,370	2,860	2,220	2,670	2,090	2,490	1,960	2,330	17,500 - 17,749
2,430	2,940	2,280	2,750	2,140	2,560	2,010	2,400	17,750 - 17,999
2,490	3,010	2,340	2,830	2,200	2,640	2,070	2,470	18,000 - 18,249
2,550	3,090	2,400	2,900	2,250	2,720	2,120	2,530	18,250 - 18,499
2,620	3,170	2,470	2,980	2,320	2,800	2,180	2,610	18,500 - 18,749
2,680	3,250	2,530	3,060	2,380	2,870	2,230	2,690	18,750 - 18,999

TABLE III Parents' contribution from net income by size of family (for use with the Alternate Approach, the Income System)

Net income (before Federal Tax)	Number of Dependent Children							
	1	2	3	4	5	6	7	8
$ 3,250 - 3,499	$ 130							
3,500 - 3,749	200							
3,750 - 3,999	260							
4,000 - 4,249	320	$ 130						
4,250 - 4,499	390	190						
4,500 - 4,749	450	240						
4,750 - 4,999	510	300	$ 130					
5,000 - 5,249	580	350	180					
5,250 - 5,499	640	410	230	$ 110				
5,500 - 5,749	700	470	280	160				
5,750 - 5,999	760	520	330	200	$ 110			
6,000 - 6,249	820	580	380	240	150			
6,250 - 6,499	880	640	430	290	190	$ 130		
6,500 - 6,749	940	690	470	330	230	160	$ 100	
6,750 - 6,999	1,000	750	520	380	270	200	140	
7,000 - 7,249	1,060	810	570	420	310	240	170	$ 130
7,250 - 7,499	1,120	840	620	460	350	270	210	160
7,500 - 7,749	1,180	890	670	500	380	310	240	200
7,750 - 7,999	1,240	940	720	550	420	340	280	230
8,000 - 8,249	1,300	1,000	770	590	460	380	310	270
8,250 - 8,499	1,360	1,060	810	640	500	420	350	300
8,500 - 8,749	1,420	1,130	840	680	540	450	380	330
8,750 - 8,999	1,480	1,190	890	730	580	490	420	370
9,000 - 9,249	1,540	1,250	950	770	620	530	450	400
9,250 - 9,499	1,600	1,310	1,000	810	660	560	490	430
9,500 - 9,749	1,670	1,380	1,060	850	690	600	520	470
9,750 - 9,999	1,740	1,450	1,120	900	730	640	560	500
10,000 - 10,249	1,810	1,520	1,180	950	770	670	590	530
10,250 - 10,499	1,870	1,590	1,240	1,000	810	710	630	570
10,500 - 10,749	1,950	1,660	1,300	1,050	860	740	660	600
10,750 - 10,999	2,030	1,730	1,360	1,110	900	780	690	640
11,000 - 11,249	2,110	1,800	1,430	1,170	950	820	730	670
11,250 - 11,499	2,190	1,870	1,490	1,220	1,000	850	770	700
11,500 - 11,749	2,270	1,940	1,550	1,280	1,050	880	800	740
11,750 - 11,999	2,350	2,020	1,620	1,340	1,100	920	840	770
12,000 - 12,249	2,430	2,080	1,690	1,400	1,150	980	880	800
12,250 - 12,499	2,510	2,160	1,750	1,460	1,210	1,030	930	830
12,500 - 12,749	2,600	2,240	1,820	1,520	1,260	1,080	980	860
12,750 - 12,999	2,690	2,320	1,890	1,590	1,320	1,130	1,030	890
13,000 - 13,249	2,780	2,400	1,960	1,660	1,380	1,180	1,070	930
13,250 - 13,499	2,870	2,470	2,030	1,720	1,440	1,240	1,110	970
13,500 - 13,749	2,960	2,550	2,100	1,790	1,500	1,300	1,140	1,020
13,750 - 13,999	3,050	2,630	2,170	1,860	1,560	1,350	1,190	1,070

Net income (before Federal Tax)	Number of Dependent Children							
	1	2	3	4	5	6	7	8
$ 14,000 - 14,249	$3,140	$2,720	$2,240	$1,930	$1,630	$1,410	$1,240	$1,120
14,250 - 14,499	3,230	2,800	2,320	1,990	1,690	1,470	1,300	1,170
14,500 - 14,749	3,330	2,880	2,400	2,060	1,750	1,530	1,350	1,220
14,750 - 14,999	3,430	2,970	2,480	2,140	1,820	1,590	1,400	1,270
15,000 - 15,249	3,530	3,040	2,560	2,210	1,890	1,660	1,460	1,330
15,250 - 15,499	3,630	3,140	2,640	2,280	1,960	1,720	1,520	1,390
15,500 - 15,749	3,730	3,220	2,720	2,360	2,020	1,770	1,590	1,440
15,750 - 15,999	3,830	3,300	2,800	2,440	2,090	1,840	1,660	1,500
16,000 - 16,249	3,940	3,390	2,890	2,510	2,160	1,920	1,720	1,570
16,250 - 16,499	4,050	3,480	2,970	2,590	2,230	1,990	1,790	1,640
16,500 - 16,749	4,200	3,580	3,060	2,670	2,310	2,060	1,860	1,700
16,750 - 16,999	4,350	3,670	3,140	2,750	2,390	2,130	1,930	1,770
17,000 - 17,249	4,450	3,760	3,230	2,830	2,460	2,210	2,000	1,830
17,250 - 17,499		3,850	3,320	2,910	2,540	2,280	2,070	1,890
17,500 - 17,749		3,940	3,400	2,990	2,620	2,360	2,140	1,960
17,750 - 17,999		4,040	3,490	3,080	2,700	2,430	2,210	2,030
18,000 - 18,249		4,150	3,580	3,170	2,780	2,510	2,290	2,100
18,250 - 18,499		4,230	3,680	3,250	2,860	2,590	2,360	2,170
18,500 - 18,749		4,340	3,770	3,340	2,940	2,670	2,440	2,250
18,750 - 18,999		4,450	3,870	3,430	3,030	2,750	2,520	2,320
19,000 - 19,249			3,960	3,520	3,110	2,830	2,600	2,400
19,250 - 19,499			4,050	3,610	3,200	2,920	2,680	2,470
19,500 - 19,749			4,150	3,700	3,280	3,000	2,760	2,550
19,750 - 19,999			4,250	3,790	3,370	3,090	2,850	2,630
20,000 - 20,249			4,350	3,880	3,460	3,170	2,930	2,710
20,250 - 20,499			4,450	3,980	3,550	3,260	3,020	2,790
20,500 - 20,749				4,090	3,640	3,350	3,100	2,870
20,750 - 20,999				4,190	3,730	3,440	3,190	2,960
21,000 - 21,249				4,270	3,820	3,540	3,280	3,050
21,250 - 21,499				4,360	3,920	3,630	3,370	3,140
21,500 - 21,749				4,450	4,020	3,720	3,460	3,230
21,750 - 21,999					4,120	3,820	3,560	3,310
22,000 - 22,249					4,230	3,920	3,650	3,400
22,250 - 22,499					4,340	4,010	3,750	3,490
22,500 - 22,749					4,450	4,120	3,850	3,580
22,750 - 22,999						4,230	3,950	3,670
23,000 - 23,249						4,340	4,050	3,750
23,250 - 23,499						4,450	4,150	3,840
23,500 - 23,749							4,250	3,940
23,750 - 23,999							4,350	4,050
24,000 - 24,249							4,450	4,150
24,250 - 24,499								4,250
24,500 - 24,749								4,350
24,750 - 24,999								4,450

PARENTS' CONFIDENTIAL FINANCIAL REPORT AND CERTIFICATION
for use with Federal Income Tax System

Name and home address of the student applicant	Adams, Thomas S. 1234 Superior Avenue Lake Center, Michigan

Name and home address of the parent or guardian	Adams, Milton M. 1234 Superior Avenue Lake Center, Michigan

		For the year ending December 31	1964	1965
Income report on Federal Income Tax Returns, Form 1040 or 1040-A	1.	Salaries and wages	$ 5000	$ 5200
	2.	Interest and dividends	-	-
	3.	Other income	-	-
	4.	Total	$ 5000	$ 5200
	5.	Adjustments	-	-
	6.	Total income on which tax was based	$ 5000	$ 5200
Exemptions and deductions claimed on Federal Income Tax Returns, Form 1040 or 1040-A		For the year ending December 31	1964	1965
	7.	Number of exemptions claimed (explain if this includes others than yourself and your children. Use the back of this statement for your explanation)	4	4
	8.	Number of exemptions times $600	$ 2400	$ 2400
Complete either item 9 or item 10	9.	Standard deduction, 10% of line 6 up to $1,000 OR	500	-
	10.	Itemized deductions		
		Contributions	$	$ 200
		Medical and dental		300
		Taxes		250
		Interest expense		50
		Other itemized deductions		
		Total itemized deductions	$	$ 800
	11.	Total exemptions and deductions (line 8 plus either line 9 or total itemized deductions on line 10)	$ 2900	$ 3200
	12.	Income on which tax was paid (line 6 less line 11)	$ 2100	$ 2000
	13.	Amount of tax paid	306	290
Parents' assets	14.	Home equity	$	7000
	15.	Other real estate equity		-
	16.	Total value of business or farm		500
	18.	Other investments		-
	19.	Total assets (line 14 through line 18)	$	7500
Parents' liabilities	20.	Total personal debts still unpaid (explain and itemize on the back of this statement)	$	-

Explanations. Answer those which apply to you.

1. Explain the sources of other income listed on line 3

2. Explain the adjustments listed on line 5

3. Explain the number of exemptions claimed on line 7 if they include other than yourself, your wife, and your children

4. Explain the other real estate equity listed on line 15

5. Explain the other investments listed on line 18

6. Explain the total personal debt listed on line 20. Include the purpose of the debt and the amount you still owe.

7. Explain any other matters which you believe should be considered in evaluating your financial situation.

Parents' certification

We have checked this form for omissions and errors. To the best of our knowledge the information reported is complete and correct. We agree to inform the college financial aid officer of any major changes in our financial status if the student applicant is awarded assistance. Further, we agree, if requested, to send to the college an official photostatic copy of our latest federal income tax return obtained from the appropriate district office of the United States Internal Revenue Service.

Signatures of both parents or guardians _____

_____

Date _____

EDUCATIONAL OPPORTUNITY GRANTS PROGRAM MANUAL

(This "Interim Manual" has been abridged and revised for use by new institutions pending the publication of the revised manual)

10 August 1970

CHAPTER I

INTRODUCTION TO THE EDUCATIONAL OPPORTUNITY GRANTS PROGRAM

101. Purpose of the Program

The purpose of the program is to provide Educational Opportunity Grants to students of exceptional financial need, who, for lack of financial means of their own or of their families, would be unable to enter or remain in institutions of higher education without such assistance. Grants are made available to eligible students through insitutions of higher education participating in the program. The Educational Opportunity Grants Program was established by Title IV, Part A, of the Higher Education Act of 1965 (Public Law 89-329).

102. Criteria for Institutional Eligibility

Criteria for institutional eligibility may be reviewed with the appropriate regional offices.

102.01 Discrimination Prohibited

Title VI of the Civil Rights Act of 1964 states: "No person in the United States shall, on the ground of race, color, or national origin, be excluded from participation in, be denied the benefits of, or be subject to discrimination under any program or activity receiving Federal financial assistance." Therefore, the Educational Opportunity Grants Program, like every program or activity receiving financial assistance from the Department of Health, Education, and Welfare, must be operated in compliance with this law.

103. Criteria for Student Eligibility

In accordance with Section 176.8 of the EOG Draft Regulations, an eligible institution of higher education may award an Educational Opportunity Grant to any student if it determines that such student:

(1) is a national of the United States, or is in the United states for other than a temporary purpose and intends to become a permanent resident thereof;

(2) has been accepted for enrollment as a full-time undergraduate student, or is in good standing and in full-time attendance as an undergraduate student;

(3) shows evidence of academic or creative promise and capability of maintaining good standing in his course of study;

(4) is of exceptional financial need;

(5) would not be financially able to attend the institution without an Educational Opportunity Grant.

To be considered as "full-time," a student must carry at least 75 percent of the normal academic load in terms of course work or other required activity. A student who attends on a part-time basis is not eligible for a grant.

Students attending summer session will qualify for an Educational Opportunity Grant if they are: (1) registered on a full-time basis in an academic quarter or trimester or (2) registered for at least the equivalent of one semester credit hour or 1½ quarter credit hours per week of a summer session, six weeks or more in length. A student, therefore, registered full-time in a summer quarter or trimester, which is equal to a quarter or trimester of the regular academic year, is eligible for a grant. Also eligible for a grant is the student registered for either 6 semester hours or 9 quarter hours of a six-week summer session. The student, however, who receives a summer session grant must be attending or planning to attend during the regular academic year the institution of higher education awarding him the grant.

Under the Draft Regulations, the term "undergraduate student" means a student enrolled in an undergraduate course of study. The term "undergraduate course of study "excludes (1) that portion of any program involving a period of study beyond the first four years of full-time study at the college level, or (2) any portion of a program leading to (i) a degree beyond the bachelor's degree, or (ii) a first professional degree when at least three years of study at the college level are usually required for entrance into a program leading to such degree at the institution.

A student may not receive a grant for full-time study in a professional school when at least three years of study at the college level are usually required for entrance into a program in that school leading to a first professional degree. A student could qualify for a grant during three years of undergraduate study as a pre-law student, for example, but his eligibility would cease when he subsequently entered law school.

The term "good standing" means that the grant recipient is maintaining satisfactory progress in the course of study which he is pursuing, according to the regularly prescribed standards and practices of the institution from which he received the grant.

Determination as to whether a student evidences "academic or creative promise" and "capability of maintaining good standing" should be made in the light of an applicant's potential for success in completing or benefiting from his intended course of study.

There is no age limitation governing student eligibility.

103.01 Duration of Student Eligibility

The duration of a student's Educational Opportunity Grant shall be for the period required by the student to complete his undergraduate course of study, but in no event shall such period exceed four academic years, less any period with respect to which the student previously received payments under an Educational Opportunity Grant from the same or another institution.

Educational Opportunity Grants will be committed on the basis of academic years, which is that period of time, the duration of which is typically eight or nine months consisting of two semesters, or two trimesters, or three quarters, during which one year of study at the college level is normally completed.

The normal academic year begins with the fall semester, quarter, or trimester. A student may use more than one academic year of eligibility during a calendar year, but it should be kept in mind that eligibility for an EOG is limited to four academic years.

Attendance at summer sessions significantly affects the duration of a student's eligibility for a grant. If the student is attending a regular quarter or trimester, the eligibility expended is equivalent to any other academic quarter or trimester. A student, however, attending a summer term of six weeks or more, but less than the length of a regular term, will expend ½ of the grant eligibility available to him for a regular term. This share of eligibility must then be deducted from his total four undergraduate academic years of grant eligibility. The financial aid officer consequently should explain to the EOG recipient who plans to attend a summer session that his fourth year of grant eligibility will be proportionately reduced.

103.02 Initial Year Award

The initial year award refers to the first academic year of the first Educational Opportunity Grant awarded any student. Ordinarily a student will receive an initial year award and three renewal awards in the normal course of a four year baccalaureate program. A student shall be considered an initial year awardee only during the first academic year that he receives a grant, even though he may use less than an academic year of eligibility.

Such a student will be eligible for three renewal year awards plus a fourth renewal award for the share of eligibility not awarded to him in his initial year. For example, a student who enters during the second semester of an academic year shall hold an initial year award only during that semester. Assuming that he does not accelerate his program by summer study, this student would be eligible for a fourth renewal award of one semester only provided he is still an undergraduate student in good standing.

103.03 Renewal Year Award

A renewal year award refers to the second or subsequent academic year a student is a recipient of an Educational Opportunity Grant. Priority in the disbursement of EOG funds must be given to renewal applicants, assuming their continued eligibility based upon a redetermination of need.

103.04 Transfer Students

If a student transfers to another institution of higher education participating in the Educational Opportunity Grants Program, his application at the second institution would not be for an initial year award if he had received a grant from the first institution he attended. However, an Educational Opportunity Grant recipient who transfers during the period of his initial year award is eligible for the unexpired portion of his initial year award from the institution to which he transfers, assuming the availability of funds and his continued eligibility based upon a redetermination of need.

104. Determination of Exceptional Financial Need

In the great majority of cases, the student's relationship with his parents is such that the parents would normally be expected to contribute to his educational expenses, provided that they are financially able to do so. For the purpose of this program, a student is considered to be in exceptional financial need if his parents can be expected to contribute from their income and assets no more than $625 toward his educational expenses during the academic year. Parents include not only natural parents, but stepparents, or an individual who stands in loco parentis, except that foster parents, conservators, or a State agency appointed guardian shall be excluded.

It is recognized that special circumstances may exist in which it would not be reasonable to expect any contribution from the parents no matter what their financial ability may be. The basis for this determination by the financial aid officer must be carefully documented.

Some factors which in combination most commonly form a basis for such a decision are:

(1) age of student;
(2) marital status of student;
(3) whether the student is self-supporting;

(4) whether the student lives at home;
(5) whether the parents declare the student as an exemption on their income tax return;
(6) marital relationship of parents;
(7) student-parent relationship.

A student for whom the financial aid officer has determined that no parental contribution should be expected, regardless of the parents' financial ability, will be referred to hereafter as an independent student. This student is considered to be of exceptional financial need when the amount available to him for educational expenses, which will be referred to hereafter as the independent student contribution, is no more than $625 for the academic year.

A married student is not necessarily an independent student as the term is used here. There will be cases in which the financial aid officer, for purposes of establishing eligibility for an Educational Opportunity Grant, will determine that a parental contribution should be expected for the married student.

105. Computation of Expected Parental Contribution

For determining the expected parental contribution, the financial aid officer may use one of the four methods of need assessment listed below. (For further reference, see the booklet entitled Determining Awards Under Federal Student Aid Programs or the program manuals of the two independent need analysis systems.)

See "Determing Awards Under Federal Student Aid Programs" for
The Federal Income Tax System
Alternative Approach, The Income System

See respective need analysis system program manual for
The American College Testing System
The College Scholarship Service System

106. Computation of Independent Student Contribution

The independent student contribution is the amount available to an independent student for educational expenses. This amount is the difference between (1) his assets and resources and his expected income from assets, savings and employment; and (2) his living expenses without direct educational costs. Living expenses may include the following: room and furnishings, including utilities; food; personal transportation; clothing; medical and dental, including insurance; recreation and personal. An independent student, for instance, with an expected income of $4,000 and living expenses of $3,600 would have $400 available for education expenses.

Students who can contribute more than $625 toward their expenses may not receive EOG's.

The determination of the independent student contribution presents several difficulties for the financial aid officer. One factor is that this student's budget is usually calculated for twelve months, rather than for an academic year. In addition, many of these students are married, in which case the income and living expenses of the student's spouse and any other dependents must be considered in determining his expected contribution. Since need analysis for these students is not yet a highly-refined or a well-defined procedure, the financial aid officer must rely heavily on his own judgment of the student's special circumstances.

107. Administration of the Program

The Educational Opportunity Grants Program is administered in accordance with Title IV, Part A, of the Higher Education Act of 1965 (Public Law 89-329) and the regulations which govern the program.

In order to participate in the program, an eligible institution of higher education, through an authorized official of the institution, enters into an agreement for the institutional conduct of the EOG program. The agreement must be renewed annually.

Institutions of higher education are notified annually of application procedures, including the procedure for establishing eligibility and for certifying civil rights compliance. An institutional application to participate in the Educational Opportunity Grants Program must be submitted for each fiscal year of participation, July 1 through June 30. This application form, provided by the Division of Student Financial Aid, is part of the "Institutional Application(s) to participate in Federal Student Financial Aid Programs."

The Educational Opportunity Grants Branch requires a fiscal operations report for the preceding fiscal year on or about August 15. This report is submitted in conjunction with the NDSL and CWS program as a part of the so called "Tripartite Report." New institutions will wish to obtain blank copies of this report package so that they may collect the needed data throughout the year and may avoid last minute efforts of data retrieval.

Award letters for the EOG program are mailed at the earliest possible opportunity following the regional panel review process. Award letters are mailed in mid-March. Award letters contain the authorization only. The actual cash for awards is obtained from the National Institutes of Health. See Chapter V of this manual.

Attached to this "Interim Manual" are certain Memoranda on the administration of this program. Memoranda should be read in sequence because they represent the developing program guidlines over a three year period. Where there is apparent conflict between the Memoranda and this "Interim Manual," The "Manual" may be considered authoritative. Questions relating to the EOG program may be directed to the appropriate Regional Office (see list in Appendix) or to:

Educational Opportunity Grants Branch
Division of Student Financial Aid
Bureau of Higher Education
Office of Education
Washington, D.C. 20202
Phone: (202)962-2482

CHAPTER II

DETERMINATION AND DOCUMENTATION OF EDUCATIONAL OPPORTUNITY GRANTS

201. Determination of the Grant

An EOG grant may be from $200 to $1000.
The procedure for the determination of the Educational Opportunity Grant amount, for either an initial year or a renewal year award, is to ascertain, in sequence, the following:

(1) Cost of attending the institution of higher education;

(2) Total family contribution;

(3) Total student contribution;

(4) Financial need of the student;

(5) The Educational Opportunity Grant amount and matching amount of financial aid provided the student;

Certain adjustments in this process are necessary for the independent student. These adjustments will be mentioned as appropriate in the following analysis of the above procedure.

201. 01 Initial Entitlement for the Educational Opportunity Grant

The purpose of the EOG Program is to assist the most needy students. All EOG recipients must come from families with incomes of less than $9,000. All EOG recipients must have an expected parental contribution or independent student contribution of $625, or less, per academic year.

201. 02 Cost of Attending the Institution of Higher Education

In computing the cost for a student to attend an institution of higher education, the financial aid officer must consider both the basic institutional budget and any extraordinary expenses of the student. EOG recipients from impoverished backgrounds may well need budget items for tutoring, remedial courses, medical and dental care, additional clothing, counseling services, etc.

In the case of an independent student, the normal living expenses were deducted in computing the independent student contribution; therefore the cost of attending the institution would include only those direct educational costs not previously considered--tuition, fees, books, transportation to class, etc.--and any supplemental living expenses attributabe to education, e.g., on-campus meals.

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201. 03 Total Family Contribution

For a student from whom a parental contribution is expected, the total family contribution includes the parental contribution and the student's contribution from his income, assets, and resources. For an independent student, the independent student contribution is equivalent to the total family contribution, since all resources available to the independent student were used in computing his contribution.

The contribution which the EOG student will make from summer earnings and assets will be treated in the conventional manner. Frequently the EOG student will have no assets and even little savings from summer earnings because of the many demands on any income to a disadvantaged family. The financial aid officer may be justified in expecting little or no contribution from summer earnings or student assets. Such reduced expectations should be carefully documented in the student's folder.

201. 04 Financial Need of the Student

The financial need of the student is the difference between his cost of attending the institution of higher education and his total family contribution or independent student contribution.

The need analysis process outlined above is similar to that which the aid officer would use with any financial aid program. The following additional steps may prove useful in distinguishing those students who should have EOG's.

Step 1 - Eliminate applicants from families with gross annual incomes over $9000 (for farmers and business "gross" is income after allowance for operating expenses deductible for tax purposes but before income taxes). Family income above this maximum cannot be considered "low," even though financial need may be clearly demonstrated. They are, therefore, beyond the scope and purpose of the EOG program, even though they may be eligible for other forms of aid.

Step 2 - Next eliminate those having an expected parental contribution, based upon an approved system of need analysis, of more than $625 per academic year. This is the same measure of eligibility employed in the past.

Step 3 - Evaluate remaining applicants on the basis of the following description of the type of student for whom the EOG program was intended:

Is:	Is Not:
5. One who is admissible to the appropriate curriculum according to standards established by the institution. There is evidence of academic or creative promise and the ability to complete the course of study, This evidence, however, may deviate somewhat from standard selection criteria. While greater adjustment may be necessary than required of the average student, there is good reason to believe that the potential EOG recipient will respond favorably, given the available supportive services.	5. One whose potential is incongruous with the demands of the desired curriculum or higher education in general. Completion of the course of study seems doubtful, even with the supportive services available to the student.
6. One whose enrollment in higher education is dependent upon sizeable amounts of financial assistance which could not be provided through available non-EOG resources without unreasonable quotas of loans and part-time employment.	6. One whose college financing can be provided through family support and the typical scholarship, loan, and part-time employment programs available through the community, State, and the institution of enrollment.

Step 4 - From those applicants who fall within the financial and descriptive criteria above, select EOG recipients by proceeding from the most needy to the least needy of the eligible group until funds are exhausted. The EOG award amount will be left to the judgment of the financial aid officer, except that stipend cannot exceed one half of the student's need or $1000 per academic year, whichever is less. Section 201. 05 of the EOG Manual provides guidance for those occasions when less than the maximum grant is thought to be desirable.

Step 5 - Provide the necessary "matching" funds as in past years. Refer to Chapter III of this Manual for acceptable forms of "matching" aid. It is hoped that each EOG recipient will receive an aid package which meets his financial need.

The Intended EOG Recipient

Is:	Is Not:
1. One whose family has historically been unable to provide adequate financial support for typical consumer goods and services. Income was inadequate before, not solely as a result of the additional expense of college. Therefor, the family can contribute little or nothing to the student's education.	1. One whose family encountered temporary financial loss or strain, preceded and/or followed by adequate resources to provide at least a moderate standard of living.
2. One whose family has been unable to accumulate assets which will provide any element of financial security to the family members. There is little or no cash or property to be used for college expenses or other discretionary purchases.	2. One whose family has been successful in obtaining some degree of financial security through cash or real estate assets to which it can turn for retirement, emergency, or specialized uses, such as education, Business holdings and inventory or farming assets, while used for income production, have such size as to give substantial financial visibility.
3. One whose family operates a business or farm which has small cash turnover to go along with low gross income.	3. One whose family operates a business or farm which has large cash turnover and resulting ability to incorporate family needs into expenses of operation.
4. One whose environment has not allowed concrete plans for higher education to be formed because of the lack of money, family encouragement, proper counseling or any of several other deterrents.	4. One whose post-secondary plans have been supported by the environment to the extent that college was a foregone conclusion.

201. 05 The Educational Opportunity Grant Amount and Matching Amount of Financial Aid Provided the Student

The final determination of the Educational Opportunity Grant amount and the matching or equal amount of financial aid is based both on the student's initial entitlement for a grant and his financial need. An Educational Opportunity Grant may not exceed either the student's initial entitlement for a grant or one half his financial need. In no case, however, may the basic Educational Opportunity Grant be less than $200 or more than $1000.

The matching amount of financial aid provided the student must be at least equal to or greater than the Educational Opportunity Grant. A definition of matching and a discussion of eligible sources of matching funds for an Educational Opportunity Grant are found in Chapter III.

In the majority of cases, the financial aid officer will award the student the maximum amount computed by the grant determination process. He may determine in some cases, however, that he could better meet the needs of a student by making him an award of less than the maximum computed amount. For example, an institution whose main source of eligible matching aid is loans may prefer to give a less sizeable grant in order to avoid burdening the student with a larger loan obligation than the financial aid officer considers advisable. In this situation, the financial aid officer should document the determination of the student's maximum EOG amount, the total financial aid package--EOG, matching and other aid--given the student, and the reasons for giving less than the maximum EOG amount. These requirements will insure that each student's financial need is thoroughly analyzed, and that the financial aid package is developed according to sound practices.

The difficult task often confronting the financial aid officer is balancing a limited amount of EOG and matching money against an increasing group of applicants with exceptional financial need. Greater flexibility to package aid as described above will enable institutions to make better use of limited funds and to construct the best financial aid package for the student.

202. Documentation of Application and Need Assessment

The institution should have in a student's file:

1) A statement of parental income, or a statement of independence from parents;

2) A student application form;

3) A summary form indicating how the student's need was determined and noting any special circumstances which the financial aid officer found particularily relevant. (See Attachment D.)

When a financial aid officer determines that a student is to be considered an independent student, from whom no parental contribution is expected, the specific reasons for such a determination should be documented. Chapter I, Section 104, outlines the factors that would support this decision.

202. 01 Definition of Staff Responsibilities for Financial Aid Programs

Section 176.14 of the EOG Draft Regulations provides that participating institutions"..shall designate an officer as the institutional representative having direct responsibility for the conduct and supervision of the Educational Opportunity Grants Program," and the officer so designated should"..have similar responsibilities for other student financial aid programs." Because financial assistance is becoming available to greater numbers of students from an increasing number of private and governmental sources, the complexity of administering these awards suggests the need for centralizing this function within institutions of higher education.

In addition to the Financial Aid Officer each institution should designate a "Fiscal Officer" to institute and maintain proper fiscal procedures and records. To ensure proper administration of the EOG Program, as well as other financial aid programs, it is necessary for the Financial Aid Officer and the Fiscal Officer to work together as a team to ensure that student needs are met and documented in a competent fashion.

In those institutions where the administration of the student financial assistance program is decentralized, it is essential that the various committees and officials having pertinent records provide copies to be included in the student's file. This practice will expedite the review and audit functions and minimize the chances of error in administration of the program.

The important elements are careful documentation of all EOG transactions and completeness of each student's folder.

When a financial aid officer awards a student an EOG of less than the maximum amount that he could receive on the basis of the grant determination process, the reasons for this determination must be carefully documented in accordance with the requirements of Chapter II, Section 201. 05.

202. 02 Notification, Offer, and Acceptance

It is expected that the institution will provide evidence of its offer of financial assistance, either through a copy of the letter confirming the offer of aid or some other document. It is essential that the EOG matching funds be shown for each award. (See Attachments A and B.)

It is also expected that the student will acknowledge, in writing, his acceptance of the financial aid package offered by the institution. (See Attachment C.) In most cases, the offer will be accepted as presented. If, however, a student should decline a part of the aid package, negotiation of an arrangement acceptable to the institution and the student would be in order, for example, the substitution of a scholarship or an institutional job for a National Defense Student Loan. In the final analysis, a grant must be matched in the form of a financial aid "package" which is both offered to, and accepted by, the student.

202. 03 Leave of Absence

When the institution finds it necessary to recommend a leave of absence because of extended illness, personal hardship, military service, or other good causes, in accordance with regularly prescribed standards and practices of the institution, records should support the leave approved. Except for military service, and other extraordinary circumstances, the leave may not exceed twelve months, in accordance with Section 176.11 of the EOG Draft Regulations. A student whose leave of absence exceeds the approved period need no longer be given priority for a renewal year award.

202. 04 Student Unrest

The Educational Opportunity Grant Program is covered by various "student unrest provisions." You are asked to study carefully the Keeping You Posted #7 dated March 10, 1969 in the attachment. Clearly the institution must now inquire into the legal history of new and transfer students, and it must terminate EOG awards to student who have been convicted of certain crimes. Questions about the number of student terminations under the "unrest provisions" are now included in the "Tripartite Report." See Keeping You Posted #12 dated May 1970 for additional commentary on student unrest.

CHAPTER II

ATTACHMENT A

Sample Award Letter

College of the Elms
Ivy Lane
Collegeville, Ohio 12345

Date

Mr. Jonathan R. Doe
2244 18th Street
Metropolis, Ohio 12468

Dear Mr. Doe:

It is my pleasure to inform you that the Committee on Admissions has accepted your application for admission as a full-time freshman at the College of the Elms for the fall semester commencing on September 15, 1966 .

I am also pleased to tell you that you have been awarded financial aid as indicated on the attached sheet in order to offset your college expenses during the academic year 1966-67.

Please read all the enclosed material carefully, and notify me concerning your acceptance of our offer of admission and financial aid within one month of the date of this letter.

I shall look forward to hearing from you.

Sincerely yours,

C.D. Roe
Director of Admissions
and Financial Aid

Enclosures

CHAPTER II

ATTACHMENT B

Sample Award Notification

College of the Elms
Ivy Lane
Collegeville, Ohio 12345

Date:

Jonathan R. Doe
Name of Financial Aid Recipient

2244 18th Street
Metropolis, Ohio 12468
Address

1. Your estimated college expenses as a x resident ___ commuting student for the academic year 1966-67:

Tuition and Fees	$800	
Room and Board	850	
Books and Supplies	150	
Personal Expenses	400	
Transportation	200	
TOTAL COSTS		$2400

2. Estimated family contribution from:

Parents' Income and Assets	$300	
Your Assets	100	
Your Net Summer Savings	300	
TOTAL FAMILY CONTRIBUTION		$ 700

3. Your estimated financial need: $1700

4. Financial aid awarded:

Educational Opportunity Grant	$500
College of the Elms Scholarship	300
National Defense Student Loan	500
Metropolis H.S. PTA Scholarship	100
College Work-Study Employment	300
TOTAL AID AWARDED	$1700

5. The Educational Opportunity Grant will be paid to you as follows:
   $250 at the time of fall registration
   $250 at the time of spring registration.

6. Please sign and return the enclosed acceptance form if you desire to accept this offer of financial assistance.

NOTE: Mr. Doe was awarded the $500 EOG on the basis of his initial entitlement for a grant and his financial need. The NDSL could be considered as matching financial aid and the scholarships and CW-SP job as other financial aid for meeting his remaining need. In item 5 of the sample award notification form, the institution may wish to spell out in greater detail the funding pattern for all the aid package. In item 4 of the notification form, all types of assistance awarded by the college could be included so that the amounts could easily be filled in for the appropriate aid categories.

CHAPTER II

ATTACHMENT C

Sample Acceptance Form Letter

TO: Mr. C.D. Roe
Director of Admissions and Financial Aid
College of the Elms
Ivy Lane
Collegeville, Ohio 12345

FROM: Jonathan R. Doe
2244 18th Street
Metropolis, Ohio 12468

I _x_ accept ___ decline your offer of admission to the College of the Elms as a full-time freshman student for the fall semester commencing on September 15, _____.

I _x_ accept ___ decline the financial aid awards as indicated:*

Educational Opportunity Grant	$500
College of the Elms Scholarship	300
National Defense Student Loan	500
Metropolis H.S. PTA Scholarship	100
College Work-Study Employment	300
TOTAL	$1700

_____
(Signature)

_____
(Date)

*Figures to be filled in by the college.

ATTACHMENT D

Sample Need Analysis Summary

Student Budget	$_____	
Adjustment (plus or minus)	_____	
Total	_____	_____
Family Resources		
Income (plus)	_____	
Assets Contribution	_____	
Student Resources		
Savings (plus)		
Summer Savings (net) (plus)	_____	
V.A. Benefits (plus)	_____	
Other (plus)	_____	
Other Resources	_____	
Total		(minus)_____
Need		_____

Total Budget Minus Total Resources gives Student Need.

CHAPTER III

MATCHING FUNDS AND MAINTENANCE OF LEVEL

301. Matching Financial Aid for an Educational Opportunity Grant

Matching funds for an Educational Opportunity Grant include all financial aid which may be used to satisfy the requirement of Section 402(1) of the Higher Education Act of 1965.

The amount of matching financial aid provided the student is determined by the Educational Opportunity Grant amount (see Chapter II, Section 201.05). The matching amount of financial aid must be at least equal to the amount of the Educational Opportunity Grant.

In some cases, to satisfy the remaining need of the student, the institution may wish to provide a greater amount of financial aid than that equal to the Educational Opportunity Grant. Both funds eligible and those not eligible as matching may be used by the institution in satisfying the remaining financial need of the student.

301.01 Grants, Gifts, and Scholarship Aid

Grants, gifts, and scholarship aid may be treated as matching financial aid in all cases where the institution of higher education controls the funds or where the funds are provided by a scholarship or grant program established by a State, private institution or organization.

The scholarship, grant, or gift may be treated as matching financial aid if such aid is included as a firm commitment or stems from firm arrangements and is not merely a promise.

The institution may wish to require that a student, awarded a non-institutional scholarship or grant, provide an official award notification, if such aid is to be used for matching his Educational Opportunity Grant.

301.02 Loans

Direct loans made by the institution and those loans in which the institution provides the guarantee funds may be treated as matching financial aid. This would include the National Defense Student Loan Program, the Nursing Student Loan Program, the Health Professions Student Loan Program, the College Reserve Program of United Student Aid Funds, Inc. and any State or private Guarantee Loan Program in which the institution provides the guarantee funds.

If the institution performs primary administrative functions and exercises control over the determination of loan recipients, then a loan made under a State loan program may be used as matching, even though the State provides the loan funds. State loan programs of this category, however, must have prior approval, from the Washington office, on an individual basis before being acceptable as matching aid.

Short term or emergency loans, which are intended to be repaid before the end of an academic term, are not eligible for matching EOG's. Direct bank loans, most State loan programs, and loans from sources such as foundations, service clubs and other philanthropic organizations are not eligible as matching because the institution does not exercise primary control over these funds.

301.03 Student Employment Programs

Employment provided by the institution during any academic semester, trimester, quarter, or term during which the student is in full-time attendance as an EOG recipient may be used as matching financial aid. Institutional employment and CWSP employment during an academic period in which the student is not in full-time attendance (usually in the summer) may be considered as matching aid. Employment not provided by the institution may not be used as matching aid, but should be treated as a student resource in determining his financial need.

Employment provided by the institution refers to employment for the institution or for some related business or institution either controlled by the institution or with which the institution has a written agreement allowing the institution to screen and recommend placements. Examples would be a contract food service or research foundation.

When student employment is used as matching financial aid, the student's gross wages (before Social Security, Income Tax, or other deductions) are considered as eligible matching funds.

Payments for student employment are acceptable as matching aid either in cash or by crediting the student's account for the fair cash value of services performed.

301.04 Institutional Waivers of Tuition and Fees

Institutional Waivers of the tuition and fees regularly charged all students may be used as matching financial aid.

301.05 Sources of Student Financial Aid Excluded as Matching Financial Aid

The following are examples of funds which may not be considered as matching financial aid for Educational Opportunity Grants: The extension of Social Security benefits to students attending institutions of higher education, AF-ROTC and NROTC scholarships, Vocational Rehabilitation payments, and Federal education benefits for certain areas of specialized study available through the various agencies of the Federal Government, e.g., G.I. Bill payments.

301.06 Circumstances Affecting Matching Financial Aid

Circumstances may arise during the academic year which could modify the amount of matching financial aid. If some matching financial aid committed by the institution cannot be provided, other matching financial aid must be substituted.

If a student who has been awarded an EOG is also employed under either the College Work-Study Program or the institution's own work program and quits his job or is fired for cause before the end of the assigned period of work, then neither different employment nor a different type of financial aid need be substituted solely to satisfy the matching requirement of the EOG Program.

In such cases the financial aid officer should, however, make every reasonable effort to meet the student's remaining need for assistance in order to prevent his being forced to terminate his studies prematurely for purely financial reasons. If no substitute aid is provided by the financial aid officer, the reasons for such action and its effect on the student's ability to continue his studies should be carefully documented. The financial aid officer should also counsel the student regarding his responsibility to any future employer before placing him in another part-time job.

302. Maintaining the Level of Undergraduate Financial Assistance

The Agreement, to which an institution must became a party prior to its participation in the EOG program, requires that the institution continue to spend, in each fiscal year in which the Agreement remains in effect, in its own undergraduate financial assistance program, an amount not less than the institutional average expenditure for such purpose during the three fiscal years preceding the fiscal year in which the Agreement is entered into. (See Chapter V, ...Section 505.)

Sources of financial assistance that can be used in computing the level of institutional undergraduate financial assistance would include: institutional scholarships and grants, institutional waivers of tuition and fees, institutional loans, institutional share for NDSLP loans, institutional employment, institutional share for CWSP payments.

Although the institution can use its own as well as the Federal contribution for NDSLP loans as matching financial aid, only the institution's contribution can be considered in computing the level of institutional undergraduate assistance. Also, the institution's share of CWSP expenditures can be applied in computing the level of institutional undergraduate assistance.

The following table summarizes the appropriateness of using various funds as matching for Educational Opportunity Grants and as components of the institutional maintenance of level.

Maintenance of Level	Matching Sources for EOG		
		A. Gift Aid	
Yes	Yes	1.	Institutional grants-in-aid.
Yes	Yes	2.	Institutional scholarships.
Yes	Yes	3.	Institutional waiver of tuition.
Yes	Yes	4.	Institutional waiver of fees.
No	Yes	5.	Full amount of State Scholarships.
No	Yes	6.	Full amount of scholarships or grants provided by a group outside the institution.
No	Yes	7.	Law Enforcement Education Program grants.
		B. Loans	
Yes	Yes	1.	Institutional student loans, including Insured Loans if the institution is a lender.
Yes	Yes	2.	Institutional share* of the National Defense Student Loan Program.
No	Yes	3.	Full amount of National Defense Student Loan Program.
Yes	Yes	4.	Institutional share* of student nursing and health professions loans.
No	Yes	5.	Full amount of student nursing and health professions loans.
Yes	Yes	6.	Institutional share* of the United Student Aid Funds, Inc., College Reserve Program.
No	Yes	7.	Full amount of the United Student Aid Funds, Inc., if institution provides guarantee funds under the College Reserve Program.

Maintenance of Level	Matching Sources for EOG		
			B. Loans (continued)
No	No	8.	Full amount of State loan in which institution does not provide any funds.**
No	No	9.	Full amount of loan if institution provides guarantee funds to a State or private loan program.*
No	No	10.	Full amount of Guaranteed Loan Program in which the institution does not provide any funds.
No	No	11.	Full amount of loan contracted independent of institution.
No	Yes	12.	Cuban Student Loan Program.
No	Yes	13.	EOG funds transferred to NDSLP.
No	Yes	14.	Law Enforcement Education Program Loans
			C. Employment
Yes	Yes	1.	Institutional employment during periods of full-time study.
Yes	Yes	2.	Income from employment contracted by an institution with a private concern, with a provision that a given number of student jobs (not paid from College Work-Study funds) are in the contract, e.g., food service and window-washing.
Yes	No	3.	Institutional employment not during periods of full-time study.
No	No	4.	Employment not related to the institution.
Yes	Yes	5.	Institutional share of the College Work-Study Program.
No	Yes	6.	Full amount of income from the CWSP.
No	No	7.	Income from jobs financed by the Federal Government, e.g., research under a Federal grant.

Maintenance of Level	Matching Sources for EOG	
No	No	8. Other student income.
		D. Other Sources
No	No	1. Social Security benefits.
No	No	2. Vocational Rehabilitation benefits.
No	No	3. GI Bill benefits.
No	Yes	4. Federal grants to Indians.***
No	No	5. Student savings.
No	No	6. War Orphan Benefits.
No	No	7. ROTC and NROTC scholarships or payments.

* Only the institutional share may be used for maintenance of level. The full amount may be used for matching.

** If the institution performs primary administrative functions and exercises control over the determination of loan recipients, then the full amount of the State loan may be used as matching. State loan programs of this category, however, must have prior approval, from the Washington Office, on an idividual basis before being acceptable as matching aid.

*** If the institution performs primary administrative functions and exercises control over the determination of Indian grant recipients, then the amount of the grant may be used as matching.

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CHAPTER IV

RECRUITMENT ACTIVITY

401. Identification and Encouragement of Eligible Students for the Educational Opportunity Grants Program

Each institution participating in the Educational Opportunity Grants Program has agreed, as condition of participation, to develop plans for, and engage in, vigorous efforts to seek out qualified youths of exceptional financial need and encourage them to continue their education beyond the secondary level. Article I, Paragraph 8, of the Terms of Agreement sets forth two areas in which activity could be performed to demonstrate such "vigorous" efforts": (1) establishing or strengthening close working relationships with secondary school principals and guidance and counseling personnel, and (2) making conditional grant commitments, where feasible, to qualified students with special emphasis on students enrolled in grade 11 or below who show evidence of academic or creative promise.

Above and beyond this, an institution of higher education might well benefit by coordinating its activities with other institutions of higher education in encouraging promising students to complete secondary school and pursue post-secondary educational opportunities.

An active campaign to publicize and explain the grants program to those students already enrolled at the institution will also locate eligible grant applicants, particularly in that segment of the student population attending school part-time because of limited financial resources. It should be noted, however, that although EOG Program benefits are available to any undergraduate applicant who qualifies for this assistance, it is anticipated that initial year awards will be given primarily to incoming freshmen.

In many sections of the nation there are a number of activities such as the Educational Talent Search and Upward Bound Programs which are designed to identify and encourage students from disadvantaged families to continue their education.

The Financial Aid Officer, and his counterparts in the Admissions Office, should carefully consider students referred by these projects since they may well be eligible for an Educational Opportunity Grant. A directory of these projects may be obtained from:

Division of Student Special Services
Bureau of Higher Education
United States Office of Education
Washington, D.C. 20202

CHAPTER V

FISCAL MANAGEMENT

501. Payment to Institutions

Payment for the Educational Opportunity Grants Program will be made to participating institutions by the National Institutes of Health (NIH), which functions as a disbursing agent. Institutions designated by NIH to use either the letter of credit or the cash demand system may draw EOG funds against their grant letter amounts as these funds are needed for disbursement to students.

The check that is forwarded by NIH will often include disbursements for more than one Federal Program. An enclosure will accompany each check, and the EOG payment listed in the amount column will be preceded by an eight-digit code. The first two digits - 77 - are the EOG program code. The third and fourth digits identify the State, and the remaining four digits are the institution's identification number.

502. Maintenance of Educational Opportunity Grant Funds

Educational Opportunity Grant funds may be deposited in a merged bank account provided there are adequate accounting controls to insure the integrity of the account and to avoid drawing on the EOG balance to support any other activities. It is unlikely that an institution will have sufficient EOG funds on hand for a long enough time to merit placing them in an income-bearing account. Should this occur, however, the interest earned on these funds must be returned to the Office of Education at the end of the fiscal year. Checks should be made payable to the Office of Education and mailed to the following address:

Fiscal Services Section
Finance Branch
U.S. Office of Education
Washington, D.C. 20202

503. Disbursements to Students

The institution may advance grants by checks or by crediting a student's account or by a combination of both. The institution must have a signed acknowledgment from the student that he received the grant. An endorsed check will serve this purpose. For non-check advances, two sample forms are included as Attachments A and B of this chapter. Where accounts are credited, receipts should be issued with duplicate copies being retained as documentation.

Grants are to be made on the basis of an academic year which consists of two semesters, two trimesters, or three quarters falling within a school year of approximately nine months' duration. An exception would be when the remaining eligibility of an EOG recipient is less than a complete academic year. This policy does not preclude a grant being given the student who enters at midyear, but a grant for less than a full academic year would be for the pro rata amount based on a full academic year of eligibility. Payments of grants shall be made in equal installments at least once during each registration period.

Payments for students attending summer session (see Chapter I, Section 103) will be made by the institution from a single fiscal year appropriation, and not prorated out of two fiscal years' appropriations.

Payments shall not be made during any period in which the student is not in full-time attendance at the institution which awarded him the grant, nor during any period when he is otherwise ineligible to receive a grant.

504. Matching Requirement

In awarding an Educational Opportunity Grant an institution must provide an equal amount of financial assistance to the student. Eligible matching financial aid for an EOG is described in Chapter III. There is nothing in the Act which prohibits the institution from providing matching financial assistance in an amount grater than the amount of the Educational Opportunity Grant. The matching requirement, however, pertains to each individual grant, and the institution may not balance out its matching obligation by over-matching one student's grant and under-matching another's.

505. Maintenance of Level Requirement

P. L. 90-577, Title I, sec. 152, provides that "Agreement between the Commissioner and an institution shall provide assurance that the institution will continue to spend in its own scholarship and student-aid program,...not less than the average expenditure per year made for that purpose during the most recent period of three fiscal years preceeding the effective date of the agreement."

As explained in Section 176.12 of the Draft Regulations, an institution shall not be deemed to have failed to meet the maintenance of level requirement if its inability to expend the amount required thereunder is solely attributable to the withdrawal of funds for student aid programs from outside sources.

For further discussion of maintenance of level, see the "Agreement Covering Institutional Participation in Programs of Student Financial Aid" and the FY 1971 Application to Participate in Federal Student Financial Aid Programs.

506. Fiscal Records

All accounting records for EOG funds will need to be maintained in a form permitting report preparation on a July 1 - June 30 fiscal year basis. Transactions should be recorded promptly, and subsidiary records, including the individual student ledgers, should be reconciled with the control accounts quarterly, preferably more often.

When the institution provides part-time institutional employment as all or part of the required EOG matching amount, time and wage cards, signed by student and approved by his supervisor, will need to be kept on file to support the earnings which are used as matching. The gross wages (before Social Security, Income Tax, or other deductions) to the student are to be considered as eligible matching funds.

A written authorization from the institutional representative, EOG, to the fiscal officer, EOG, indicating which students are to receive grants and in what amounts, by dates, is a necessary part of the records to be retained by the fiscal officer.

All records pertaining to program management and fiscal control must be retained by the institution for a period of three years or until audited by the audit staff of the Department of Health, Education, and Welfare (or its designee), whichever is later.

The accounting records and procedures set forth herein may be adapted to the accounting procedures of the institution so long as the records for EOG funds are maintained in accordance with generally accepted accounting principles and provide the necessary information for preparation of financial reports and for proper management. The following General Ledger Control Accounts will be essential to the fully-operational EOG program.

507. Maintaining Individual Student Accounts

Proper maintenance of EOG funds will necessitate the use of a student ledger card (see Attachment C) for each student awarded an Educational Opportunity Grant. The minimum information required will be:

(1) The full name, home address, Social Security number, or other identification of the student. The identification will need to be such as to enable the auditors to correlate the records maintained by the financial aid office, the business office, and the registrar's or other offices maintaining academic records.

(2) A record of the student's estimated cost of attending the institution for each academic year for which he receives an EOG award. This record, together with the application for an EOG award, the determination of need, and the parental contribution, may be maintained by the financial aid office and does not need to be duplicated by the business office.

(3) A record, by academic year, of the institution's EOG fiscal transactions with the student which includes: (a) the amount of the EOG award, identified as to whether it is an initial year award or a first, second, or third year renewal; (b) a notation on the ledger of incoming transfer students as to number and amounts of grants the students had previously received; and (c) a list of disbursements of EOG funds to the student with student's acknowledgment of receipt. The records will need to lend themselves to both fiscal and calendar year reporting of payments of both the EOG and the matching amount, together with a clear indication of the source of the matching amount. Ledger entries will need to indicate the date and nature of the transaction, and to identify the supporting documents by check numbers, the account numbers to which credit entries are made, etc. The information could be recorded as indicated on Attachment C, Individual Student Ledger, or by such other auditable method as the institution may devise.

508. Federal Tax Effect on Student's Income from EOG

Section 117 of the Internal Revenue Code provides in part that, "In the case of an individual, gross income does not include (1) any amount received (A) as a scholarship at an educational institution..." While there are certain limitations on this exclusion, they are unlikely to disqualify the EOG recipient. Tax consequences of an Educational Opportunity Grant are the recipient's responsibility, and he should refer questions concerning his particular situation to his tax counsel or the Internal Revenue Service.

509. Administrative Expenses

It is now permissible for your institution to withdraw from the authorized allocation an amount not greater than three percent of the amount actually spent for EOG awards to students, as a payment in lieu of reimbursement for administrative expenses. Since there is no separate allocation for administrative expenses, institutions may draw funds from the initial or renewal allocation or both. The total amount withdrawn for administrative expenses for the Educational Opportunity Grants, National Defense Student Loan, and College Work-Study programs may not exceed $125,000 per institution in any fiscal year.

EOG GENERAL LEDGER CONTROL ACCOUNTS

Account Number	Account Title
1	EOG Cash-on-Hand and in Depository
2	EOG Funds Receivable from the Federal Government
3	Initial Year EOG Awards Paid
4	Renewal Year EOG Awards Paid
5	Initial Year EOG Awards Capital
6	Renewal Year EOG Awards Capital
7	Interest or other EOG Income

Illustrative Transactions	Debit	Credit
1. RECEIPT OF GRANT LETTER		
EOG Funds Receivable from Federal Government (Account #2)	XXXX	
Initial Year EOG Awards Capital (Account #5)		XXXX
Renewal Year EOG Awards Capital (Account #6)		XXXX
2. RECEIPT OF CHECK FROM FEDERAL GOVERNMENT (NIH)		
EOG Cash-on-Hand and in Depository (Account #1)	XXXX	
EOG Funds Receivable from Federal Government (Account #2)		XXXX
3. PAYMENT OF AWARDS TO STUDENTS		
Initial Year EOG Awards Paid (Account #3)	XXXX	
Renewal Year EOG Awards Paid (Account #4)	XXXX	
EOG Cash-on-Hand and in Depository Account #1)		XXXX

CHAPTER V

ATTACHMENT A

SAMPLE STUDENT ACKNOWLEDGMENT OF
EDUCATIONAL OPPORTUNITY GRANT FOR NON-CHECK PAYMENTS

John R. Doe
Student's Name

Home Address

Social Security Number

EDUCATIONAL OPPORTUNITY GRANT

SCHEDULE OF PAYMENTS

Educational Opportunity Grant			Student Signature	Institutional Matching	
Date	Amount	Type of Payment		Amount	Type of Payment
9/14/66	$300	Receipt #00147 Acct credited for tuition		$300	NDSL Loan #34254
2/15/67	$300	Receipt #00192 Acct credited for tuition		$300	Hurst Scholarship Credit Memo

CHAPTER V

ATTACHMENT B

SAMPLE STUDENT ACKNOWLEDGMENT OF EDUCATIONAL OPPORTUNITY GRANT FOR NON-CHECK PAYMENTS

ALTERNATE FORM

College of the Elms
Collegeville, Ohio

I, John R. Doe, hereby acknowledge receipt of $_____ which represents one-half of the Educational Opportunity Grant awarded me for the 1966-67 academic year. This amount has been credited to my account to pay for tuition and fees.

_____
Signature of Student

_____
Date

Record of Matching funds:

$_____ tuition remission first semester

SAMPLE STUDENT LEDGER

EDUCATIONAL OPPORTUNITY GRANT

NAME _____ HOME ADDRESS _____

LOCAL ADDRESS _____

SOCIAL SECURITY NUMBER _____

ACADEMIC YEAR	1966-67	1967-68	19__	19__
EOG AMOUNT	$600	1st renewal $700	2nd renewal $	3rd renewal $

If a transfer from another institution (or re-entry) -- previous EOG's received:

Name of Previous Institution(s)	City and State	Amount Awarded	Term(s) or Semester(s) (by class)	Year Awarded
1.				19
2.				19
3.				19

UNITED STATES GOVERNMENT

Memorandum

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE
OFFICE OF EDUCATION

TO : Coordinators of Student Financial Aid
EOG Participating Institutions

DATE: October 17, 1969

FROM : Hubert S. Shaw
Chief, Educational Opportunity Grants Branch, SFA

SUBJECT: Eligibility of EOG Recipients and Other Matters

EOG ADMINISTRATIVE MEMORANDUM NO. 1-70

I. Introduction:

This memorandum refines and extends Administrative Memorandum 4-69, February 14, 1969, Sections III and IV and deletes use of the table in Section I for purposes of determining a student's amount of entitlement to an Educational Opportunity Grant. It is effective for the fiscal year beginning July 1, 1970.

Since the issuance of Memorandum 4-69, many questions have been raised by financial aid officers about the criteria for selecting EOG recipients and the need for a clear description of the potential EOG student. The program staff has engaged in a series of exchanges with financial aid officers, culminating in two meetings with officers of the National Council of Student Financial Aid Associations.

This memorandum reflects the ideas of this group and of other financial aid officers and presents criteria, both objective in terms of the family and its financial condition and subjective in describing the potential EOG recipient. Basic eligibility factors previously established are retained, with added flexibility for the financial aid officer in selecting recipients and determining grants. In arriving at these criteria, many variables were considered: rising costs of education, size of appropriations, cost of living and its effect on income levels and on funds for education, new Bureau of Labor Statistics family budget figures, numbers of dependent children and both parents working, to mention only a few items.

The purpose of the program and of these criteria is to assist the most needy students. Therefore, the thrust of our criteria is toward those students from the lowest income levels and with the least contribution toward educational costs. Evidence shows again that approximately 70% of initial year students nationally come from families with incomes under $6,000. Your application should reflect the intent to hold and conceivably increase this proportion of low-income recipients. One new criterion sets an income limit of $9,000, which defines more clearly the group of potential EOG recipients. All recipients must come under this ceiling, with continued emphasis on those under the $6,000 level. Panels will review the applications of institutions showing a percentage under $6,000 of less than 70%.

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The second criterion continues to be a $625 limit on parental contribution. Determination of the amount of the grant, however, will be based on calculated need, rather than the stipend table (page 2, Memorandum 4-69) previously used. Since this might result in a student with a zero parental contribution and one with a $600 parental contribution each being considered for $1000 grants, the financial aid officer should, in such cases, ensure the lower contribution case be given priority. Also, an institution should not limit recruiting among students with parental contributions at the $500 - $600 levels, but should aim at the zero end of the scale. The principle of "inverse proportionality" - lowest contribution, highest grant - is still an important consideration in determining the amount of a grant. However, the student's grant should be at a level appropriate to permit him freedom of final choice of which institution he may attend insofar as possible.

There will be circumstances which will offset low parental contributions, such as unusually high student savings, exceptional summer earnings, or such student benefits as social security, vocational rehabilitation, V. A. benefits, etc., and which give reason for lower priority than applicants with higher parental contributions. In essence, the priority should be given to those students with the least family contribution, which would include the students' own resources. There may be other reasons that would cause the financial aid officer to give priority to students with special problems which are not accurately reflected in the need analysis per se. Your goal should be to aid your neediest students first and continue through the eligible group until your allocation is committed. In addition to the philosophy of helping the neediest first, there is the more practical matter that such an order of priority is necessary as long as funding does not meet the national demands for the program.

Priority for freshmen and new transfers (80% or more) in making initial year grants is still essential. We again urge that a student's grant be as near the maximum size (the lesser of $1000 or one-half of calculated need) as possible, recognizing the problem caused by limited funding and the desire to spread grants among as many students as possible.

II. Initial Year Selection Criteria:

Step 1 - Eliminate applicants from families with gross annual incomes over $9000 (for farmers and business "gross" is income after allowance for operating expenses deductible for tax purposes but before income taxes). Family income above this maximum cannot be considered "low", even though financial need may be clearly demonstrated. They are, therefore, beyond the scope and purpose of the EOG program, even though they may be eligible for other forms of aid.

Step 2 - Next eliminate those having an expected parental contribution, based upon an approved system of need analysis, of more than $625 per academic year. This is the same measure of eligibility employed in the past.

Step 3 - Evaluate remaining applicants on the basis of the following description of the type of student for whom the EOG program was intended:

The Intended EOG Recipient

Is:	Is Not:
1. One whose family has historically been unable to provide adequate financial support for typical consumer goods and services. Income is inadequate before, not solely as a result of the additional expense of college. Therefore, the family can contribute little or nothing to the student's education.	1. One whose family has encountered temporary financial loss or strain, preceded and/or followed by adequate resources to provide at least a moderate standard of living.
2. One whose family has been unable to accumulate assets which will provide any element of financial security to the family members. There is little or no cash or property to be used for college expenses or other discretionary purchases.	2. One whose family has been successful in obtaining some degree of financial security through cash or real estate assets to which it can turn for retirement, emergency, or specialized uses, such as education. Business holdings and inventory or farming assets, while used for income production, have such size as to give substantial financial visibility.
3. One whose family operates a business or farm which has small cash turnover to go along with low gross income.	3. One whose family operates a business or farm which has large cash turnover and resulting ability to incorporate family needs into expenses of operation.
4. One whose environment has not allowed concrete plans for higher education to be formed because of the lack of money, family encouragement, proper counseling or any of several other deterrents.	4. One whose post-secondary plans have been supported by the environment to the extent that college was a foregone conclusion.

Is:	Is Not:
5. One who is admissible to the appropriate curriculum according to standards established by the institution. There is evidence of academic or creative promise and the ability to complete the course of study. This evidence, however, may deviate somewhat from standard selection criteria. While greater adjustment may be necessary than required of the average student, there is good reason to believe that the potential EOG recipient will respond favorably, given the available supportive services.	5. One whose potential is incongruous with the demands of the desired curriculum or higher education in general. Completion of the course of study seems doubtful, even with the supportive services available to the student.
6. One whose enrollment in higher education is dependent upon sizeable amounts of financial assistance which could not be provided through the available non-EOG resources without unreasonable quotas of loan and part-time employment.	6. One whose college financing can be provided through family support and the typical scholarship, loan, and part-time employment programs available through the community, State, and institution of enrollment.

Step 4 - From those applicants who fall within the financial and descriptive criteria above, select EOG recipients by proceeding from the most needy to the least needy of the eligible group until funds are exhausted. It is no longer necessary to observe the stipend table on page 2 of Memorandum 4-69 in setting the size of the grant. The EOG award amount will be left to the judgment of the financial aid officer, except that stipend cannot exceed one-half of the student's need or $1000 per academic year, whichever is less. Section 201.05, of the EOG Manual provides guidance for those occasions when less than the maximum grant is thought to be desirable.

Step 5 - Provide the necessary "matching" funds as in past years. Refer to the EOG Manual and Administrative Memo 3-69 for acceptable forms of "matching" aid. It is hoped that each EOG recipient will receive an aid package which meets his financial aid.

III. Renewal Year Awards:

Students receiving grants prior to July 1, 1970, will continue to be eligible for renewal grants, provided the expected parental contribution remains $625 or less per academic year and good standing is maintained according to the academic standards of the institution. However, the $9000 income ceiling set in this Memorandum will not apply to such renewal grants. Although it will not be necessary to use the stipend table in determining the amount of the renewal award, it is strongly recommended that stipends approximate the amounts provided in previous years, all other considerations being equal. Presumably, a satisfactory aid package has been constructed and could be continued. Sizable increases in renewal year grants will reduce the funds available for initial year use and should be avoided where possible.

IV. New Sources of Eligible Matching Funds:

Scholarship and loan funds provided by the Bureau of Indian Affairs are now eligible for matching educational opportunity grants. By arrangement with Bureau of Indian Affairs scholarship program authorities, institutions will control the selection of students, determination of their need, and amount of BIA funds as part of a total financial aid award. Institutions should contact the Bureau of Indian Affairs Scholarship Program, 5301 Central Avenue, N.E., Albuquerque, New Mexico 87108, for advice concerning making awards involving BIA funds. This new source of matching funds should allow institutions to make greater use of educational opportunity grants in meeting the needs of American Indian students.

Also, institutions which become lenders under the Insured Loan Program, and utilize their own funds for making such loans, may use such funds as an additional eligible source for matching educational opportunity grants.

UNITED STATES GOVERNMENT

Memorandum

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE
OFFICE OF EDUCATION

TO : Coordinators of Student Financial Aid
Chief Fiscal Officers
EOG Participating Institutions

DATE: April, 1970

FROM : Hubert S. Shaw *Hubert S. Shaw*
Chief, Educational Opportunity Grants Branch, SFA

SUBJECT : Instructions concerning Allocation for Fiscal Year 1971

EOG ADMINISTRATIVE MEMORANDUM NO. 2-70

Your institution's allocation of Educational Opportunity Grant funds for use during Fiscal Year 1971 (July 1, 1970 - June 30, 1971) is provided on the enclosed allocation letter. A copy of that letter has also been sent directly to the President of your institution. The total allocation has been determined by the Regional panel recommendations for initial and renewal funds and by the required State allotment formula for initial year funds, as modified by the total amount available nationwide.

I. Use of Funds:

We have continued the practice of providing a portion of your renewal requests as approved by the Regional panels in the form of initial year funds, a practice that has been successful in Fiscal Year 1970 in maximizing fund utilization. However, please keep in mind that the authorizing legislation requires that eligible renewal candidates receive priority in the use of funds. Therefore, if your renewal allocation is insufficient to meet the needs of renewal candidates, you should transfer from the initial year funds whatever amount is necessary to meet the needs of renewal recipients. The reverse transfer, from renewal to initial funds, is not permitted. The amounts granted to students must not exceed the amounts indicated on the allocation letter for initial and total allocation.

II. Guidelines in Making Awards:

EOG awards made during Fiscal Year 1971 are to follow the program guidelines provided by EOG Administrative Memorandum 4-69, as modified and extended by EOG Administrative Memorandum 1-70. Please review these two documents before making your awards. Some of the comments we have received concerning Memorandum 1-70 indicate that steps three and four are being overlooked in some quarters. These eligibility standards are no less important than steps one, two, and five, and in fact require a high degree of professional judgment and discretion. Contrary to the suggestion of some observers, the EOG program has not been "loosened up" by the replacement of the $6000 guideline family income figure by an absolute limit of $9000. Actually the reverse is true, since initial year grants no longer may be made to students whose family incomes exceed $9000. Since this income limit must be accompanied by a parental or independent student

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contribution of $625 or less, the effect of steps one through four, if properly employed, will result in a greater utilization of EOG funds for truly disadvantaged students. Giving priority to students with the smallest parental contribution reduces the importance of categories by income level.

A brief summary of the income guidelines in Memorandum 1-70 (steps 1 and 2) is provided here for your convenience:

Initial Year Awards - All students receiving their initial year awards in Fiscal Year 1971 or later must meet the following two criteria:

a. They must come from families with gross annual incomes of $9000 or lower;
b. They must have an expected parental contribution or independent student contribution of $625, or less, per academic year.

All students receiving initial year awards under the above two criteria must continue to meet them in order to receive renewal awards in future years.

Renewal Year Awards - Students who received their first EOG awards prior to Fiscal Year 1971 will be eligible for a renewal year award in FY 1971 and later years so long as their expected parental or independent student contribution remains $625, or less, and they continue to meet all other eligibility requirements which governed their first grant.

III. Payments of EOG Funds to Institutions:

The allocation letter which you have just received constitutes an authorization to spend a certain amount of EOG funds. Payment to your institution, within the limit of the authorization, is made by our disbursing agent, the National Institutes of Health, under either the letter-of-credit or cash-demand system, whichever is designated for your institution's use by NIH. Please note that your institution must take the initiative in requesting funds from NIH. All questions pertaining solely to payment of EOG funds should be directed to Mr. James Bouvet, Financial Management Branch, National Institutes of Health, Room 548, Westwood Building, Bethesda, Maryland 20014, telephone: 301-496-7239. Please include the NIH vendor number printed on your allocation letter in any correspondence with NIH.

IV. Carryover of Funds Not Permitted:

Please note that the total authorization printed on the allocation letter is the maximum amount that your institution may spend for Educational Opportunity Grants during Fiscal Year 1971. EOG funds are awarded for use during one fiscal year only; any authorized amount not spent by the end of the fiscal year lapses.

V. Administrative Expenses:

It is permissible for your institution to withdraw from the authorized allocation an amount not greater than three percent of the amount actually spent for EOG awards to students in FY 1971, as a payment in lieu of reimbursement for administrative expenses. Since there is no separate allocation for administrative expenses, any amounts so withdrawn must be taken from the initial or renewal allocation or both. Remember that the total amount withdrawn for administrative expenses for the Educational Opportunity Grants, National Defense Student Loan, and College Work-Study programs may not exceed $125,000 per institution in any fiscal year.

VI. DSFA Terms of Agreement:

Institutions which are participating in the Division of Student Financial Aid's college-based programs for the first time in Fiscal Year 1971 must have on file a signed Terms of Agreement with the Commissioner of Education before any program funds may be spent. A form for the execution of this Agreement will be sent to new participants later in the spring.

The 1970 fiscal-operations report will contain a section providing for the extension of the Agreement for Fiscal Year 1971, to be signed by an authorized officer of all institutions which executed the combined Terms of Agreement in FY 1970.

VII. Possible Reallocation in January 1971:

In Fiscal Year 1970 it was possible to reallocate about $3,000,000 primarily in initial year funds. These funds were used to make initial year awards to students who did not receive EOG assistance originally because of insufficient funds.

We encourage you to maintain a record of students who are eligible for EOG assistance but for whom you are unable to provide grants from this allocation. During the late fall we may again investigate the need for supplemental funds and reallocation. CAUTION: Do not make commitments now based on the hope that supplemental funds will be forthcoming next January. Any supplements depend on the release of uncommitted funds from other participating institutions. As additional experience in estimating needs and recruiting exceptionally needy students is gained, institutions have reduced greatly the availability of supplemental funds by more effective use of their allocated funds.

VIII. Summary:

1. Meet renewal commitments first, transferring funds, if needed, from the initial year funds.

VIII. Summary: (Cont.)

2. Do not exceed the initial year authorization indicated on the enclosed allocation letter.

3. Do not exceed the total authorization indicated on the enclosed allocation letter.

4. Observe all selection criteria in Memorandum 1-70 for initial year awards.

5. Keep a record of those eligible students whom you are unable to assist because of insufficient funds.

10302 - SPECIAL ACADEMIC QUALIFICATIONS

The Act provides that in the selection of students to receive National Defense Student Loans, "special consideration" shall be given to students "with a superior academic background". This means that, when the total loan funds available at a given time are insufficient to assist all qualified applicants in the amounts needed, the applications of those who indicate high academic achievement must receive first consideration. Each institution has stated the policies and procedures which it will follow in administering the "special consideration" provision, and these policies and procedures have been made a part of the institution's Agreement with the Commissioner.

10303 - GENERAL ACADEMIC QUALIFICATIONS

In order to be eligible to receive a loan, a needy student applicant must meet two academic criteria specified in the Act.

a. He must be a student carrying at least one-half the full-time academic workload, as determined by the institution, on either the undergraduate or graduate level.

A "full-time academic workload" is measured in terms of the course work and other activities that the institution requires of its students.

A student who is gradually acquiring credits toward a degree by part-time study (less than half-time) in regular or evening sessions, and/or by full-time, half-time or part-time study in summer sessions only, may not be considered an eligible borrower. However, a loan may properly be made for the purpose of full-time or half-time study in a summer session, if the applicant was enrolled in the lending institution during the preceding regular term, or can show evidence of his intention to be so enrolled in the following regular term.

b. He must be capable, in the opinion of the institution, of maintaining good standing.

A student is in "good standing" when he is eligible to continue in attendance at the institution in which he is enrolled, in accordance with the institution's standards and practices. It is the responsibility of the Institutional Representative to become informed when a student borrower ceases to be in good standing and thereby becomes ineligible to receive further advances on his loan. Academic probation when a student is permitted to continue in attendance at the institution, is not necessarily to be considered evidence of a failure to maintain good standing as required by the Act.

10304 - REQUIREMENT OF FINANCIAL NEED

The primary and most essential condition of an applicant's eligibility for a National Defense Student Loan is that he is in need of the requested loan in order to pursue his course of study during the period for which the application is made.

a. Determination of Need

In determining need, the institution must evaluate the financial circumstances of both the applicant and his family. Such an evaluation should be repeated at least annually for as long as the student continues to borrow. The most effective method of securing the information necessary for this evaluation is through the application form which the student submits when requesting a loan. A recommended application form is included as Appendix 7 of this Manual, and institutions are free to use it in its entirety or to make appropriate adaptations of it. In many institutions complete data concerning the applicant's family and personal resources will already be available in applications previously submitted for scholarships or other financial assistance.

The student loan application form used by the institution must provide for at least the following basic financial data:

1. the contribution which may be expected from the student's family in the light of its income, assets, and financial responsibilities;

2. the amount of savings of the student himself;

3. the earnings which may be anticipated from the student's part-time and summer employment (including payment in kind, e.g., board and/or room);

4. other available funds from scholarships, non-Federal loans, etc.

Against the total of such resources available to the student, the following college-related expenses should be compared:

1. tuition and required fees;

2. the cost of room and board; or, for the commuting student, the cost of transportation to and from the institution, and lunches;

3. cost of books, instructional materials, and equipment;

4. other educationally related expenses.

b. Cases Requiring Special Treatment

In the typical case, the difference between the total estimated resources and the total estimated college-related expenses will indicate the approximate amount of assistance which the applicant needs to see him through the period under review. Experience indicates, however, that there will be a variety of worthy cases which differ from the norm and which will require special attention and treatment.

1. It is recognized that special circumstances may exist in which an applicant may be considered an "independent student" and that it would not be reasonable to expect any contribution from a student's parents or other members of the family no matter what their financial ability may be. In making such a determination, however, the basis for the determination must be carefully documented by the institution. As a minimum, the institution should seek to determine that:

(a) for the previous college year, the parents (or other persons in loco parentis) have provided no financial support to cover the student's cost of education;

(b) for such year, the applicant has not been claimed by his parents (or others) as a tax exemption for Federal Income Tax purposes; and

(c) the applicant is not or has not during the preceding twelve months resided with his parents (or others in loco parentis).

2. Some applicants are married and have children. In those cases the basic living expenses such as food and housing may be considered legitimate items for inclusion in the list of college-related expenses. In evaluating need in the case of a married student, the institution should also obtain information concerning the possible earnings or other income available from the spouse. Both husband and wife may be needy full-time students, each of whom may properly be considered as eligible to borrow.

3. It has been determined that an applicant who is a member of a religious community, society, or order and who receives support and maintenance from the community, society, or order and is pursuing a course of study required by the supporting group, does not meet the test of demonstrated financial need.

c. Purposes for Which Loan is Granted

A National Defense Student Loan application ordinarily should be approved only for such college-related expenses as have been listed in Subsection "a" above. It may not be granted to repay prior obligations, unless such repayment is clearly necessary to enable the student to remain in college. A National Defense Student Loan should not ordinarily be made in order to enable a borrower to pay installments on an automobile. The ownership of an automobile, however, should not necessarily disqualify an applicant for a loan if, for example, he requires it in his part-time employment (income from which is indicated in his application) or for commuting to and from the institution. On the other hand, the payment of a prior medical bill might be deemed a proper use of the loan. In any case, at the loan approval stage, applicants should be made fully aware of the purposes for which the loan is made and the expectation that the proceeds will be used only for such purposes.

Each institution has stated the policies and procedures which it will follow in determining "need", and these policies and procedures have been made a part of the institution's Agreement with the Commissioner.

10305 - STUDENT LOAN APPLICATION

Institutional announcements of the Loan Program should be made known annually to the student body and to prospective students, with sufficient notice being given as to any deadline for filing applications.

Applications may not be accepted for periods covering more than 1 academic year. Although its use is not mandatory, a recommended student application form has been prepared by the Office of Education and is included as appendix 7. As previously indicated, this form may be copied or adapted according to the needs of the particular institution. Whatever application form is used, it must contain a space in which the Institutional Representative shall indicate the reasons for granting or denying all or any part of the loan. Each loan application shall be signed by the appropriate institutional official. Copies of all student applications, approved and disapproved, should be filed at the institution.

APPENDIX 2

(b) **Application for Federal Institutional Loan.**

(1) Each application for a Federal institutional loan shall include a statement of supporting data on which there shall be provided such information as the Commissioner may require (including information relative to the terms and conditions under which such funds are available from non-Federal sources) in order to make the necessary determinations under section 207(a) of the Act.

(2) The amount requested in each application for a Federal institutional loan shall be reviewed and approved by the Commissioner in the light of the requirements of section 207(a) of the Act and the amount of the Federal capital contribution that has been reviewed and approved in accordance with paragraph (a)(3) of this section.

(c) **Agreement for Federal Capital Contributions.**

(1) The institutional application to participate in the National Defense Student Loan Program shall also include a proposed agreement, signed by an authorized representative of the applicant institution, which shall be submitted for consideration and concurrence by the Commissioner.

(2) No application for a Federal capital contribution or for a Federal institutional loan shall be approved unless there is in effect an agreement between the Commissioner and the applicant institution for Federal capital contributions pursuant to section 204 of the Act.

(3) The agreement shall provide for the following items: (a) establishment of a Student Loan Fund by the institution; (b) deposit in the Fund of (i) the Federal capital contributions, (ii) the institutional capital contributions, equal to not less than one-ninth of the Federal contributions, (iii) collections of principal and interest on student loans made from the Fund, (iv) charges collected pursuant to section 205(c) of the Act, and (v) other earnings of the Fund; (c) that the Fund be used only for (i) loans to students in accordance with the agreement, (ii) capital distributions as provided in section 206 of the Act, (iii) routine expenses incurred by the institution in administering the Fund, not exceeding the lesser of either one-half of the routine expenses as estimated for that year by the Commissioner or one per centum of the aggregate of the outstanding loans made from the fund as of the close of that year, and (iv) costs of litigation, and other collection costs agreed to by the Commissioner arising in connection with the collection of a loan, the interest thereon or a charge assessed with respect to the loan pursuant to section 205(c) of the Act; (d) that in the selection of students to receive loans from such student loan fund special consideration shall be given to students with a superior academic background; and (e) include such other provisions as may be necessary to protect the financial interest of the United States and promote the purpose of this Part and as are agreed to by the Commissioner and the institution.

Sec. 144.5 **Federal Institutional Loan Agreements.**

Federal Institutional Loans shall be made subject to the terms of a note which shall be executed by an official who is duly authorized to execute such notes on behalf of the borrowing institution. Such loans shall be used only for institutional capital contributions to the borrower's National Defense Student Loan Fund. Each such note shall include such terms with respect to the payment of interest and repayment of capital as are not inconsistent with section 207(a) of the Act and shall include such other terms which the Commissioner finds necessary to protect the financial interest of the United States and to promote the purposes of the Act.

Sec. 144.6 **Allocation and Payment of Federal Capital Contributions and Federal Institutional Loans.**

(a) **Allocation of Federal Capital Contributions to Institutions.**

(1) Federal capital contributions will be offered to institutions within a State in relation to the amount of the requests for Federal capital contributions that have been reviewed and approved in accordance with section 144.4(a)(3). In the event that the total of such requested amounts in all the applications for the Federal capital contributions from a State exceeds that State's current allotment therefor, the amount of the Federal capital contribution that can be made available to

any applicant institution from that allotment shall bear the same ratio to such requested amount as the amount of the State's allotment bears to the total of such requested amounts within the State.

(2) In the event that an institution which has applied for a Federal institutional loan is unable to secure the necessary amount of loan funds from the Commissioner or otherwise to secure such funds as may be required in order to make the necessary institutional capital contribution, the amount of the Federal capital contribution which could have been offered to such institution pursuant to subparagraph (1) of this paragraph shall be reduced to an amount equal to not more than nine times the amount of such institutional capital contribution as the institution is able to make to the Fund.

(3) If an institution fails to accept all of the Federal capital contributions that have been offered to it, the amount represented by such unaccepted offer shall be restored as part of the State's allotment.

(4) When funds that have been restored as a part of a State's allotment are sufficient to increase significantly the amount of the Federal capital contribution that can be made available to other institutions within the State, they shall be offered to such institutions whose requests for Federal capital contributions were reduced pursuant to subparagraph (1) and (2) of this paragraph.

(b) **Allocation of Federal Institutional Loans.**

(1) Federal institutional loans shall be made by the Commissioner upon the basis of his review of the data that are provided to him in the application for a Federal institutional loan.

(2) In the event that the funds available for the purpose of making Federal institutional loans are insufficient to satisfy the requests to which institutions would otherwise be entitled in accordance with section 144.4(b)(2), the Commissioner shall allocate such available funds among all of such requests therefor in the same ratio as the amount of each such request bears to the sums of the amounts of all such requests.

(3) If an institution fails to accept all of the funds that would otherwise be loaned to it, the Commissioner shall reallocate such unaccepted funds to other institutions if the amount of such funds is sufficient to increase significantly the size of the loans to such other institutions.

(c) **Payments of Federal Capital Contributions and Institutional Loans.**

Payment of the Federal capital contributions and institutional loans shall be made in such amounts and at such times as the Commissioner shall designate.

Sec. 144.7 **Eligibility and Selection of Loan Recipients.**

(a) **Eligibility -- In General.** Loans shall be made only to a student who (1) is a national of the United States or is in the United States for other than a temporary purpose and intends to become a permanent resident thereof; (2) is in need of the amount of the loan to pursue a course of study on at least a half-time basis as a graduate, professional, or undergraduate student at the institution; (3) is capable, in the opinion of the institution, of maintaining good standing in such course of study; and (4) has been accepted for enrollment as at least a half-time student at such institution or, in the case of a student already attending such institution, is in good standing and is enrolled on at least a half-time basis at such institution.

(b) **Determination of Need.** In determining a student's need for a loan from the Fund, the institution shall where appropriate take into consideration (1) the income, assets, and resources of the applicant, (2) the income, assets, and resources of the applicant's family, and (3) the cost reasonably necessary for the student's attendance at the institution, including any special needs and obligations which directly affect the student's financial ability to attend such institution. All determination of need shall be made in accordance with the policies and procedures established by the institution and made a part of the agreement for Federal capital contributions.

(c) **Limitations Governing Maximum Amount of Loans.** In accordance with section 205(a) of the Act (1) the loans advanced from any Fund or Funds

CHAPTER IV DOCUMENTATION AND DETERMINATION OF THE COLLEGE WORK-STUDY AWARD

401 Documentation of Student Need

A determination of a student's financial need must be made before he can be placed in a College Work-Study position. It is the responsibility of the financial aid officer to calculate the amount of each student's need. He should utilize a systematic need analysis procedure in order to treat all applicants as fairly as possible. Once need is determined, financial assistance may be made available to the student in the form of a College Work-Study award, usually combined with other forms of financial aid.

Although there are certain standards to be considered in calculating a student's need, the financial aid officer must, of necessity, use his own judgment in applying these standards to specific cases. Whatever need analysis system is adopted, each student's need for assistance must be clearly demonstrable as indicated in the College Work-Study Regulations.

A. The Student's Application

It is important that the data required for determination of a student's eligibility and financial need be gathered in a uniform manner from each applicant for employment under the College Work-Study Program. The required data includes:

1. the student's budget, including both his expenses and his available resources (see Exhibit 4.1, Section 404), and

2. other eligibility data, including the applicant's citizenship status and his full-time student status. (See Section 302.)

To facilitate collection of this data, the institution may choose to adopt an application form or forms containing space for entry of the above data. Completed applications, whether approved or disapproved, should be kept on file for three years or until audited, whichever is later. Appendix 6 illustrates the type of information normally requested in a student application form.

B. Parents' Financial Statement

A parents' financial statement must be filed as part of the application procedure, unless the student can demonstrate that he is an independent student, as discussed below. The institution may use a standard form such as the Parents' Confidential Statement of the

College Scholarship Service or the Family Financial Statement of the American College Testing Program. Whatever form is utilized for this purpose, however, the institution must ensure that the following information is included:

1. the parents' gross annual income,
2. net assets of the parents,
3. any other resources of the parents,
4. the number of dependent children in the family (including the applicant), and
5. the expenses currently payable by the parents.

C. Independent Students

In some instances, institutions have found that it is appropriate to exclude parental income as a source of support. The most common situation is that of the older or married student, who is and has been independent of parental support.

When, in the judgment of the financial aid officer, the facts surrounding a given application warrant exempting parental income and/or assets as a source of support, the institution may disregard the income of parents or other persons in loco parentis provided that (1) for the previous year, the parents (or other persons in loco parentis) provided no financial support to the student (see Sections 402 and 407); and (2) for the previous calendar year, the applicant was not claimed by his parents as a tax exemption for Federal income tax purposes. The financial aid officer is expected to satisfy himself that the foregoing conditions have been met, and to require such evidence as he deems necessary to support and document his findings.

It is important to note that the fact that a student is enrolled at the graduate level does not, in and of itself, classify him as an independent student. Unless the institution has classified the graduate or professional student as independent based upon the above criteria, the resources of the student's parents must be taken into consideration when determining the student's financial need.

D. Notation of Action by Institution

The following notations should also be made either on the student application form or elsewhere in the student's financial aid file:

1. entry of the amount of the College Work-Study award, if approved;

2. a brief statement of the reason for disapproval, if the award is not approved; and

3. signature of the financial aid officer.

The data mentioned in this section must be updated and reviewed at least once every 12 months.

402 Student Expenses

The student budget, like any other budget, shows the balance between expenses and available resources. This section is concerned with the expenses incurred by the student; the following section deals with his available resources.

The first step to be taken by the financial aid officer when calculating individual financial need is to establish as precisely as possible the educational costs to be incurred by the student during the academic year concerned.

A. Usual Kinds of Expenses

1. Tuition.

2. Fees payable to the institution.

3. Books, supplies, instruments, etc.

4. Housing: Residence hall costs, apartment rent, room rent.

5. Board or subsistence.

6. Personal expenses (such as a minimum basic wardrobe, where necessary, laundry, cleaning, grooming, attendance at social and cultural events, etc.).

7. Travel costs.

8. Student health insurance.

B. Other Expenses

Some students may have other expenses related to their attendance at the institution. In making allowances for any unusual expenses borne by the student, the financial aid officer must exercise considerable discretion. Whatever allowances are made, each item of expense must be clearly set forth in the record.

1. Dependents. A student may have persons dependent upon him for financial support. In the case of a married student, his spouse may either be dependent, or be a source of income. There may be children dependent upon the student for support. There are also cases in which the student may feel that he will have to drop out of school unless he may make a contribution toward the support of parents who are either aged, indigent, or in poor health or other family members who need his help. In all such cases, an allowance may be justified but should be clearly recorded with a specific statement on or attached to the student application.

2. Unusual Expenses. In some cases, a student may have necessary expenses which are not common to most students, such as unreimbursed medical costs due to an operation, allergy, or other chronic condition. Allowances in these cases may also be justified, but again must be clearly recorded.

3. Unforeseen Expenses. Since no system of need analysis can do more than closely approximate an individual student's need for financial assistance at a given point in time, the financial aid officer may wish to include a small extra amount to permit the student to meet unexpected educational costs (such as additional required textbooks, field trips, etc.) which may arise. When this procedure is followed, the student should be advised that, under ordinary circumstances, his financial need will not be reassessed for such reasons.

403 Student Resources

After identifying the applicant's educational expenses, the financial aid officer should determine what resources are currently available to the student to assist him in meeting these expenses. This information should be in the student's application and the parents' financial statement. The difference between the student's total educational expenses for the year and the financial resources currently available to him will indicate his need for assistance and will serve as a guide for the proper placement of the student in a job. Of course, the award must not exceed the student's actual need.

The financial resources available to students applying for assistance under the College Work-Study Program are contributions from parents and the student's other resources.

A. Contribution from Parents

Since it is accepted that parents have the primary responsibility for providing for the education of their children, parental contributions will usually form a portion of the student's resources. The amount which a given student's parents may reasonably be expected to contribute toward his educational costs will vary in size according to their income, assets, and the number of dependent children in the family. Determination of the parental contribution is central to the analysis of an individual student's need. The four need analysis systems most commonly used are

1. Federal Income Tax System.
2. Income System.
3. College Scholarship Service System.
4. American College Testing Program System.

For a complete description of the first two methods listed above, the institution should obtain a copy of the booklet, Determining Awards under Federal Student Aid Programs, from the appropriate Office of Education Regional Office. Information concerning the College Scholarship Service system may be obtained by writing to the College Scholarship Service, Box 176, Princeton, New Jersey 08540; Box 188, Evanston, Illinois 60201; or Box 1025, Berkeley, California 94701. For more information concerning the American College Testing Program System, write to American College Testing Program, Financial Aid Services, P.O. Box 767, Iowa City, Iowa 52240.

The institution may use any of these need analysis systems or it may develop its own method, provided each individual need computation is appropriately documented. If the institution chooses to develop its own need analysis system, there are two basic categories that must be considered in computing the parental contribution.

1. Contributions from Income. It is assumed that a student's parents should contribute a reasonable portion of their annual income toward the cost of his education. Therefore, the financial aid officer analyzes the resources currently available to the student by establishing the parents' current gross income (including the value of any noncash receipts). This gross income is then reduced by major unavoidable expenses incurred by the parents. The resulting net income, if any, is deemed to be available to meet important expenses such as the student's educational costs.

   It should be noted that while it is permissible to make allowances against income for all reasonable expenses indicated by the parents, care must be taken to distinguish between allowable and nonallowable types of expense. Some of the valid types of allowances against income are

   (a) unreimbursed medical and dental expenses (including the cost of the parents' health insurance premiums),

   (b) cost to parents of educating other children,

   (c) housekeeping expenses incurred by working parents,

   (d) cost to parents of maintaining dependents other than children,

   (e) business expenses,

   (f) income taxes paid currently, and

   (g) other expenses of an emergency nature.

   Expenses which are more or less discretionary in nature (such as vacation travel, major home improvements, or the purchase of a second automobile or "luxury" appliance) should not be treated as allowances against income, since they are clearly the product of a choice exercised by the parents. In other words, the institution should not assist in producing an artificially high standard of living for a family.

2. Contribution from Assets. Each of the four systems of need analysis listed above provides a formula for determining what portion, if any, of their unencumbered net assets it is reasonable to expect the parents to contribute toward the student's expenses for the academic year concerned. If the financial aid officer adopts a system other than one of these four, he should generally assume that at least one percent of the net cash value of parental assets in excess of $10,000 should be contributed each year toward the student's educational costs.

B. Contribution from the Student's Own Resources

In calculating the student's own resources, the financial aid officer should be aware that the resources available to a married or independent student may be different from those available to a single student living at home. Again, in such cases, the financial aid officer must exercise considerable discretion.

The student's own resources may consist of

1. Savings accumulated prior to attendance at the institution, derived from gifts, odd jobs, etc. It is reasonable to expect that the student will contribute a portion of such previously accumulated assets during each academic year in which he may be expected to be in attendance at the institution.

2. Net earnings from employment during the summer previous to the academic year concerned. The student may reasonably be expected to contribute the entire net amount of such earnings (after taxes and reasonable living expenses) toward his educational costs. (See Section 407 for a discussion of the appropriate treatment of summer earnings under the College Work-Study Program.)

3. Earnings from part-time employment during the school year (other than provided under the College Work-Study Program).

4. (Married Students) The income and other resources of his spouse.

5. (Where Applicable) Veterans' benefits, Social Security benefits, Vocational Rehabilitation grants, or other forms of assistance which may be available through Federal, State, or local government agencies.

6. Other forms of student financial aid which may already have been awarded to the student for a given academic year.

7. Other (estates, gifts, etc.).

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404 Determination of Need

Once the student's expenses and the financial resources available to him have been determined, it is possible to calculate his need for assistance by subtracting the total resources available from his total expenses. This need may be satisfied by a College Work-Study award alone or in combination with other forms of financial aid.

The following example illustrates the procedure by which the amount of need and the College Work-Study award are determined:

Exhibit 4.1
Determination of Student A's Need
for Assistance, Academic Year 19__ - 19__

Expenses		Resources	
Tuition	$ 850	Parents' Contribution	$ 500
Room and Board	800	Portion of Student's Previous Savings	100
Books and Supplies	150	Savings from Summer Work	300
Personal Expenses	400	Civic Club Scholarship	200
Travel Expenses	50	TOTAL	$1,100
Other Expenses	100		
TOTAL	$2,350		

* * * * * * * * * *

Expenses minus Resources = NEED: $2,350 - $1,100 = $1,250

Student Financial Aid Provided = $1,250
CWS - $600; EOG - $300; NDSL - $200;
Other (institutional scholarship) - $150

In the above example, the student's need is satisfied by a financial aid package. In each case, the financial aid officer must decide what portion of the student's need would best be filled by a College Work-Study award and what portion, if any, should be satisfied by other forms of financial aid, such as an Educational Opportunity Grant, a National Defense Student Loan, institutional scholarship, loans, or grants, etc.

405 Amount of Need in Relation to Gross Earnings

The maximum amount, net of taxes, which a student may be permitted to earn under the College Work-Study Program is the difference between his calculated financial need and the other financial aids made available to him.

In order to assure that a student's net earnings (i.e., after taxes) are sufficient to meet his needs, the financial aid officer may place the student in a job yielding potential gross earnings of a slightly larger amount. The amount of such excess earnings should be based on the approximate amount of taxes the student will be required to pay on his earnings under the program.

For purposes of computing the actual amount of taxes to be withheld from the earnings of students, the financial aid officer should consult Internal Revenue Service Circular E - Employer's Tax Guide, copies of which are available from the local office of the District Director of the Internal Revenue Service.

406 Classification of Positions in Terms of Approximate Gross Earnings

As discussed in Section 502, the potential amount of earnings possible in a given job is a function of three factors: (1) the hourly wage rate assigned to the job, (2) the number of hours per week of employment possible under the job, and (3) the number of weeks the job is expected to last. Before assigning any student to a given job under the program, the institution must establish the relationship between the amount of the student's need and the potential maximum net earnings in the job. These two items should be as nearly equal as it is possible to make them.

If a student earns the maximum amount to which he is entitled before the completion of his job assignment, for example before the end of a semester, and is suddenly removed from a College Work-Study position, the action is distressing both to the student and to the employer or supervisor concerned.

To facilitate the placement of a student in a position yielding net earnings which are suitable in relation to his calculated College Work-Study award, it might be useful for the financial aid officer to classify, in advance, all job openings available under the program (both during the academic year and during the summer) in terms of the approximate gross earnings applicable to each job. The following is an illustration of this procedure:

Exhibit 4.2

Classification of Jobs in Terms of Approximate Gross Earnings

Job X = Laboratory Assistant
$1.80 per hour
14 hours per week (average) (Average may not exceed 15 hours per week)
30 weeks during the academic year

Approximate Gross Earnings (Job X= $1.80 x 14 x 30 = $756)

407 Summer College Work-Study Awards

As discussed in Sections 303 and 510, a student may be found eligible for 40-hour per week employment under the College Work-Study Program during his summer vacation. The sole purpose of such employment under the program is to enable the student to meet his educational expenses. Summer employment which does not further this purpose is not permissible under the program.

A. Summer Living Costs

It is recognized that students working under the College Work-Study Program during vacations have certain expenses which they must pay from their earnings. However, the amount of such expenses must be kept to a minimum, since they are not directly related to the educational budget. The student financial aid officer who assigns a student to a summer job under the College Work-Study Program must inform the student of the maximum amount of allowable expenditures from his earnings under the program. All the remainder (net of taxes) is the student's summer saving expectation. For students living at home, the summer savings expectation should typically represent at least 80 percent of net earnings; for students living away from home, at least 60 percent. The higher the wage rate at which the student will be paid, the higher this percentage should be, since it may be assumed that a student's living expenses will be the same regardless of the wage rate at which he is paid.

The following items of cost are considered permissible:

1. When the student lives at home, as would normally be expected, expenses for room and board should be absolutely minimal; minor personal items, laundry and cleaning, carfare, lunches, and a reasonable amount for leisure activities are allowable.

2. When the student lives away from home, which should happen only in unusual circumstances, he may have to pay for room and board in addition to other expenses.

B. Travel

Each student's budget normally includes funds for two round trips per year between home and institution. No additional travel allowance above this amount should be incorporated into any student's budget in order to assign him to a summer job under the College Work-Study Program. Reasonable daily commutation cost is allowable.

C. Use of Summer Earnings to Purchase Clothing

A student sometimes uses a substantial portion of his summer earnings to purchase clothing. The student financial aid officer may allow for this by shifting all or a part of the allowance for clothing expenditures during the academic year over to the student's summer budget. The student should be made aware that this adjustment is being made. Clothing purchases in excess of the amount of the clothing allowance must come from some other part of the budget, such as the student's personal allowance. Both the

amount of the student's clothing purchases and the amount of his cash savings may be considered part of his savings from summer employment if this procedure is adopted by the college.

D. Cooperative Education Programs

The full-time work period of an organized cooperative education program, for purposes of the College Work-Study Program, is to be treated exactly the same as a summer vacation period. All of the guidelines spelled out above are applicable.

E. Audit of Summer Awards

When an institution's College Work-Study Program is audited, its adherence to the guidelines discussed above will be reviewed. When the financial aid officer has established a contribution from summer earnings lower than would normally be expected, the reasons for this should be made a specific part of the student's financial aid records.

D. Calculation of Summer College Work-Study Awards

If the student, after consultation with the financial aid officer, is awarded a College Work-Study position during the summer or other vacation period, as the source from which he will provide his expected summer earnings contribution, he should be placed in a job yielding net earnings (after taxes and living expenses) approximately equal to his expected contribution. As in the case with all College Work-Study awards, the summer award must be accurately documented.

To illustrate this process, assume that Student A, whose budget for the academic year appears in Exhibit 4.1, is single and claims one tax exemption. He plans to live at home during the summer and wishes to earn enough so that he can contribute $350 of his summer earnings and underwrite the following summer living expenses:

Personal Expenses	- $175
Carfare and Lunches	- 75
	$250

In this example, he should be given a summer job under the program in which net earnings of $600 ($350 + 250) are possible. Since approximately 14 percent of his gross earnings will be withheld for income taxes, he should be assigned to a position yielding approximate gross earnings of $700 in order to realize net earnings of $600.

[From the Federal Register, Vol. 34, No. 91—Tuesday, May 13, 1969]

RULES AND REGULATIONS

§ 175.5 Eligibility and selection of student participants.

(a) *Eligibility.* A student is eligible for part-time employment under the Work-Study Program only during periods in which he meets all of the following conditions:

(1) Is a national of the United States, or is in the United States for other than a temporary purpose and intends to become a permanent resident thereof, or become a permanent resident of the Trust Territory of the Pacific Islands;

(2) Is in need of the earnings from such employment in order to pursue a course of study at the institution;

(3) Is capable, in the opinion of the institution, of maintaining good standing in such course of study while employed under this program; and

(4) Has been accepted for enrollment as a full-time student at the institution or, in the case of a student already enrolled in and attending the institution, is in good standing and in full-time attendance there, either as an undergraduate, graduate or professional student.

(b) *Eligibility of students attending area vocational schools.* A student enrolled in an area vocational school is eligible for employment under the College Work-Study Program only if he meets the following conditions in addition to the provisions described in paragraph (a) of this section:

(1) Has a certificate of graduation from a school providing secondary education or the recognized equivalent of such a certificate, and

(2) Is pursuing a program of education or training which requires at least 6 months to complete and is designed to prepare the student for gainful employment in a recognized occupation.

(c) *Determination of need.* In determining whether, and to what extent, a resident is in need of the earnings from employment, the institution shall, at least annually, (1) determine what income, assets, and other resources (including other forms of aid) are available to the student for the time period under consideration; (2) calculate according to standards published from time to time by the Commissioner what portion of the income, assets, and resources of the student's family may reasonably be expected to be made available to the student; and (3) determine the cost reasonably necessary for the student's attendance at the institution, including any special needs and obligations which directly affect the student's financial ability to attend the institution on a full-time basis. A student shall be considered to be in need to the extent that such costs of attendance exceed the sum of the amounts determined to be available to the student and the amounts, if any, which may reasonably be expected to be made available to him by his family.

(d) *Selection of students.* In the selection of students for employment under the Work-Study Program, an institution shall give preference to students from low-income families.

(e) *Availability of student employment.* Each institution shall make employment under the Work-Study Program, or equivalent employment offered or arranged for by the institution, reasonably available (to the extent of available funds) to all eligible students in the institution in need thereof.

(f) *Record of approval or disapproval.* Each institution shall maintain records which reflect the approval or disapproval of all or part of each student's application for employment under the program and which identify the institutional officer who made each such determination.

§ 175.6 Limitations on the number of hours of employment.

(a) During periods of regular enrollment, when classes in which a student is enrolled are in session, he shall be limited to working no more than an average of 15 hours per week under the program, averaged over the semester or other time period on the basis of which the institution in which he is enrolled awards academic credits. Work performed during any week when the student is on vacation shall not exceed 40 hours and shall not be counted as contributing toward the average of 15 hours per week established in the preceding sentence.

(b) During periods of nonregular enrollment, when classes in which a student is enrolled are in session he may be employed under the program for as many as 40 hours per week or such lesser number of hours per week as the institution may determine in accordance with its own standards and practices and con-

sidering (1) the extent of the student's financial need and (2) the harm or potential harm of a particular combination of hours of work and hours of study on a given student's health or academic progress.

(c) During periods not covered under paragraphs (a) and (b) of this section, a student may work up to 40 hours per week under the program.

§ 175.7 Use of funds.

(a) Federal funds made available on the basis of an approved application submitted pursuant to this part may be used only (1) to pay the Federal share of compensation to eligible students employed in eligible Work-Study Programs, and (2) to meet administrative expenses, as defined in § 175.2(b). The amount for such administrative expenses may not exceed 5 percent of that portion of the Federal payments used for compensation of students in work for public or private nonprofit organizations other than the institution itself.

(b) Interest, if any, earned on Federal funds shall be remitted to the Commissioner in accordance with instructions issued by him.

§ 175.8 Limitations on Federal share of student compensation.

(a) The Federal share of the compensation of students employed in any Work-Study Program under an institutional agreement shall not exceed 80 percent of such compensation for part-time employment, except that in unusual cases a Federal share in excess of 80 percent may be approved by the Commissioner, but only and to the extent that he determines, pursuant to such objective criteria as may be established in regulations, that a Federal share in excess of 80 percent is required to achieve the purposes of this part.

(b) The Federal share of compensation for part-time employment shall be calculated on the basis of the hourly rate paid the student for actual time on the job but such calculation shall not include any compensation paid which is in excess of such maximum hourly wage rate as may from time to time be set by the Commissioner, or any costs of the emp'oyer's contribution to Social Security, workmen's compensation, retirement, or any other welfare or insurance programs which may be paid by the employer on account of a student employed under the Work-Study Program.

§ 175.9 Minimum wage rate.

The minimum rate of compensation for a student employed under the Work-Study Program shall be

(a) $1.15 an hour for work performed through January 31, 1969;

(b) $1.30 an hour for work performed from February 1, 1969, through January 31, 1970;

(c) $1.45 an hour for work performed from February 1, 1970, through January 31, 1971; and

(d) $1.60 an hour for work performed thereafter;

(e) Or such higher minimum wage as may be required under any applicable Federal, State, or local legislation; except that the Commissioner may approve a lower rate of compensation in cases (1) where a lower minimum wage for such employees has beeen established by the Secretary of Labor, under the provisions of the Fair Labor Standards Act, or (2) where exceptional circumstances warrant a lower rate and where the approval of a lower rate is not precluded by law and is consistent with and promotive of the purposes of this part.

§ 175.10 Nature and source of instiutional share of student compensation.

(a) An institution may use any source available to it pay its share of the compensation paid to students employed under the Work-Study Program.

(b) No institution shall solicit or permit any public or private nonprofit organization with which it has an arrangement pursuant to § 175.4(c) to solicit from a student or any other person any fee, commission, or compensation of any kind, or the granting of a gift or gratuity of any kind, as a consideration or a prerequisite for the employment of any particular student under the program.

§ 175.11 Maintenance of level of expenditures.

In each fiscal year during which the institutional agreement remains in effect, the Institution shall expend (from sources other than payments of Federal grants under this part) for the employment of its students (whether or not in employment eligible for assistance under this part) an amount that is not less than the institution's average annual expenditures for such employment during the three fiscal years preceding the fiscal year for which the institutional agreement is in effect.

§ 175.12 Coordination of student financial aid programs.

In order to carry out the purpose of the Work-Study Program, the institution shall provide for the coordination of this program with other programs of student financial aid, including the National Defense Student Loan and Educational Opportunity Grants Programs where the institution also participates in such programs. Responsibility for the general conduct of the operation of the Work-Study Program shall be assigned to an institutional official who has other student financial aid responsibility.

§ 175.13 Institutional agreement and application for funds.

(a) Applications for Federal funds under this part shall be approved only if there is in effect an institutional agreement. Such agreement shall be executed by an official of the institution who is legally authorized to commit the institution.

(b) Applications for Federal funds must be submitted to the Commissioner by an authorized official of the institution in such form and at such time as the Commissioner may prescribe.

§ 175.14 Criteria for approval of institutional applications.

In order to achieve equitable distribution of assistance as required by section 446 of the Act, institutional applications for the allocation of funds under this program shall be reviewed and approved, in whole or in part, on the basis of, but not limited, to the following criteria:

(a) Whether the institution employs under the program a large proportion of students from low-income families in relation to the total number of needy students employed under the program;

(b) Whether provision has been made for effective administration of the program, including effective coordination with institutional and other Federal programs of student financial aid;

(c) Whether public and private nonprofit organizations, especially those engaged in health, education, welfare, and related public service activities have been included;

(d) Whether the institution has demonstrated a strong commitment to enroll students from low-income famiiles, as evidenced by (1) specialized recruitment and admission, such as that provided through the programs of Talent Search or Upward Bound, (2) remedial instruction, (3) specialized counseling, and (4) any other relevant factors;

(c) The anticipated number of students to be employed under this program as compared to the institution's anticipated enrollment;

(f) The anticipated average compensation of Work-Study students in relation to the institution's average educational costs;

(g) The institution's utilization of Work-Study Program funds, if any, allocated in previous years; and

(h) The institution's total request for Federal student financial aid funds (including Educational Opportunity Grants and National Defense Student Loans) in relation to the average cost of education at the institution and the institution's anticipated enrollment.

§ 175.15 Payment and reallocation of grant funds.

(a) *Payment of funds.* Funds will be made available in advance on the basis of substantiated need and periodic fiscal reports submitted by the institution.

(b) *Reallocation of unused Federal funds.* Any funds which are available to an institution but not used, or which the institution agrees will not be used, by the end of the period for which such funds were made available shall, in the discretion of the Commissioner, either remain available for use by the institution during a subsequent grant period or be made available for use by other eligible institutions.

(c) *No waiver.* Neither approval of any application nor any payment of funds to an institution shall be deemed to waive the right or duty of the Commissioner to withhold funds by reason of failure of the institution to observe, before or after such administrative action, any Federal requirement.

§ 175.16 Fiscal procedures, records, and reports.

(a) *Fiscal procedures.* (1) The institution shall administer the Work-Study Program in such a manner as to provide for an adequate system of internal controls. Wherever practical, the various administrative responsibilities shall be divided so as to prevent the handling of all aspects of the program by a single individual.

(2) If a fiscal agent is utilized by the institution, its function must be limited solely to the performance of ministerial acts. The responsibilities of the institution to make determinations relations the eligibility of students for employment under the program cannot be delegated.

(3) Payments to students shall be made at least once a month. The institution is responsible for ensuring that students are paid the full amount of wages earned under the program, whether the work is for the institution itself or for a public or private nonprofit organization.

(b) *Records.* The institution shall maintain, on a current basis, adequate records which reflect all transactions with respect to the program, and shall establish and maintain such general ledger control accounts and related subsidiary accounts as are prescribed by the Commissioner. Such records shall:

(1) Meet at least the minimum standards prescribed by the Commissioner as set forth in the most recent official College Work-Study Manual and other official guidelines that may be issued from time to time;

(2) Be maintained in such a manner as to separately identify all program transactions from other institutional funds and activities; and

(3) Be maintained in such a manner as to be readily auditable. All records pertaining to activity during a given fiscal year, including applications of students for employment under the Work-Study Program during that fiscal year, shall be retained for a period of 5 years following the end of the fiscal year and until audited by a representative of the Commissioner, whichever is earlier. Records involved in any claim or expenditure questioned by the Commissioner, or on audit, shall be retained until necessary adjustments have been reviewed and approved by the Commissioner.

(c) *Reports.* Institutions shall submit such reports and information as the Commissioner may reasonably require in connection with the administration of the Work-Study Program and shall comply with such procedures as he may find necessary to ensure the correctness and verification of such reports.

§ 175.17 Preceding provisions not exhaustive of jurisdiction of the Commissioner.

No provision of this part now or hereafter promulgated shall be deemed exhaustive of the jurisdiction of the Commissioner under the Act. The provisions of this part may be modified or further regulations may be issued hereafter as circumstances may warrant.

Dated: April 10, 1969.

PETER P. MUIRHEAD,
U.S. Commissioner of Education

Approved: May 7, 1969.

ROBERT H. FINCH,
Secretary of Health, Education, and Welfare.

[FR Doc.69-5667; Filed, May12,1969;8:45 a.m.]

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE
OFFICE OF EDUCATION
BUREAU OF HIGHER EDUCATION
DIVISION OF STUDENT FINANCIAL AID

AGREEMENT COVERING INSTITUTIONAL PARTICIPATION IN PROGRAMS OF STUDENT FINANCIAL AID

Pursuant to and subject to the provisions of parts A and C of Title IV of the Higher Education Act of 1965 (P.L. 89-329), as amended, and Title II of the National Defense Education Act of 1958 (P.L. 85-864), as amended, and the Regulations issued pursuant thereto

_____
Name and Location of Institution

(hereinafter referred to as the "Institution") and the Commissioner of Education, U.S. Department of Health, Education, and Welfare (hereinafter referred to as the "Commissioner") in order to provide for the conduct of each of the programs of student financial aid identified in Article I hereof (hereinafter referred to as the "Programs") hereby agree to the terms of Articles I, II, and VII, and so much of the remaining Articles of this Agreement as are applicable to each program identified in Article I hereof.

ARTICLE I. SCOPE OF COVERAGE

This Agreement covers the Institution's participation in each of the following checked programs:

/__/ EDUCATIONAL OPPORTUNITY GRANTS PROGRAM (EOGP)
Part A, Title IV of the Higher Education Act of 1965

/__/ COLLEGE WORK-STUDY PROGRAM (CWSP)
Part C, Title IV of the Higher Education Act of 1965

/__/ NATIONAL DEFENSE STUDENT LOAN PROGRAM (NDSLP)
Title II of the National Defense Education Act of 1958

and becomes effective on the date executed by the Commissioner.

(7-70)

ARTICLE II. GENERAL PROVISIONS APPLICABLE TO ALL PROGRAMS

1. The Institution shall use the funds which may be granted to it from time to time pursuant to applications submitted under this Agreement to the extent specified in such grant award for making deposits into its National Defense Student Loan Fund, for making payments to students who have received Educational Opportunity Grants, or for compensating students who are employed under the Institution's College Work-Study Program. An amount not in excess of 3% per fiscal year of:

(a) The Institution's expenditures from its allocation of Federal funds for such year for Educational Opportunity Grants,
(b) its total expenditures for such year for compensation (including the non-Federal share of such compensation) of students under its College Work-Study Program,
(c) the principal amount of loans made from its National Defense Student Loan Fund during such year

may, in the case of the College Work-Study and Educational Opportunity Grants programs, be withdrawn from their respective allocations or, in the case of the National Defense Student Loan Program, from its Fund, by the Institution as a payment in lieu of reimbursement for administrative expenses: Provided, however, that the total of the amounts so withdrawn for a particular fiscal year may not exceed $125,000.

2. The Institution shall: (a) maintain adequate records reflecting the transactions under each of the Programs, including withdrawals for administrative expenses, which records shall include sufficient information to indicate the basis of approval or disapproval of each student application for assistance; (b) retain such records for such periods of time as may be prescribed by the Commissioner; (c) submit such reports and information as the Commissioner may reasonably require in connection with the administration of the Programs; and (d) comply with such procedures as he may find necessary to insure the accuracy of such records and reports.

3. The institution shall use systematic methods for determining the financial need of applicants under the Programs, as indicated in Schedule A.

4. The Institution shall establish procedures for making loans from the Fund, Educational Opportunity Grants and employment under the College Work-Study Program (or equivalent employment offered or arranged for by the Institution) reasonably available (to the extent of available funds) to all students eligible for each particular type of assistance. The Institution shall, to the extent feasible, make

every effort to coordinate such of the Programs for which it has received an allocation of funds and its other financial aid programs.

5. To be eligible for assistance under any of the Programs the student must, among other things, (a) have been accepted for enrollment or in the case of a student already attending an Institution, be in good standing, (b) be capable in the opinion of the Institution of maintaining good standing and (c) be in need of such assistance to pursue his course of study. In addition, in selecting students for employment under its College Work-Study Program, the Institution shall give preference to students from low-income families. Students awarded Educational Opportunity Grants must have exceptional financial need, as determined by the Institution in accordance with criteria and schedules prescribed by the Commissioner, and but for an Educational Opportunity Grant, not financially able to pursue his course of study at such Institution.

6. In addition, in order to be eligible for any assistance provided hereunder, the student must: (a) be a citizen or national of the United States, or in the United States for other than a temporary purpose and intend to become a permanent resident thereof, or a permanent resident of the Trust Territory of the Pacific Islands, and (b) meet the particular program requirements regarding enrollment, good standing, and level of study, as set forth below.

7. The assistance made available pursuant to this Agreement is subject to the Regulations in 45 CFR, Part 80, issued by the Secretary of the Department of Health, Education and Welfare and approved by the President to effectuate the provision of Section 601 of the Civil Rights Act of 1964.

8. The Institution shall take such steps as are necessary and appropriate to assure that the financial assistance provided for under this agreement is not made available to students where prohibited by Section 504 of the Higher Education Amendments of 1968 (P.L. 90-575), or Section 411 of the DHEW Appropriation Act of 1969 (P.L. 90-557).

ARTICLE III. MAINTENANCE OF EFFORT

1. For each fiscal year for which it receives an allocation of funds under either the College Work-Study Program or Educational Opportunity Grants Program, or both, the Institution shall continue to expend, in its other student aid programs from sources other than funds received under this Agreement (or agreements superseded by this Agreement), an amount which is not less than the average expenditure per year made for that purpose during the three fiscal years preceding (a) the effective

date of this Agreement, or (b) the fiscal year for which the Institution receives its first allocation of funds under either the College Work-Study Program, or (c) the fiscal year for which the Institution receives its first allocation of funds under the Educational Opportunity Grants Program, whichever is latest.

2. The Institution shall not be deemed to have failed to meet the requirements of paragraph 1 of this Article if its inability to expend the amount required thereunder is solely attributable to the withdrawal of funds for student aid programs from outside sources.

ARTICLE IV. SPECIAL TERMS APPLICABLE TO THE EDUCATIONAL OPPORTUNITY GRANTS PROGRAM

1. The Institution shall make Grants available only to those full-time undergraduate students who meet the eligibility criteria stated in Article II, paragraphs 5 and 6.

2. The amount of the Grant and its duration shall be determined and payments thereunder shall be made in accordance with such policies and procedures as the Commissioner may prescribe.

3. The Institution shall make vigorous effort to identify youths of exceptional need and encourage them to continue their education beyond secondary school through such methods as:

(a) Establishing or strengthening close working relationships with other institutions of higher education, secondary school principals, guidance and counseling personnel, and community action agencies with a view toward motivating students to complete secondary school and pursue post-secondary school education opportunities; and

(b) Making, to the extent feasible, conditional commitments for Educational Opportunity Grants to secondary school students with special emphasis on students enrolled in grade 11 or lower who show evidences of academic or creative promise.

ARTICLE V. SPECIAL TERMS APPLICABLE TO THE COLLEGE WORK-STUDY PROGRAM

1. The Institution will conduct a program of part-time employment of eligible students in work for the Institution itself, except in the case of proprietary institution of higher education, or work in the public interest for a public or private non-profit organization, other than the Institution, under a written arrangement between the Institution and such organization.

2. Any such work:

a. Must not result in the displacement of employed workers or impair existing contracts for services;

b. Must be governed by such conditions of employment as will be appropriate and reasonable in light of such factors as type of work performed, geographical region, and proficiency of the employee:

c. Must not involve the construction, operation, or maintenance of so much of any facility as is used or is to be used for sectarian instruction or as a place for religious worship; and

d. Must not involve any partisan or nonpartisan political activity associated with a candidate, or contending faction or group in an election for public or party office.

3. The Institution shall be responsible for ensuring that any public or private nonprofit organization with which it enters into an arrangement is a reliable organization with professional direction and staff, and that the work to be performed by the student is in the public interest, properly supervised, and consistent with the purpose of the program. In no event shall work be considered to be in the public interest where (a) it is work for which the political support or affiliation of the student is a prequisite or consideration for employment, (b) it is work to be performed for an elected official other than as part of the regular administration of Federal, State or local government, or (c) it is work which is primarily for the benefit of members of a limited membership organization (such as a credit union, fraternal order or a cooperative) rather than the public.

4. In making employment available under the College Work-Study Program, the Institution shall give preference to students from low-income families and shall make such employment available only to (a) students who meet the eligibility requirements stated in Article II, paragraphs 5 and 6 and (b) students who (i) are full-time undergraduate, graduate or professional students or (ii) in cases where the Institution is an area vocational school, have a certificate of graduation from a secondary school or the recognized equivalent thereof and are full-time students pursuing a program of education and training which requires at least six months to complete and is designed to prepare them for gainful employment in a recognized occupation.

5. The Institution shall provide that the hours of employment of a student under the College Work-Study Program shall not exceed an average of fifteen per week during periods of regular enrollment during which the student is enrolled in classes. Employment during periods of non-regular enrollment during which classes in which the student is enrolled are in session and during all other periods shall be in accordance with program regulations.

6. The Federal share of the compensation of students employed in a College Work-Study Program covered by this Agreement shall not exceed 80 percent of such compensation for part-time employment, except in unusual cases as may be approved by the Commissioner pursuant to program regulations.

ARTICLE VI. SPECIAL TERMS APPLICABLE TO NATIONAL DEFENSE STUDENT LOAN PROGRAM

1. The Institution shall establish a National Defense Student Loan Fund for the purpose of making loans to eligible students. There shall be deposited promptly in such Fund:

(a) Federal Capital Contributions received by the Institution pursuant to Section 203 of the Act;

(b) An amount, equal to not less than one-ninth of such Federal contributions, to be provided by the Institution;

(c) Collections of principal and interest on student loans made from the Fund;

(d) Charges collected pursuant to Section 205(c) of the Act; and

(e) Any other earnings of the Fund.

2. The Fund shall be used only for loans to students in accordance with this Agreement; for capital distributions as provided in Section 206 of the Act; for withdrawals pursuant to Article II, paragraph I, of this Agreement; and for costs of litigation, and other collection costs as agreed to by the Commissioner arising in connection with the collection of any loan from the Fund or interest thereon, or any charges assessed pursuant to Section 205(c) of the Act.

3. The Fund shall be deposited and carried in a special account of the Institution.

4. No payments shall be made from the Fund to any student unless such student has taken and subscribed to the oath or affirmation specified in section 1001 (f) (I) of the Act.

5. The Institution shall accept responsibility for and use due diligence in effecting the collection of the principal and interest due and payable on loans made from the Fund.

6. Proprietary Institutions shall meet such terms and conditions as the Commissioner determines to be necessary to insure that the availability of assistance under this program to students has not, and will not, increase the tuition, fees or other charges of the Institution.

7. The Institution shall make loans under this program available only to those full-or half-time undergraduate, graduate or professional students who meet the eligibility requirements stated in Article II, paragraph 5 and 6.

ARTICLE VII. TERMINATION AND SUSPENSION OF AGREEMENT

1. This Agreement shall terminate on the first anniversary of its effective date. It is the intention of the parties either to extend this Agreement or to enter into a new Agreement for subsequent years. This Agreement, however, may be terminated by either party upon 90-days notice to the other party. Termination shall not effect obligations previously incurred by either party under the Agreement. In the event of termination the Commissioner will advise the Institution as to what procedures are to be employed in terminating the Institution's operations hereunder.

2. If the Commissioner finds that any of the assurances or representations made in connection with this Agreement or any application for funds hereunder to be incomplete or incorrect in any material respect or that there has been a failure to comply with any of the provisions of the Agreement, he may after notice of and an opportunity afforded for a hearing take such action as

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may be necessary and appropriate to protect the interests of the United States.

For the Commissioner

For the Institution

Date

Title *

Date

*An officer legally authorized to execute this Agreement for and on behalf of the Institution.

This agreement covers participation of

Name and Location of Institution

in each of the following checked programs:

☐ Educational Opportunity Grants Program (P.L. 89-329) as amended

☐ College Work-Study Program (P.L. 89-329) as amended

☐ National Defense Student Loan Program (P.L. 85-864) as amended

Schedule A

The following method(s) of student financial need assessment will be in use during the period covered by this agreement. Check the appropriate box(s).

☐ American College Testing Program - Financial Need Analysis

☐ College Scholarship Service

☐ Income Tax Method

☐ Alternate Income System

☐ Other (Specify major elements in the system if this entry checked). Attach additional sheet if necessary.

BUDGET BUREAU NO. 51-R0649

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE
Office of Education
WASHINGTON, D.C. 20202

FOR OE USE ONLY
LOAN INSURANCE COMMITMENT EXPIRES ON:

STUDENT APPLICATION FOR FEDERALLY INSURED LOAN

Print in ink or type — Be sure to read the instructions on the reverse side

PART A.—IDENTIFICATION DATA (*To be completed by student*)

1. Last name | First name | Middle initial
2. Social Security No.
3. Birth date (*Use figures*) Month | Day | Year 19
4. Sex (*"X" one*) [1] Male [2] Female
5. Race (*"X" one*) [1] American Negro [2] American Indian [3] Oriental American [4] Spanish Sur named American [5] All others
6. U.S. citizen or national [1] Yes [2] No — If no, see reverse
7. Marital status (*"X" one*) [1] Never Married [2] Married [3] Other
8. Permanent street address (*Number or RFD*)
9. City or town
10. State
11. ZIP Code
12. Congressional district
13. Area code and telephone no.
14. Major course of study
15. Name of nearest relative with whom not living
16. Permanent address of this relative (*Street, City, State, ZIP*)

17. Financial aid for this year (*In dollars*) (*Exclusive of family contributions*). If none, place "0" in total box.

A	College work-study program	$
B	Other campus employment	
C	Educational opportunity grant	
D	Scholarships and grants	
E	NDEA fellowship	
F	National defense student loan	
G	Other educational loans	
H	TOTAL →	$

PART B.—EDUCATIONAL DATA (*To be completed by school*)

The financial need of the student is not a relevant factor in completing this PART B. No assessment of the ability of the student or his parent to meet the costs of education is to be made.

18. Name and address of educational Institution

19. Institution code no.
20. Student status ("X" one) [1] Half-time [2] Full-time
21. Anticipated graduation date (*Use figures*) Month | Year 19
22. Academic year ("X" one) [1] 1st [2] 2d [3] 3d [4] 4th or 5th [5] Graduate

23. Educational costs for this year (*Est. where necessary*)

A	Tuition and fees	$
B	Room and board	
C	Books and supplies	
D	Personal expenses	
E	Transportation	
F	TOTAL →	$

24. Educational costs less financial aid (*Item 23f less item 17h*) $

The above-named student is enrolled and in good standing or has been accepted for enrollment. The student's statement of financial aid for this year is correct to the best of my knowledge.

25. Financial aid officer or registrar (*Signature*) (*Typed name*)
26. Date

PART C.—FINANCIAL DATA (*To be completed by student*)

27. I hereby apply for a loan under the Federally Insured Student Loan Program to help pay my expenses while attending school.

Amount of Loan $ _____
For school period Beginning _____
Ending _____

28. Have you any other applications for a guaranted or insured student loan pending at this time?
[1] Yes [2] No

29. List all indebtedness of $100 or more, including student loans

Name of creditor	Date Incurred	Amount	Unpaid Balance	Monthly Payment
		$	$	$
		$	$	$
		$	$	$

STATEMENT OF ADJUSTED FAMILY INCOME *(To be completed by the student, spouse, and parents as applicable: See reverse side for instructions.)*

Have you during the preceding 12 months (a) resided with, (b) been claimed as a dependent for Federal Income Tax purposes by, or (c) been the recipient of an amount in excess of $600 from one (or both) of your parents?

[1] Yes [2] No ("X" one)

If the answer to the above question is "Yes" (in whole or part) your parent or both of your parents, if they are living together, must complete and sign this statement of adjusted family income.

If married, are you legally separated, or have you for the preceding 12 months been living apart from your spouse?

[1] Yes [2] No ("X" one)

If the answer is "No," your spouse must complete and sign the Statement of Adjusted Family Income.

30	Adjusted gross income (*From Federal tax return or estimates*)				
A	Father $	Mother $	Joint $	$	
B	Student $	Spouse $	Joint $	$	
C	Total adjusted gross income (*Add lines 30a and 30b*)				$
D	Enter 10 percent of line 30c			$	
E	Multiply the number of exemptions claimed on tax return by $600			$	
F	Enter total of lines 30d and 30e				$
G	Adjusted family income (*Subtract line 30f from line 30c*)				$

IF THE AMOUNT SHOWN ON LINE 30G ABOVE IS LESS THAN $15,000, THE STUDENT IS ELIGIBLE FOR FEDERAL INTEREST BENEFITS.

I, each of us, certify that the information contained in this statement is true, complete, and correct to the best of my knowledge and belief, and is made in good faith; and I, each of us, authorize the U.S. Commissioner of Education to obtain from the District Director of Internal Revenue with whom it was filed, a copy of my Federal Income Tax Return or estimate for the tax year upon which this computation of adjusted family income is based, in order to verify the foregoing statement. **Signatures are required for all persons whose income is reported on this form. The student borrower must sign even though he has no income.**

31. Signature of applicant	33. Signature of spouse
32. Date:	34. Social security number:
35. Signature of father	37. Signature of mother
36. Social Security number:	38. Social Security number:

PART D *(To be completed and signed only after application is approved by lender)*

39. Name and mailing address of lending institution		40. Loan amount (*Omit cents*) $	
		41 Lender ID number	
42. Authorized official (*Signature*)	(*Typed name and title*)	43. Date (*Use figures*) Month	Day / Year

WARNING

Any person who knowingly makes a false statement or a misrepresentation on this form shall be subject to a fine of not more than $10,000 or to imprisonment for not more than 5 years, or both, under provision of the United States Criminal Code.

Lender's copy

INSTRUCTIONS FOR COMPLETING STUDENT APPLICATION FOR FEDERALLY INSURED LOAN

IMPORTANT.—THIS APPLICATION FORM SHOULD BE COMPLETED IN QUADRUPLICATE. PLEASE DO NOT SEPARATE COPIES OR ENTER LENDER IDENTIFICATION DATA UNTIL LOAN IS APPROVED BY LENDER. IF APPLICATION IS REJECTED BY LENDER, IT IS REQUESTED THAT THE ORIGINAL AND ALL COPIES OF THE FORM BE RETURNED TO THE STUDENT.

Part A.—STUDENT IDENTIFICATION DATA

Student completes Part A and submits this form to the educational institution. A foreign national who is in the United States for other than a temporary purpose and intends to become a permanent resident thereof may be eligible for a loan. Therefore, due to their inherently temporary nature, persons who are in this country on an "F" student visa or a visitors visa are not eligible for a loan.

The information on the student's race is requested in order to determine if minority groups are receiving the benefits of the act. No loan will be denied if this item is not completed.

Part B.—EDUCATIONAL DATA

The Financial Aid Officer or Registrar completes and signs Part B and returns all copies of the application form to the student.

Under the provisions of the Higher Education Act of 1965, the function of the educational institution in connection with a student's application for a loan under either program is to determine: (*a*) That the student applicant is enrolled or accepted for enrollment in the institution, (*b*) that he is in good standing, and (*c*) the estimated costs for educational expenses. Consideration should be given to marital status in determining a student's total educational costs. The Financial Aid Officer or Registrar should also review the student's statements of financial aid available before completing item 24 (educational costs less financial aid). The financial need of the student is not a relevant factor in making the foregoing statement, and no assessment of the ability of the student or his parents to meet the costs of education is to be made. The school's average cost for all students may be used in lieu of individual estimates.

Part C.—STUDENT FINANCIAL DATA

The student and applicable family members complete and sign Part C and then submit the application form to the lending institution.

1. The Statement of Adjusted Family Income must be completed to establish the student borrower's eligibility for Federal Interest Benefits on a loan made under the provisions of the Higher Education Act of 1965. A student is entitled to interest benefits only when the adjusted family income is less than $15,000 per year. However, all student borrowers—regardless of family income—are eligible for loan insurance coverage under either act.

2. If the Federal income tax return for the immediately preceding tax year has not yet been filed for any income reported on this statement, the computation on this statement and any Federal interest benefits received are subject to adjustment on the basis of the income figures that are actually reported. The student borrower must immediately report to the lender any differences in such later reported figures which produce amounts in excess of those reported on this form.

3. The adjusted gross income is the amount referred to as "Adjusted Gross Income" on line 15(*c*) of Form 1040 (U.S. Individual Income Tax Return). The amount to be shown in item 30, lines A, B, and C shall be based on the amount reported, or to be reported for the **Immediately Preceding Tax Year** for each family member whose income is required to be included in the determination of the adjusted family income.

4. Income earned abroad by any individual whose income is not subject to taxation under the Internal Revenue Code due to the fact that such individuals are U.S. citizens living abroad, shall be computed in the same manner as though it were taxable. Income of nonresident aliens shall be treated as provided for in instructions made available through the lender.

Part D.—LENDER APPROVAL

The lender reviews Parts A, B, and C for completeness.

1. If the lender approves the application, the lender completes and signs Part D.

2. The disbursement of funds should be withheld until the original of the application is returned with the insurance commitment. Disbursements will be reported to the U.S. Office of Education on the Federal Insured Student Loan Manifest (OE 1151).

ECONOMIC MAKEUP OF COLLEGE POPULATION

Senator PELL. Now another question of fact. In my reading upon taking on this chairmanship, I came across the statistics somewhere that the highest economic quarter of the population provide seven times the number of students as does the lowest economic quarter. Is this still correct?

Secretary RICHARDSON. It is certainly my impression but I would like to ask Commissioner Marland to respond.

Dr. MARLAND. This is generally true, Mr. Chairman, and indeed, in the materials we submit to your committee we can describe in charts, and indeed we could describe now in charts, if you wish, a more concrete answer to that question. But the quick and general answer is yes, a child from a family of $15,000 and over represents 85 percent likelihood of entry into college, whereas at $3,000 and under, about 19 percent of the likelihood of entry into college, under the present circumstances.

Senator PELL. That works out to the same 7-to-1 ratio.

Dr. MARLAND. About the same ratio.

EFFECT OF S. 659

Senator PELL. Approximately. Now why would my proposals—actually, all the majority members of the full subcommittee cosponsored it—why would our bill be regressive, for it would assist the students from the lowest economic quarter?

Secretary RICHARDSON. I would like to comment on that, Mr. Chairman. Perhaps the Commissioner will want to supplement my observations.

The basic point, I think, is that a family's income tax return, or the amount of the tax it pays, does not as sensitively reflect the family's capacity to support the cost of higher education for a child as we believe the approach that we have described in our legislation, and which I testified to a little while ago.

For example, the tax return or the tax paid by a family does not reflect the costs of supporting other children in college. It doesn't reflect any contributions the family have for support of children more than half the support of whom is not provided, or the support of relatives who may be living in the home. All of these things can be taken into account, and would be, under the form of determining the capacity of the family to contribute to a child's cost of education, under the approach that is set forth in our legislation.

I would like to stress, by the way, and I note your request for the supply of material, the committee did reflect its awareness that these determinations would be made by the college or the university, in determining the eligibility of a student for assistance, and the amount of assistance to be provided, not by the Federal Government. And so in short, we think that as between the use of the amount of taxes paid by a family and a determination of the family's ability to contribute to the cost of education, by the approach we have urged, that the latter is a more sensitive measure.

Senator PELL. Commissioner Marland?

Dr. MARLAND. No further comment, Mr. Chairman.

Senator PELL. I think you are undoubtedly right, that it may be more sensitive and more specific. There is another drawback, in our proposal; the family which has all its invested income in municipal bonds, such income would not be reflected in the income tax that they pay. But these, I think, would be exceptional cases. What I was looking for was a general rule of thumb that would be simple. But more important is the fact that the grant would be a matter of right. A student would not have to bare his soul, his family's economic soul. The university would receive a certificate or a thermofax, at the time he pays his income tax of the amount of money that is paid.

As to the point you made, Mr. Secretary, with regard to your allegation that your approach would help those families with more than one child who is going through college; such a family would also be covered by our bill, because the same grant would be accorded to each child of a family that carries them as a dependent. So actually, the family would come out, I would think, a tiny bit better than it would under yours.

In general, I would not agree that it is retrogressive, in that what I was looking for was some way of helping those families who pay little or no income tax, and in my part of the country, where there are large families and low incomes—you find families which pay no income tax. My bill would give them an automatic way of helping their children through college.

A $1,200 grant, as a matter of right, would mean that youngster could pay all his tuition, all his costs. The bill also provides a cost of instruction allowance following the student to help the colleges in their efforts.

I would like to ask you what in your view would be the specific costs on the enactment of my bill and, also, what the cost of the enactment of my bill would be if it did not include the cost of instruction factor.

Secretary RICHARDSON. We have an analysis of these prospective costs, Mr. Chairman, which we would be glad to supply for the record.

Senator PELL. Perhaps you could give us those two figures now, to the nearest billion.

Secretary RICHARDSON. Well, this is a tabulation with respect to the whole bill.

The cost of instruction allowances, we anticipate the cost for the academic year 1971, would be about $1.3 billion.

Senator PELL. That is the cost of instruction?

Secretary RICHARDSON. And the total cost of all of your proposed student aid provisions we estimate to be about $3.7 billion.

SUPPORT AS A MATTER OF RIGHT

Senator PELL. I wonder if that would not be a simpler way of going at this problem. I guess the difference in viewpoint that we have is that I am saying that the time will be coming soon, in my view, when college will be as much a matter of right, as high school has become a matter of right, although it was never expected to be, 80 years ago. Today not every youngster has a right to attend Phillips-Exeter Academy but he does have the right to go to a high school, and get a good education. And what I am trying to do, with my approach, is to make sure that

every youngster, as a matter of right, has the option of the post-secondary education that he can achieve, with no debts afterwards. However, if a student wants to borrow money, then he, too, can go to a more expensive college using the basic grant.

What concerns me is the idea of a youngster starting out in life with loans hanging over his head, when in fact, I think we would all agree, that because a youngster has finished high school, he should not start out in life with a loan from having finished high school. I am sure a hundred years ago if you and I had been facing each other up here, the view would have been expressed that for a kid to go to high school and get that added four years of education he ought to pay for it himself, and gradually we have changed our thinking.

What I am seeking and have sought to do for some years now, is to move ahead in this direction. If we continue the loan approach, I believe we are just postponing the day, and I would like to ask the general philosophical question; would it not be a correct statement that the objective of American education, and the objective of all of us, is to achieve this floor of college education as a matter of right. Or do you think that that is too ambitious, as an objective?

Secretary RICHARDSON. No; I think we can agree, Mr. Chairman, on the objective. Indeed, the President's message on higher education last year stated as the specific goal of the administration's recommendations the assurance that a lack of ability to pay should not be a barrier to education for any American, and I think it should be emphasized that the administration recognizes the importance, the necessity of grant assistance for many students. And, in fact, our proposals would provide a thousand dollars in grant assistance including work-study programs, with the proportion between grants and work-study determined by the college, for students in families in which it was determined that the family could not be reasonably expected to contribute to the cost of the student's education. And we would determine that in the way I referred to earlier, rather than simply by reliance on income tax returns.

In addition, a student would be able to borrow, with ultimate potential federally subsidized assistance, including grants, of $2,900.

I thought I would ask, Mr. Chairman, if Mr. Muirhead could at this point describe exactly what our proposals would do, because I think that as you go into the question of which route to take, it is perhaps helpful to have clearly, or more clearly in mind than just a written statement can make it, exactly what the financial impact of these proposals is.

May I just make one brief comment further while the easel is being set up: that is, that we are concerned by the thought that income taxes paid would be available to institutions as the measure of financial assistance. I would have thought that as a former U.S. Attorney, having been exposed to the sensitivity with which people regard their income tax returns, that they would rather follow the practice which is now well established, of dealing with a financial aid officer in the Student Assistance Office of the college or university, and go over with him the family's ability to pay, than to lay bare the results of their dealings with the Internal Revenue Service.

Senator PELL. I would interrupt here to say that the people who are sensitive in this matter are not usually those who pay less than $1,200

a year in income tax. If there is a man with a hundred thousand dollars a year income, who has worked out a way of paying less than $1,200 of income tax, I think he would be sensitive about it, and might be so sensitive he wouldn't take advantage of this program, and that is exactly what we intend.

Secretary RICHARDSON. Could we ask Mr. Muirhead to proceed?

Mr. MUIRHEAD. All right. I think, Mr. Chairman, that in order to put the program into focus that we should bring to the attention of the committee what the present situation is with regard to the college-going plans of young people with varying incomes.

This chart illustrates that if a young person comes from a family earning less than $3,000, his chances of going to college are about 18 per cent of that group of high school graduates; while if, by the good fortune of genetics, he comes from a family in the $15,000 bracket——

Senator PELL. Not because of genetics; because of luck, I would say.

Mr. MUIRHEAD. All right, yes. Suppose he comes from a family earning more money. The chances of that youngster going to college are about five times greater, and this bill, the whole thrust of the bill, as both the Commissioner and the Secretary have pointed out, is to bring some quality to the youngster from the low-income family. Basically this is accomplished, and I think this point should be emphasized as both the Secretary and the Commissioner have mentioned by increasing very dramatically the amount of money that will be made available in grants.

Now here, I think this chart shows this very well, that we are now providing $343 million in grants for young people.

This proposal that is before you would increase that to $575 million, in the first year, and to $635 million in the second year. And the net effect of that, or the other thing that is being done, is to increase what we have all come to admire, the NDEA student loan program. The NDEA student plan program at the present time is providing a great service——

RETENTION OF NDEA LOAN PROGRAM

Senator PELL. I must interrupt here to point out that there are those in the administration who did not admire it, and almost eliminated the NDEA program. However, there was such a squawk from around the country and the Congress, that the administration's presentation changed. I am delighted that this is the present view.

Mr. MUIRHEAD. Yes; I am delighted, too, and we have the principal architect of the NDEA as the Secretary of HEW; and it probably is no surprise, then, that we are increasing the NDEA program. Basically, the NDEA program at the present time provides $369 million through a combination of sources: from the Federal Government, the Federal capital contribution to the revolving fund that is now an established part of the NDEA student loan program; and from the institutions' own contributions.

This proposal would increase fourfold, from $369 million to $1.2 billion, the amount of money available to young people under NDEA terms.

Now it is done in a different way, but that doesn't make much difference to the students, and doesn't make much difference to the col-

lege. The money will be provided through the establishment of a secondary market. What we have chosen to call basic foundation loans to young people from the revolving fund and the NDEA will continue, and next year will be at the level of $140 million. We have changed the administration's bill from last year to put $250 million more of NDEA funds into the bill, to permit young people to have more freedom of choice in the institution that they might select.

The net effect of the legislation, Mr. Chairman, members of the committee, is just this: That we are presently assisting 1.6 million young people through the programs that are now in place. This bill would extend that, would expand that, to 2.5 million students, all of them in financial need. One million additional students would receive assistance under this bill. It would also provide, as has been pointed out, an opportunity for those who are not in financial need to have available to them credit, which is not now available to them, under long terms, and to increase the maximum line which they might have, with a Federal guarantee. Our best judgment is that this would provide insured loan assistance to about a million additional students.

Now, probably the best way to explain the point the Secretary was developing is to show this chart. This chart is intended to point out that the whole thrust of this bill is to say that the young person comes from a family earning about $10,000, with two children, under established procedures, is normally expected to provide about $1,400 toward the cost of education of their children. This bill says it is now time that families that have lower incomes have an opportunity to get some financial aid that will close the gap between that $1,400 of family contribution at the $10,000 level and the lesser amounts that families are able to pay at lower family income. And so it is graduated. The other interesting thing about it, as you will see here, is that the table is graduated in such a way that the grant provisions are targeted on students from families with the lowest incomes. Here is our best estimate of what the combination of grants and loans would be under this bill to young people coming from varying levels of family contribution.

I will show you in a moment what our best judgment is as to the family income that would produce this family contribution; but, addressing ourselves to the concept that we are trying to equalize family contribution, here we have a family contribution of zero, probably a family of $4,500 or less. That student would be eligible for a $1,000 grant, and a $400 loan. If that were not enough to pay for the cost of education at the college of his choice, then he would have available to him up to $1,500 additional subsidized loans, so that he could then have subsidized help up to the level of $2,900.

Secretary RICHARDSON. Those, I might interject, would be loans on NDEA terms.

Mr. MUIRHEAD. Yes.

Senator PELL. I was struck by the fact that you had originally started this program. Was that when you were an Assistant Secretary, under President Eisenhower, in the late 1950's?

Secretary RICHARDSON. Yes, the loan title, in fact, was actually drafted in my office.

Senator PELL. I congratulate you.

Mr. MUIRHEAD. As you will observe here, as we climb the contribution ladder the amount of grant support does decrease; the amount of loan support continues at the same level, except when we get to the top. In each instance the student can supplement the family contribution, the grant, and the loan with an additional NDEA loan. taking him to the level of $2,900.

The program is directed at saying that young people from low income families should have the same opportunity as young people from middle and higher than middle families. The best way to accomplish that is to provide them with some substitute for family contribution.

AVAILABILITY OF LOAN

Senator JAVITS. If I might ask you a question, do you take into account in any of that presentation of the ability to get the loan?

Mr. MUIRHEAD. I have not mentioned that, Senator Javits.

Senator JAVITS. That is all right. I am not questioning it. I just want to be sure that we all understand that before that program can be made good the individual student has to obtain the loan.

Mr. MUIRHEAD. Yes, sir.

Senator JAVITS. O.K.

Mr. MUIRHEAD. And the NSLA, which is an important part of the administration's proposal, is directed at that very problem.

Now here is what it would look like in terms of family income. I think sometimes a sort of first action to this program is to say that no assistance goes to middle or upper income families. And that is just not so. This chart shows that obviously the young people coming from the lowest income will, of course, get the largest assistance under the program. But we are saying that even at the $11,000 level the amount of assistance that would be available to this family, let us say earning $11,000, their family contribution is less than the $1,400, that young person would have available to him up to $1,500 in an NDEA-type loan.

We can look at a family earning $12,000, and having three or four children, and here is an instance of a family earning $12,000, that would benefit under this program, not only in terms of getting an NDEA-type loan, but also a basic loan. So that the benefits of the program extend to a very wide distribution of income, and include, as the Secretary pointed out in his testimony, a very substantial part of that community that we call the middle income group.

Secretary RICHARDSON. May I interrupt just a second?

I think that many of the people in this room, particularly our visitors from the community colleges, are interested in that chart, and that is the one chart, the lower lines of which were not very visible on that easel, Peter, and it might be good for them to see it.

Mr. MUIRHEAD. Oh, I am sorry. All right, this chart is designed to show that the benefits of the program extend over a very wide range of income. And as you will note, it is measured by the amount of family contribution. This chart is designed to illustrate that a family in the upper income brackets, $12,000 and over, a family, let us say, with four children, would be a beneficiary under this program, and would be a beneficiary under the subsidized portion of this program.

I think it is important to point out that in each instance, when the family is eligible for aid, and they have more than one child in college, that that assistance is available to each child in college.

Perhaps it would be helpful, Mr. Chairman, for us to show a chart in which it would be related to the colleges. The program is designed in part, to make it possible for young people from low income families to have freedom of choice in the selection of their institutions. These institutions have just been selected to indicate how a young person from a low income family who wishes to go to a private high cost institution can build the type of assistance that is in the President's program. I have selected here an institution where the costs would run as high as $3,200, and the program would make it possible for a young person whose family is not able to provide any contribution to have a $1,000 grant, to be able to get a $400 basic loan, and up to $1,500 NDEA loan. By earning $300 in the summertime, that young person would be able to meet the costs at a high-priced private institution. A similar example, or another example, would be in a public institution, where the average costs might be $2,000. Such a student could build a $1,000 grant, a $400 basic loan, a $300 NDEA-type loan, and, by earning $300 in the summertime, be able to meet the costs at a public institution charging $2,000, and have a total loan investment of about $700.

Senator JAVITS. Could I ask you a question?

Mr. MUIRHEAD. Yes, sir.

STATE GRANTS TO STUDENTS

Senator JAVITS. States like New York and Ohio give a student grant. How do you take that into account?

Mr. MUIRHEAD. We would propose that that would be on top of whatever basic assistance he received from the Federal Government, with the obvious limitation that the total of the benefits would not exceed the cost of education of the school he is attending.

Senator JAVITS. How does the Administration's bill, cover that contingency?

Mr. MUIRHEAD. The Administration's bill does not spell that out, Mr. Javits.

Senator JAVITS. It is put in the foundation bill.

Mr. MUIRHEAD. No, but the Secretary referred to it in his testimony today.

Senator JAVITS. Mr. Secretary, would you be kind enough to think that one through? I have put in a bill, S. 1074, for Federal matching, in order to give an inducement in the States for their own student aid programs, I think it would be more economical for the Federal Government. I know you have received a lot of sentiment from the educational community as to the desirability of some such approach. So whenever you can, I am not trying to push you, I would greatly appreciate it if you could submit for the record a reply to that question. How shall we accommodate and encourage States which do give a grant to the pupil, and encourage others to do the same thing?

Secretary RICHARDSON. We would like to do that, Senator Javits. We were aware of your bill, and in fact the question has come up in at least two of the meetings I have had with what we have been calling the higher education group, a group of representatives of the major organizations in the field of higher education, including the

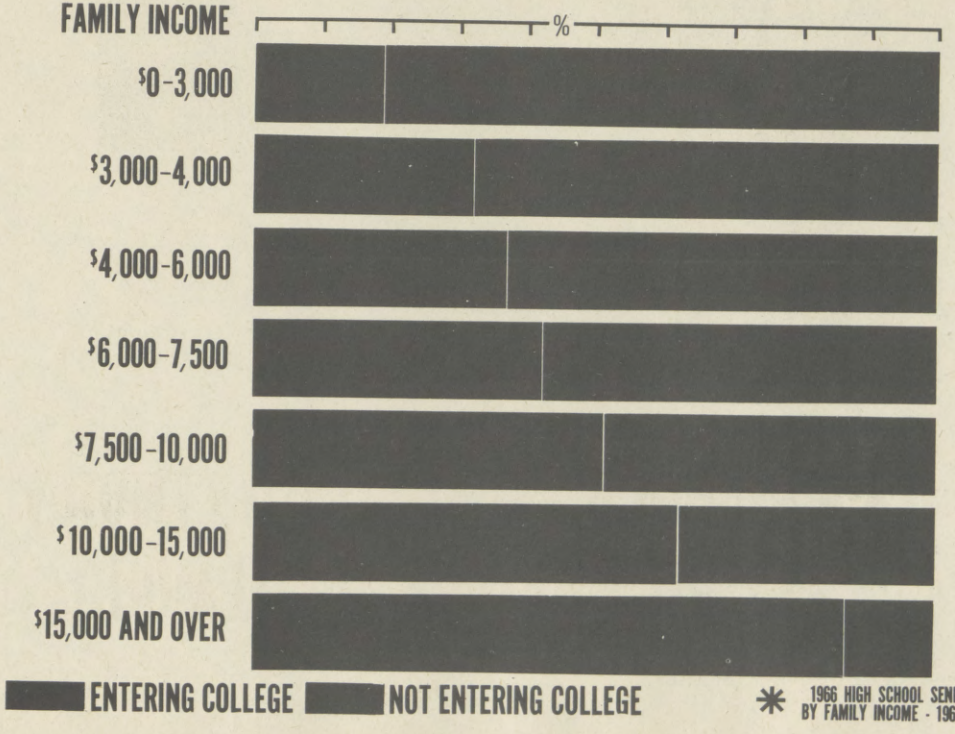
community colleges and the President of the American Council of Education at the present time. We will give it further thought. One of the problems inherent in it is the problem of cost, insofar as we feel that there is also needed a program which does have uniform national applicability. But at any rate we will be glad to pursue it further.

Senator JAVITS. I might just call your attention to one other factor, Mr. Secretary. In this particular field, there happens to be considerable State pride, and I see no reason why that is not a legitimate incentive, of which the Federal Government can take advantage. I think State legislatures and governors rather like the idea that they have got a check on the college student, just like the Federal Government. This is a big inducement, notwithstanding this is a big money factor for States, so I don't think we should overlook that very important State pride factor, which can be very helpful to us in the Federal establishment.

Senator PELL. Some of these charts were not included in the testimony. Some were. I would also ask unanimous consent that all the charts that were submitted be included in the record of these hearings.

(The charts referred to follow:)

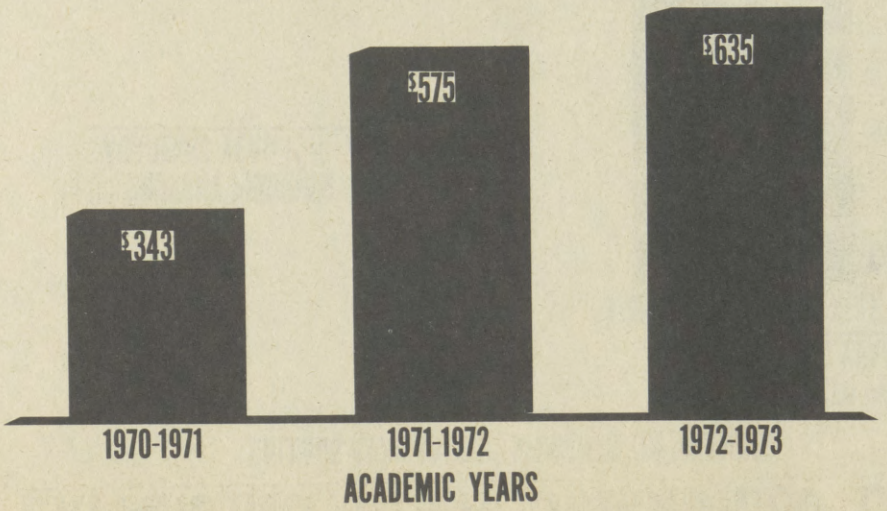
UNEQUAL EDUCATIONAL OPPORTUNITY
COLLEGE ENTRANCE RATES*



* 1966 HIGH SCHOOL SENIORS BY FAMILY INCOME - 1967 CENSUS DATA.

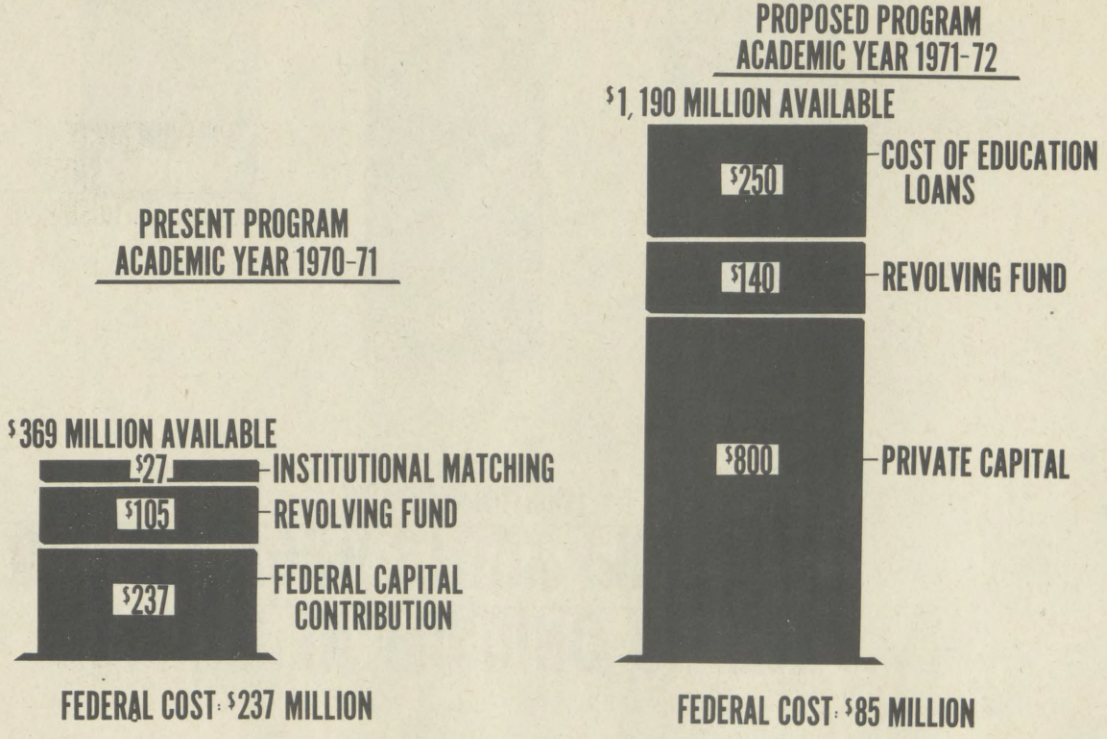
GROWTH IN FUNDING OF THE GRANT/WORK-STUDY PROGRAMS

(DOLLARS IN MILLIONS)



EXPANDING (NDEA) SUBSIDIZED LOANS

DOLLARS AVAILABLE TO STUDENTS (IN MILLIONS)



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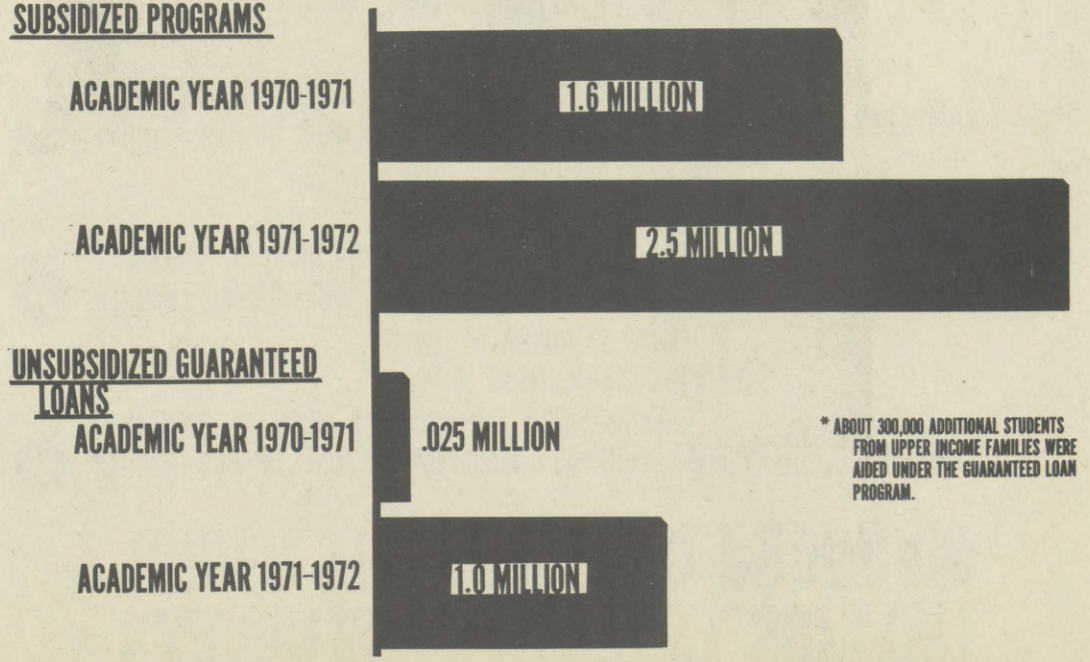
NUMBER OF STUDENTS BENEFITTED



* ABOUT 300,000 ADDITIONAL STUDENTS FROM UPPER INCOME FAMILIES WERE AIDED UNDER THE GUARANTEED LOAN PROGRAM.

EXAMPLES OF STUDENT SUPPORT UNDER THE PROPOSED PROGRAM

1. STUDENT COMING FROM A FAMILY WITH 2 CHILDREN-1 IN COLLEGE-$3,500 FAMILY INCOME-NO FAMILY CONTRIBUTION-WOULD RECEIVE

   $1,000 GRANT WORK/STUDY AID
   $ 400 SUBSIDIZED LOAN

2. STUDENT COMING FROM A FAMILY WITH 4 CHILDREN-1 IN COLLEGE-$5,000 FAMILY INCOME-NO FAMILY CONTRIBUTION-WOULD RECEIVE

   $1,000 GRANT WORK/STUDY AID
   $ 400 SUBSIDIZED LOAN

3. STUDENT COMING FROM A FAMILY WITH 5 CHILDREN-2 IN COLLEGE-$7,500 FAMILY INCOME-$195 FAMILY CONTRIBUTION-WOULD RECEIVE

   $ 805 GRANT WORK/STUDY AID
   $ 400 SUBSIDIZED LOAN

4. STUDENT COMING FROM A FAMILY WITH 5 CHILDREN - 2 IN COLLEGE - $12,500 FAMILY INCOME-$580 FAMILY CONTRIBUTION - WOULD RECEIVE

   $420 GRANT WORK/STUDY AID
   $400 SUBSIDIZED LOAN

PROPOSED STUDENT AID PROGRAM
HOW IT WORKS FOR THE STUDENT

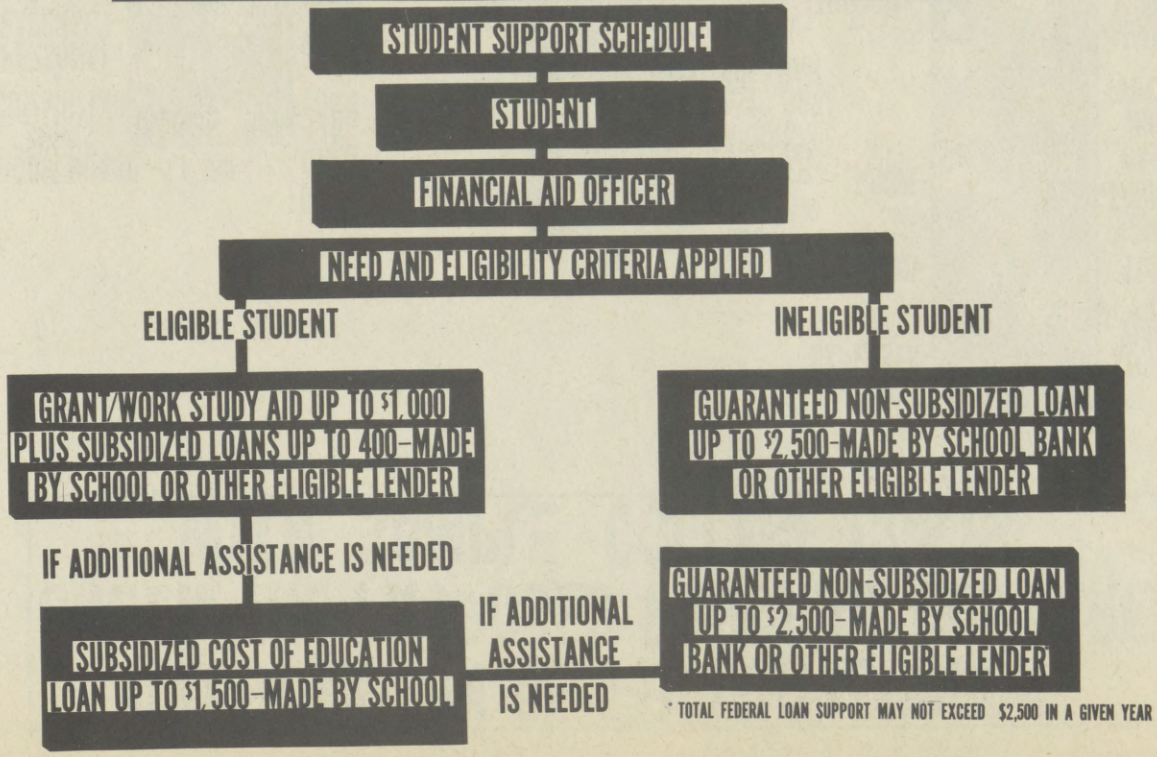
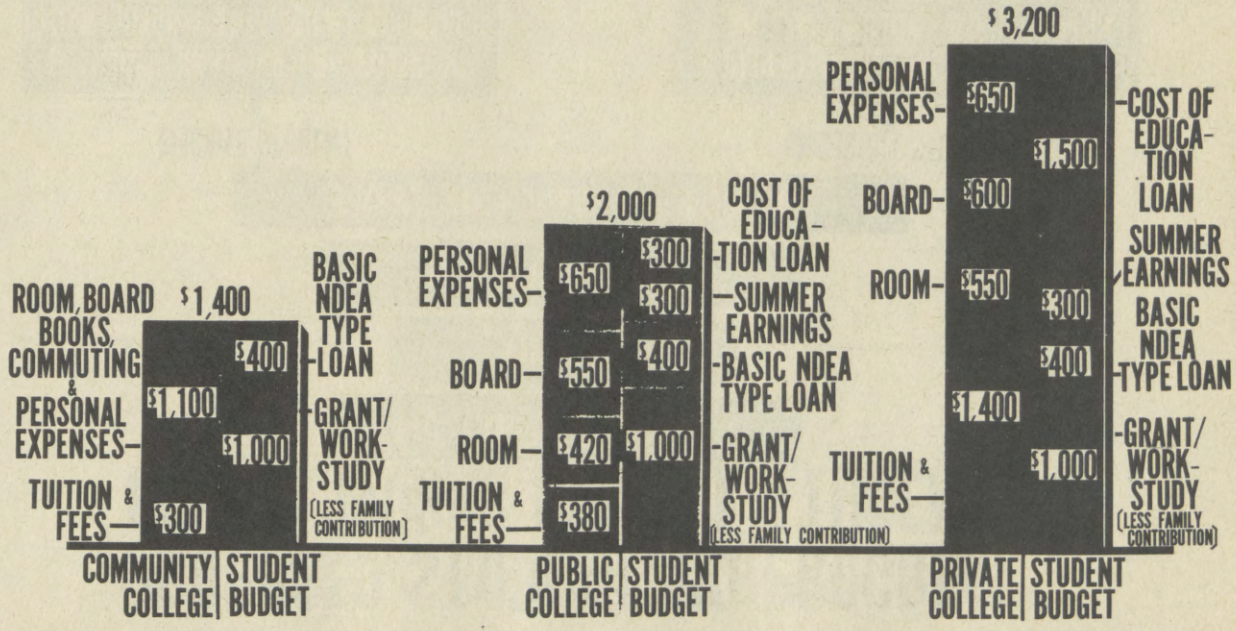


ILLUSTRATION OF STUDENT SUPPORT UNDER THE PROPOSED PROGRAM COMPARED WITH SAMPLE COLLEGE COSTS



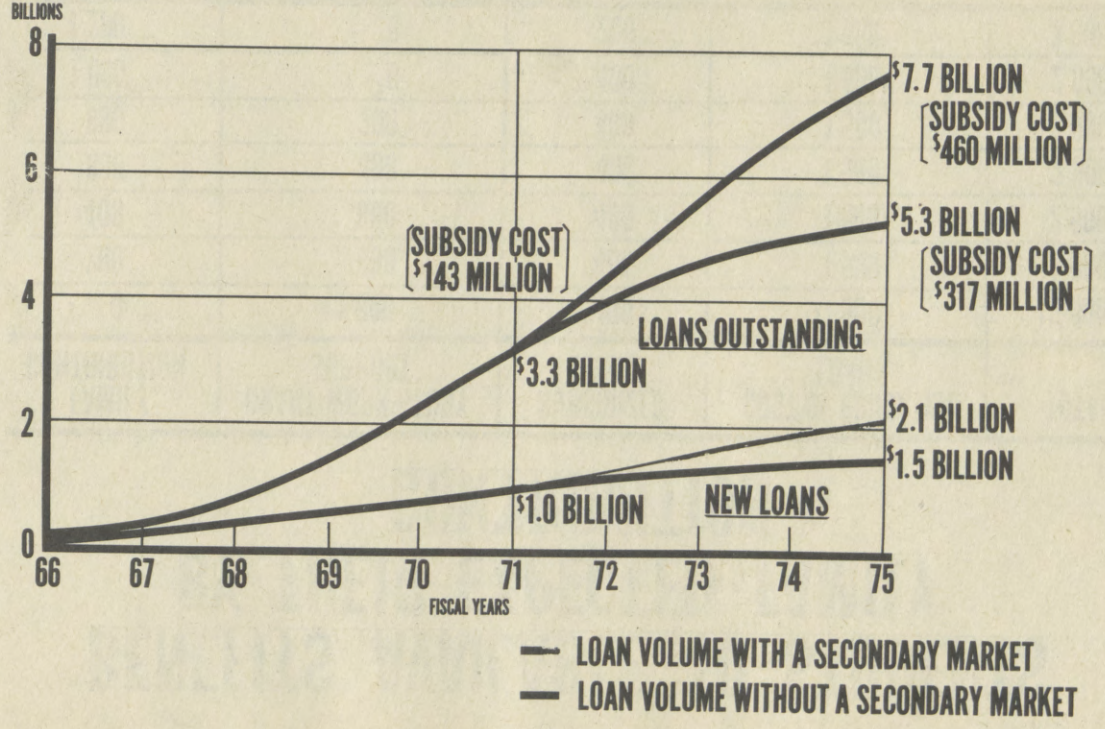
BENEFITS AVAILABLE TO STUDENTS BY THEIR EXPECTED FAMILY CONTRIBUTION

FAMILY CONTRIBUTION	GRANT/WORK-STUDY SUPPORT	SUBSIDIZED LOANS	COST OF EDUCATION LOANS	TOTAL
$ 0	$1,000	$400	$1,500	$2,900
200	800	400	1,500	2,900
400	600	400	1,500	2,900
600	400	400	1,500	2,900
800	200	400	1,500	2,900
1,000	0	400	1,500	2,900
1,200	0	200	1,500	2,900

THESE FEDERAL SUPPORT LEVELS CAN BE SUPPLEMENTED BY:

1. INSTITUTIONAL STUDENT ASSISTANCE;
2. STUDENTS SUMMER EARNINGS;
3. STATE AND PRIVATE STUDENT ASSISTANCE;
4. FEDERALLY GUARANTEED LOANS.

PROJECTION OF COSTS OF THE GUARANTEED LOAN PROGRAM



MAJOR OBJECTIVES OF THE PROPOSED PROGRAM

- PROVIDE SUFFICIENT GRANT, WORK, AND LOAN SUPPORT TO ALLOW EVERY LOW-INCOME STUDENT TO ATTEND POSTSECONDARY EDUCATION
- PROVIDE ADDITIONAL SUBSIDIZED AID TO HELP STUDENT ATTENDING HIGHER COST INSTITUTIONS
- HELP INSTITUTIONS OF HIGHER EDUCATION EQUALIZE THE DISTRIBUTION OF FEDERAL STUDENT AID
- REDUCE, REFINE, AND REDIRECT INTEREST SUBSIDIES IN THE GUARANTEED STUDENT LOAN PROGRAM
- TAP PRIVATE CAPITAL MARKET FOR SUPPORT OF STUDENT LOAN PROGRAM
- CREATE SECONDARY MARKET MECHANISM TO BUY AND SELL BLOCKS OF STUDENT LOAN NOTES AND INCREASE THE AVAILABILITY OF LOAN CAPITAL

Secretary RICHARDSON. Have we now given you a set of these?

Senator PELL. We now have them all. They will be put in the record.

Secretary RICHARDSON. I thank you very much, Mr. Chairman, for giving Mr. Muirhead an opportunity to make this chart presentation. I think it would at least help to make more vivid the interrelationship between grants and loans that we visualize, and to dramatize the significance of the family contribution, as the starting point for determining what combination of grants and loans is adequate to meet the student's needs, and finally, to underscore the point that this combination, with allowance for an opportunity to earn $300 in the summer, does permit the student to attend an institution where total costs are as high as $3,200.

One of the things that we have been concerned about is that the Federal student assistance program should be designed in a way that is capable of providing assistance in attending nontax-supported institutions.

Senator PELL. I would like to defer at this time to the ranking minority member of the full committee, and then I will come back to my line of questioning.

AVAILABILITY OF FUNDS FOR STUDENT AID

Senator JAVITS. Mr. Secretary, I would like to pursue this question of raising the money. It is one thing to give assurances that we are going to see a pupil through college, and it is another thing to find the funds.

Now as to the problem of appropriations, you can't do anything about it but just be hopeful that Congress will appropriate the money you need to make good on your grants. But is this going to be a situation where the United States will utilize its position on a full faith and credit basis, as it does, for example, in public housing, or will it be a situation where you are going to tailor the amount of grants you can give to either by number of students or by the size of the grant, depending upon what Congress appropriates?

I am sure you are sophisticated enough to understand what I mean by the full faith and credit operation. In other words, that the United States will undertake to make a grant to every student, and that it will post facto seek an appropriation to cover the grants made, which is what we do in public housing. We seek an appropriation to cover the annual deficit.

Now in public housing, that promise is considered good enough so that people will buy bonds at relatively low-interest rates, considering the full faith and credit to be a Government guaranty, which it is not. Now I just wonder how you intend to approach the grant business.

Secretary RICHARDSON. Well, I think, Senator Javits, it is important to distinguish between the three forms of funding or financial assistance that are proposed by the administration.

So far as the combination of equal educational opportunity grants and work study are concerned, the amount of student assistance that could be provided in any year in that form would be dependent upon appropriations. And we have proposed the budget, it is in 1972 budget, a 70-percent increase in funds under those programs.

In future years, as Mr. Muirhead said, we contemplate increasing the administration requests for funds for this, but it is fair to say that the amount available would be dependent upon the appropriations process.

BASIC GRANT AS AN ENTITLEMENT

Senator PELL. If I might interrupt for a moment. One of the virtues of my bill is that it is written as an entitlement, and so it is not dependent upon the vagaries of either the Appropriations Committees or the administration in withholding the funds.

Senator JAVITS. Well, Mr. Chairman, I like that concept very much, and I am going to ask the Secretary if he wouldn't be kind enough to consider it, and give us his judgment on it. I really think that in the student field, we ought to do something like that. I think that the moderating factor should be the number or students accepted, et cetera, a different income levels. We should do that first. In this particular field, you are not dealing with roads or rivers and harbors, or even defense. The student is entitled to know that if he undertakes this course in pursuing an education, that we are going to see him through it, and if I have anything to do with writing the legislation in this subcommittee, that is the way I am going to write it. The United States can handle it by setting student quotas, if it wishes, though I hope we never do that. I think that is one of our really high priority expenses.

But I do not believe that we ought to cut out a student who has legitimately undertaken a college course on the faith and credit of the fact that he is going to get this support, and then because some Appropriations Committee around here gets chinchy he doesn't get it and is left high and dry.

Secretary RICHARDSON. Well, I think there is, of course, a basic commitment on the part of the Government to the student. The issue really is only as to the manner in which this is carried out. I don't believe that any administration or any Congress would fail to provide the necessary funds by appropriations. The only question is whether to try to make the process of appropriations in some sense controllable.

Senator JAVITS. No, Mr. Secretary. We don't do that, sir. If you will allow me, I would like to submit it to you, because we do want your opinion, based upon a fact, not a theory. The fact is that the U.S. Government may fix any quota it pleases for the number of students for which it will be responsible, in any college or university. I am all for that. There is nothing uncontrollable about that. But having fixed that number, for the 4 years, whether the student goes, if he qualifies and if he has received passing grades, and remains, then we will see that he gets it. Now the only way you can do that, as I say, is by an analogy to the public housing, as Senator Pell has just said, the entitlement analogy. So I am not, sir, recommending something open ended. We had disastrous experiences with that, for example, in medicaid. So I am not going for that. But I say the controls should not be the appropriation process, which is post facto. The controls should be before the fact. That is, the student should not be admitted with U.S. backing, as it were, unless we go through with it. Don't tell him he can go to college with this backing if it is uncertain. "We are sorry, we can't undertake this commitment to you," just like we do in public housing.

After all, we have 6 or 7,000 public housing units in the country. That's all. You may be a poor person, but you still can't get into it.

I would much rather do that, because I think the idea of aborting a student because we won't appropriate in the second, third, or fourth year is really a shocking breach of good faith to that student.

That is all, Mr. Secretary. I suggest this to you. I hope the thoughtful people, like the Commissioner and others who are with you would help us with that, because this is a most important thing.

PRESIDENTIAL VETO

Senator PELL. I don't want to submit a jarring note here, either, but the question is, even if the appropriation is made, will it be vetoed? People get even more upset, when that occurs. This is one of the problems we in the Congress face, within the complexity of the authorizing and appropriating process. Indeed, this is one of the reasons some of us like the idea of an entitlement for then neither the uncertain kindnesses of the Appropriations Committees nor the administration will have an effect. An entitlement is automatic and the youngster can count on it, no matter what happens, unless the authorizing act is changed. Those are my reasons for supporting this approach.

Secretary RICHARDSON. Well, I don't think there is any difference between us in respect to the objective of nailing down the commitment of the United States to the student. And we can certainly work with the committee and committee staff to make sure that this is made good. I was glad to have the clarification by Senator Javits just now with respect to how he views that. And of course—well, I think that covers it quite well, at the moment.

CALCULATION OF NEED

Senator JAVITS. Mr. Secretary, I will just have another question or two. I am very troubled by one sentence in your presentation, which I didn't hear you deliver, sir, so if you omitted it, please correct me.

The sentence reads in your prepared statement. It says:

> The College or university would calculate each student's eligibility for aid by determining the expected family contribution toward his educational costs.

Now this immediately raises all kinds of questions about how you will determine that fact. It is has a big analogy in welfare. The Secretary certainly is clearly as familiar as I am with the whole conflict between the affidavit and the social worker.

Now has the Department thought about this particular matter? From the point of view of one, administrative burden, and, two, of technique? It is very important, and there are millions of people involved.

Secretary RICHARDSON. Yes; we have thought about it, Senator. Let me go back to the period in which the National Defense Education Act student loan program developed, since we touched on that earlier. At that time we sought advice from colleges and universities that had developed forward-looking student assistance programs, and we were impressed by the people speaking for those programs who sought to develop for each student a combination of grant assistance and work that were best adapted to his particular situation.

Now such student assistance offices have always sought to determine what the student's needs are, in the light of the family's capacity to contribute to the cost of his education. And we think that this is, barring a transition to a situation in which all higher education becomes free, or most of it, the way elementary and secondary education is, that there must be retained in the meanwhile some means of determining the student's need. And all we are saying here is that the student assistance office of the college or university should determine what the family's ability to contribute to their son's costs of education is, and that in so doing the student assistance office should ask the family questions like "Are you paying for or contributing to the cost of the education of any other student in higher education?" "What is your situation with respect to the support, for example, of elderly parents?" And so on.

This is the process that student assistance offices carry out now, and all we are saying is that this is the process we believe they should carry out in determining this combination of loans, grants, subsidized loans, or guaranteed loans that we described earlier.

Senator JAVITS. Has your experience with leaving the finding to the individual educational institution been satisfactory?

Secretary RICHARDSON. Yes, it was specifically provided for in the NDEA, in which we wanted to avoid a governmental determination of the student's need for a loan, or whether it was appropriate for him to borrow at all, as distinguished from receiving outright grant assistance, and I thought that our most innovative contribution at that time was a proposal whereby all loan funds should be institutionally administered. The concept was that the Federal Government would appropriate money, it would negotiate with the institution an amount proportional to the size of the student body, and so on, which the Federal Government would contribute to the institutional loan fund with a matching percentage in the form of a contribution of the institution's own funds, because the institution would be administering the loans, and we thought that it should therefore have some money in the pot, and since it would be administering the whole, as if the whole were all its own funds. We thought this was a sound approach, both because the institution could more sensitively judge the student's need, or the appropriateness for a loan at all, as well as because it permitted the institution to draw upon people in its employ who were dealing with the subject of student assistance anyway, even before the Federal NDEA loan program came along, thus enabling us to avoid the necessity of setting up the Federal bureaucracy designed to administer direct Federal loans.

Senator JAVITS. Now does this new plan in any way change the circumstances under which the institution itself made that determination?

Secretary RICHARDSON. No. Not to my knowledge. I might ask Mr. Muirhead, who was the first Administrator of the NDEA loan program, to comment on this, or clarify or correct anything I may have said.

Mr. MUIRHEAD. It seems to me that the Secretary has underscored a very important point here, that as a result of the 12 years of experience with the NDEA, there has been built up a fine competence in the colleges and universities, in dealing with this whole question of assessing fixed need. This program which we have before you would inject

one other point into it, as you will note in the language when it does come before you, that the Secretary will be asked to consult with a student financial aid council and, presumably, that will represent such well-established counselors as the college scholarship service, the American College Testing people, and representative people from financial aid, who will advise him upon what does represent a fair family contribution from the family in the normal circumstances, and the whole question of determining family contributions has been rather carefully developed over the 12 years, so that we can rely upon it.

The Secretary would provide to the colleges some guidelines as to under normal circumstances: A family earning this amount of money, with this number of children, should be expected to make this family contribution.

At the same time, the Secretary would say these would be cases that are not complicated, and those cases which are complicated, using the reference that the Secretary has used, where there is illness in the family, or whether they have had a loss in a previous year, or any number of situations that make them less than normal, then the student financial aid officer would counsel with the student at that time. But the very important point about this program, it seems to me, is that it says that, by and large, a young person, no matter where he is, will be treated evenhandedly in terms of the assistance that he will receive. And that evenhandedness will come from the guidelines that the Secretary provides.

ATTRACTING INVESTORS TO NSLA

Senator JAVITS. I have just two other questions, Mr. Secretary. I hope we can have them briefly, because my colleagues have questions. One is this: How do you sweeten up the National Student Loan Association to attract investors?

Secretary RICHARDSON. We have provided for an initial available appropriation of $400 million, to help it get started, or at least to bring the transition from direct loans to the NSLA, and there would be recourse, should expectations with respect to the administration of the program not be realized, to a kind of backup reserve of $250 million in the U.S. Treasury.

Senator JAVITS. So you think it would be advantageous because it will be safe?

Secretary RICHARDSON. Yes.

Senator JAVITS. They will be attracted to it because it is safe.

Secretary RICHARDSON. Yes. I think the precedent of housing loans, guaranteed loans, the operation of FNMA, is a fair precedent.

I used to work for a group of savings banks who couldn't get used to the idea at first that a guaranteed loan, that the note evidencing the loan, was for all practical purposes Government paper. After a while they became aware of this and dealt with FHA loans on that basis. This FNMA, in effect, thus became a means of facilitating the purchase and sale of them. And this is essentially what we visualize here.

COLLEGES' ABILITY TO ADMIT STUDENTS

Senator JAVITS. Now my last question is this: The Carnegie Commission says of course it costs the college or university much more to educate a student than he pays in fees. Now unless our colleges and

universities are going to raise their fees very considerably, don't you have to think about some matching basis for taking up the slack to induce colleges and universities to take in a lot of these low-income students?

Secretary RICHARDSON. It is true, Senator Javits, that the proposals we described here today do not address the problem of the cost of educating the student over and above the tuition and fees that he pays, or that it is made possible for him to pay, through the student assistance being proposed. We have given, and are giving, a lot of thought to the question of what ought to be the Federal role in support of higher education. We are not satisfied with the adequacy of a cost-of-education grant in effect attached to student assistance as a means of doing this. It is not, we think, sufficiently discriminating as between needs, costs of institutions, and beyond that, we think that its effect at this stage would be unduly to perpetuate status quo. We believe that there is urgent need for the development of new and much more flexible forms of higher education.

I hope to be back here tomorrow talking about this, as it relates to our proposal for a national foundation. So, in short, while we are aware of and sympathetic to the financial squeeze in which institutions of higher education find themselves at the moment, we are not convinced that the answer to that is a flat cost-of-education grant.

Senator JAVITS. But you realize there is a problem over, above and beyond the problem you are dealing with when you finance the student?

Secretary RICHARDSON. Yes, we do.

Senator JAVITS. Thank you, Mr. Chairman.

Senator PELL. Thank you for that line of questions, very much indeed. Do you have any more?

VARIATIONS DUE TO COST OF LIVING

Senator BEALL. One question with regard to the student aid proposals.

I notice in the formula for determining the amount of student aid, there is no mention of cost of living. It appears to me the cost of living does vary rather dramatically at various geographical locations around the country. I wonder if this isn't a legitimate matter for consideration when you are trying to determine the amount of aid that a student in a certain area might deserve.

Secretary RICHARDSON. Well, this is a valid point, certainly, Senator. I think the short answer is that the determination of the total amount that would be provided for him would in effect tend to take this into account, because it is designed to be enough money to enable him to pay the costs of attending the institution he is going to, including the costs of living in that area.

In other words, the cost of living is in itself a factor in determining what he needs.

DIRECT INSTITUTIONAL AID FOR OPERATING EXPENSES

Senator BEALL. Second, following what Senator Javits mentioned, do I understand you to say that you are studying methods of providing direct institutional aid for operating expenses?

Secretary RICHARDSON. Yes, we are. I can't speak for the administration as to any commitment to do this, or how to do it, but we are very acutely aware of the financial needs in the institutions of higher education. We think that we are at a critical turning point in potential redefinition in the Federal role toward higher education. The NDEA contained various categorical programs, in support of particular needs in higher education, that were clear and identifiable at that time.

We developed a program, for example, for the expansion of the training and teaching of Ph. D's for college educational needs, which has been so successful that, according to many people, we are now or have lately educated a surplus of Ph. D.'s. We had a program, which still exists, for the encouragement of area studies, various parts of the world, the language and cultures of various areas. And there have been a number of other such programs that were developed then, which still constitute the basic core of institutional support so far provided by the Federal Government. We think that we need to be thinking of the needs of the next decade, with a fresh eye on the opportunities for higher education to adapt itself to a situation in which a larger proportion of all high school graduates is seeking education beyond the high school than ever before. They are seeking varied forms of education to meet their needs because the system in effect is no longer a system that selects out a relatively small group seeking a 4-year education. We are trying to think how the Federal Government can best contribute not only to meeting financial needs, but to encouraging the kinds of flexibility and adaptation to new needs that we think is necessary.

Dr. MARLAND. May I add a little to that statement in response to Senator Beall.

I think it should be clear that we are not unmindful at all of the need for institutional help. There are some improvements. For example, in the funds to support construction, we have increased the budget from $470 million this year to $520 million, to provide subsidized loans for the construction of college facilities. We have also increased the resources for developing institutions, 60 percent of which will go to black colleges. We are also increasing the resources available for development and planning in community colleges, so that these are essentially institutional aid components, without the sweeping aid that you may be implying in your question.

Senator BEALL. Thank you, sir.

Mr. Chairman, at the request of Senator Prouty, I would like to ask unanimous consent to include at the appropriate place in the record a copy of the bill to amend the Higher Education Act of 1965, and a section-by-section analysis, and other——

Senator JAVITS. Would the Senator yield to me before he does that?

Senator BEALL. Yes, sir.

Senator JAVITS. Mr. Secretary, off the record.

(Discussion off the record.)

Senator PELL. Back on the record.

In other words, by unanimous consent, the text of the proposed bill is incorporated in the committee's record at the beginning of this hearing.

Senator JAVITS. Right.

Now, reserving the right to object, Mr. Chairman, I shall not object, but I would like to ask the Secretary a question.

Mr. Secretary, is this the bill, as presented by Senator Beall, for Senator Prouty, for introduction in the record, which is the administration bill, and which you have asked Senator Prouty as ranking member of this subcommittee, to introduce?

Secretary RICHARDSON. Yes, it is.

Senator PELL. Thank you very much.

Frankly, if there are any changes before tomorrow they can be made; I am sure we won't get it printed by then, anyway.

Senator JAVITS. That's what I was worried about, you see.

Secretary RICHARDSON. I appreciate that very much.

COST OF S. 659

Senator PELL. I want to return to your estimate of the costs of S. 659. It is my understanding of what you said, that the total cost of the bill would be $3.6 billion, of which $1.6 billion would be for the cost of instruction?

Secretary RICHARDSON. No; no; I didn't cover the—I was adressing only the costs of the student assistance provisions, which we estimate as $4,153 million.

Senator PELL. It has gone up.

Secretary RICHARDSON. The total costs of the bill, no, I said $4,153 million, I think, last time. The total costs of all the provisions we estimate to be for fiscal 1972 $8,748,520,000.

Mr. Muirhead?

Mr. MUIRHEAD. That is the total cost of the bill, but, Senator Pell, the figure which we are sharing with you as to the costs concerning student aid, which is——

Senator PELL. Right; you are quite right. What I was concerned with, was the total. The direct question asked was what is the cost of the basic education opportunity grant? The cost of those grants is estimated by the Department to be how much?

Mr. MUIRHEAD. The total cost of those basic opportunity grants is estimated to be 1.7 billion.

The Secretary reported to you the total cost of the student aid provision, including the cost of instruction allowance that would go with it.

Senator PELL. So, in other words, the enactment of our approach, to the effect that the student would receive the difference between $1,200 and the income tax paid by the student or the family that carries that student as a dependent, as a matter of entitlement, would be—could you repeat the figure again, Dr. Muirhead?

Mr. MUIRHEAD. Well, let me be precise on this, if I may. The total cost, as we have estimated it, for your basic opportunity grants, would be $1.7 billion.

Senator PELL. $1.7 billion?

Mr. MUIRHEAD. That is right. In addition to that Senator Pell, you are also providing a program of supplemental grants.

Senator PELL. To the institutions?

Mr. MUIRHEAD. No. supplemental grants to students in addition to the basic grants.

Senator PELL. Right.

Mr. MUIRHEAD. To very poor students.

Senator PELL. These are the present programs, in other words?

Mr. MUIRHEAD. No, the present programs go on from there. Your bill, as we read it, Senator Pell would provide basic opportunity grants of $1,200 less the tax paid, making $1.7 billion. The bill would also provide supplemental grants of a thousand, or one-half the costs of other financial aid to students.

And our estimate there is $266 million.

Your bill would also seek to extend other student financial aid programs which are now on the books. And our estimate there is $785 million.

In addition, we include this under the cost: Under the student aid provisions, you had a cost of instruction allowance which was to go with each student who was receiving aid, and the total cost of that was $1.4 billion, giving a total cost as the Secretary reported earlier of $4.1 billion.

Now, you can extract from any one of those—Excuse me. $3.7.

Senator JAVITS. Is that 1 year?

Mr. MUIRHEAD. That is a 1-year cost.

Senator JAVITS. What is his program? How many years?

Mr. MUIRHEAD. The program is authorized for 5 years.

Senator JAVITS. All right.

Mr. MUIRHEAD. Senator Pell, if it would be helpful, we would be pleased to submit this for the record, if it would be helpful.

Senator PELL. It would be helpful.

(The information subsequently supplied follows:)

COST COMPARISON OF THE PROVISIONS
CONTAINED IN S. 659
(EDUCATION AMENDMENTS OF 1971 INTRODUCED BY SENATOR PELL)
AND THE
HIGHER EDUCATION OPPORTUNITY ACT OF 1971)
(Dollars in Thousands)

	Administration Proposal[1/]	S. 659[2/]
Student Assistance	$1, 628,100	$2,730,000
(students aided)	(2,500,000)	(3,700,000)
Cost of Instruction Allowance	0	1,423,000
Special Programs for the Disadvantaged	50,100	96,000
Developing Institutions Program	38,850	100,000
Higher Education Construction	34,407	1,470,500
Language Training & Area Studies	15,300	38,500
University Community Services	9,500	60,000
College Personnel Development	36,945	53,410
College Library Assistance	7,000	145,000
Higher Education Facilities Loan Fund	4,610	4,610
Networks for Knowledge	0	15,000
Graduate Programs, HEA IX and X	0	100,000
Law Schools Clinical Experience	0	7,500
International Education	0	90,000
Education Professions Development	135,000	600,000
SUB-TOTALS	$1,960,612	$6,933,520

The following programs would be authorized by S. 659 but are not included in the Higher Education Opportunity Act of 1971.

	Administration Proposal[1/]	S. 659[2/]
Vocational Education	$420,173	$975,000
National Foundation for Higher Education	100,000	200,000
National Institute of Education	3,000	500,000
Equipment and Minor Remodeling	0	140,000
TOTALS	$2,483,785 (FY 1972 Appropriation Request)	$8,748,520 (Proposed Authorization)

1/ FY 1972 appropriation request.

2/ Estimates based on enrollment projections and student family income data, or on the authorizations specified in the proposal.

Senator JAVITS. Mr. Chairman, now could you compare that to the administration's bill? I don't mean right here, but give us a chart, so we can take a look, as Senator Pell says, at relevant comparisons.

Mr. MUIRHEAD. Yes.

Senator PELL. That is right. Give us a comparison of the costs of the administration's approach, and of our approach, lined on a basic column basis. One other factor I wish you would add into it is how many additional students you think each bill would cover—this obviously can only be estimated.

Mr. MUIRHEAD. Yes; we would be pleased to.

COST-BENEFIT RATIOS

Senator PELL. Now to another subject. What is the cost-benefit ratio of tax dollars spent on education? In other words, how much will be the return, to put it very crudely, to the Federal Government, in the long haul, in tax dollars, for every dollar spent in improving education?

I have heard a variety of figures advanced. One of my colleagues used the term, I think it was $13 to $1. That seemed generous, and while I hope it is correct, I would like to know what the figure is.

Mr. MARLAND. My earlier testimony, Mr. Chairman, did offer some evidence on that; namely, that over the course of a lifetime, a college graduate, as distinct from a high school graduate, will earn $213,000 on top of the base of the high school level, from which we can project the tax revenues therefrom.

Senator PELL. I know these figures, and I use them in every high school graduation speech I make. I wonder if you couldn't extend it a little bit further, and generate a cost-benefit ratio and submit it for the record. The figure I alluded to is used quite loosely, but I believe it is correct that for every dollar that is spent on education, the return to the Federal Government is substantially more.

I know that experience under the GI bill indicates that the Federal Government came out far better, by that investment, which was a matter of right. What we need is your best estimate as to what the return in tax dollars is to the Federal Government for tax dollars spent in upgrading education?

Mr. MUIRHEAD. I would prefer not to speak for the record now, but we will do our best to respond to your question, and submit the material for the record.

Senator PELL. Right. I think it would be a very, very interesting figure, and one that would help us all, and of course we would appreciate the grounds for your estimate, too.

Mr. MUIRHEAD. Yes, sir.

Senator PELL. Thank you very much.

(The information subsequently supplied follows:)

COMPARISON OF ADDITIONAL FEDERAL INCOME TAX PAYMENTS MADE BY PERSONS COMPLETING FOUR YEARS OF COLLEGE

The Bureau of the Census reports that in 1968 the mean income of male full-time workers was approximately $8,000 for those workers who had completed four years of high school and approximately $13,000 for the workers completing four or more years of college.[1/] Using the College Scholarship Service estimates for Federal Income Tax payments [2/] by net income for three-child family it is found that at the 1971 tax rates a family earning $13,000 per year pays $865 more per year in Federal income taxes than a similar family earning $8,000 per year.

Assuming an average working life of 30 years per worker and that workers with college degrees pay $865 per year more in taxes, it can be estimated that a person completing four or more years of college pays approximately $25,950 more in taxes during his career than a person completing four years of high school. This estimate may be somewhat generous since it is based on the mean annual income of males. However, it can safely be stated that the higher earnings of college graduates contribute substantially to the Federal income tax revenues.

1/ Current Population Reports, Consumer Income, Series P-60, No. 74, October 30, 1970.

2/ College Scholarship Service, Manual for Financial Aid Officers, 1970; College Entrance Examination Board, New York.

Senator PELL. Now I have some specific questions to ask.

Secretary RICHARDSON. May I just interrupt a moment, Mr. Chairman, to say that we can furnish right away, for the record, cost estimates under your bill, under our bills, and a comparison of the two bills in vertical columns. These are all available. And we can supplement these comparisons with a comparison of costs by more or less comparable headings.

Senator PELL. And also as I said, the increased number of students who would be produced by the enactment of each bill.

Secretary RICHARDSON. That, of course, is somewhat conjectural, as I am sure you know.

COST OF INSTRUCTION

Senator PELL. I realize that. Just your best estimate. What is the average cost of instruction at this time on a broad basis for undergraduate students in colleges? Could you give us the rough range?

Secretary RICHARDSON. Yes; and here we could again submit a small tabulation, on the basis of current academic year student charges, including tuition fees, room and board, the basic costs of public universities is $1,460; public 4-year colleges, $1,175; public 2-year colleges, $867; with an average for all public institutions of $1,248.

For private universities, the figure is $3,168; private 4-year colleges, $2,558; private 2-year colleges, $2,267; the average charges in all private institutions, $2,722.

Senator PELL. What is the reason for the fact that the average tuition in proprietary institutions is less than that figure? Does that indicate that they are doing the job more efficiently, or what is the reason?

Secretary RICHARDSON. Where is the figure? Well, I think that proprietary institutions ordinarily focus on a fairly narrow function, and they don't have to maintain the resources of laboratory facilities, libraries, a range of curriculum offerings, and so on, that nonproprietary institutions do.

Senator PELL. Right. Tuition, of course, is not the same thing as the cost of instruction. What we are talking about here is cost of instruction. Is that correct?

Secretary RICHARDSON. No, the figures I gave up were the cost for the student of attending these various forms of institutions, including tuition fees and room and board.

Senator PELL. No, no, forgive me; I may have mis-expressed my question. I want to know the average cost of instruction. What you supplied is what is loosely termed-cost of education.

Secretary RICHARDSON. Do we have any such figures with us?

Mr. MUIRHEAD. We do not have such figures with us, Mr. Chairman, but we would be pleased to submit them for the record, if we may do so.

Senator PELL. I would appreciate it if you would, and would you include proprietary colleges as well, on an average?

Secretary RICHARDSON. We certainly will. We will include a whole variety of institutions.

(The information subsequently supplied follows:)

PER STUDENT EDUCATIONAL AND GENERAL EXPENDITURES BY TYPE AND CONTROL OF INSTITUTION

The Office of Education's National Center for Educational Statistics shows the following average educational and general expenditures per student in academic year 1967-68:

PER STUDENT EDUCATIONAL & GENERAL EXPENDITURES--1967-68 1/

All Institutions	$1,905
Public Institutions	1,702
Universities	2,814
Other 4-Year	1,252
Two-Year	677
Private Institutions	2,370
Universities	3,771
Other 4-Year	1,725
Two-Year	1,020

These educational expenditures have been projected to academic year 1970-71 by using a growth rate based on past increases in educational expenditures and in enrollments within each of the various types of institutions:

ESTIMATED PER STUDENT EDUCATIONAL & GENERAL EXPENDITURES--1970-71

All Institutions	$2,197
Public Institutions	1,920
Universities	3,220
Other 4-Year	1,424
Two-Year	794
Private Institutions	2,871
Universities	4,645
Other 4-Year	2,077
Two-Year	1,125

1/ Educational and general expenditures include expenditures for instruction and departmental research, extension and public service, libraries, plant maintenance and operation, general administration, organized activities related to educational departments organized research, other sponsored programs. Excluded are expenditures for student aid, auxiliary enterprises, and current funds expended for physical plant assets.

For purposes of comparison, the following table shows the estimated average student charges per full-time, resident degree credit students in the various types of institutions:

ESTIMATED AVERAGE CHARGES PER FULL-TIME, RESIDENT DEGREE CREDIT STUDENT

Public Institutions	$1,248
Universities	1,460
Other 4-Year	1,175
Two-Year	867
Private Institutions	2,722
Universities	3,168
Other 4-Year	2,558
Two-Year	2,267

It should be noted that a strict comparison between the educational expenditures and the student charges shown in the tables is not possible since the educational expenditures shown above include all students enrolled while the student charges are for full-time, resident, degree-credit students. Such a comparison would be particularly invalid for those institutions enrolling large numbers of part-time, commuting or vocational students. However, the tables do illustrate that in many cases, the full cost of education is not directly borne by the students or their parents.

Secretary RICHARDSON. Of course, Mr. Chairman, again I am sure you appreciate that such figures are subject to the inherent difficulty in allocating costs. For example, just to take my own college, or university, Harvard University maintains an enormous library, and this is a resources of the scholarly world. How much of the costs of maintaining that library are allocable to the education of any student, whether undergraduate or graduate, and how much of the costs should be regarded in effect as being devoted to the maintenance of an institution that has value not simply to the students of the university, but to a great many other people?

And that, of course, is an inherent problem in determining what amount of the costs of any institution of higher education are chargeable to, in effect, the cost of educating a student, specifically an undergraduate student.

Senator PELL. Right. Well, then, I realize the difficulty here, but if you could just do your best.

Secretary RICHARDSON. Oh, we will; I just wanted to make the point that these figuress are subject to considerable interpretation.

Senator PELL. Right.

The committee may decide to enact a cost of instruction allowance proposal for the benefit of the colleges. One that would pay solely the cost of instruction, and yet would stop an increase in tuition fees, which is the danger here?

Secretary RICHARDSON. We have no definitive views on this. This really involves the whole issue I touched on earlier, of what ought to be the Federal role in contributing to the costs of higher education, recognizing the great variety among institutions and so on.

And while, as I said earlier, we are acutely conscious of the seriousness of this problem, and the urgency that is felt with regard to coming up with better solutions on the part of many institutions of higher education, nonetheless, we think that it needs to be thought through carefully, lest the Federal Government, for the decade or more ahead, find that it has simply underwritten the status quo.

PHILOSOPHY OF FEDERAL ASSISTANCE

Senator PELL. Your general testimony indicates that what the administration is proposing is a long-range, perhaps a permanent, program of student assistance in which loans from the private sector would be the major form of assistance. And this view is reflected in the President's messages.

Moreover, there is no indication of any recognition of the need for assistance to the institutions, although you personally obviously do.

The air of permanency about the administration proposal requires us to examine the philosophy of student assistance as a national policy. And if a proposal, such as the one suggested by the administration, becomes law, it is only natural to assume that college tuitions are going to continue to increase, with the result that higher education will be almost completely financed by tuition.

Students will pay that increased tuition by borrowing large sums, which will then be repaid in the period after they graduate.

To my mind, we should be seeking tuition-free higher education as a floor, but that does not seem to be a goal of the program the administration offers.

Now the question I have is a specific one. Do you really believe that we want to adopt a policy for the time being, based on a philosophy of tuition-financed higher education, or do we want to go to this concept eventually of the floor, without tuition loans, tuition through loans?

Secretary RICHARDSON. I would say, Mr. Chairman, that the administration's philosophy, in advancing its proposals for student assistance, is that we would like to assure that the approach taken by the Federal Government toward the provision of student assistance does not unduly influence the process of the determination of tuition, or the process whereby choices are made by students as between public tax-supported institutions and private or independent institutions.

We would, in other words, like to so design, and believe we have fairly well succeeded in designing, a program that is in this respect. Pending a better opportunity to think through the philosophical issues you have touched on.

I, for one, don't feel prepared to say that we should be moving toward a period in which all higher education is, in effect, tuition free. I see no way, in the short range at least, whereby this can be made true for the independent institutions, and while I think that it would be desirable to find ways whereby the trend toward the assumption of a larger and larger share of the whole load of educating students beyond the high school, by tax-supported institutions, might be slowed down, I don't feel, speaking for myself at least, that we yet have any really good answers on how to do this.

(Further information subsequently received from Secretary Richardson follows:)

ADMINISTRATION POSITION ON GRANTS VS. LOANS

In any case, Mr. Chairman, you have suggested that enactment of the Administration's proposals for student assistance would establish a long-range permanent program emphasizing loans rather than grants. I would respectfully disagree, and make just the oposite point: that the Administration's proposals place heavy emphasis on the provision of more substantial grant funds more equitably distributed, and that establishment of the National Student Loan Association would not, in fact, set future patterns of student assistance in concrete.

No matter what the directions of future national policy with respect to the portion of higher education costs to be borne by the student, students throughout the scale of family income will continue to need loans of convenience and necessity to help meet the costs of their education. We say that such loans should be readily available to all students who need them, and that the National Student Loan Association would provide a mechanism for accomplishing this.

Our proposed legislation takes no position on the degree to which college costs should be met by grant assistance. Our budget proposal would increase grant and work-study funds by almost 70 percent for Fiscal 1972, but the legislation does not specify any family income ceiling on eligibility for these grants. The amount of assistance and the number of students eligible for it could be significantly increased in future years through the appropriations route, without any change in the legislation. Therefore, I would argue that our proposals are characterized by their flexibility with respect to future directions for national policy, and do not permanently lock in any particular mix of grants or loans. Their primary thrust is to make significantly increased federal funds available for student assistance, targeted more effectively on those students most in need.

Senator PELL. I agree with you, that I don't think all higher education should be tuition free. But what I am saying is that I be-

lieve we should move toward provision of a floor, the concept I gave earlier, of primary and secondary schooling, where there is public education available for every youngster through the 12th grade, without paying tuition, and I am saying that I think we should try and achieve that same goal before the century is out, at least, and I hope a lot sooner, with colleges.

Secretary RICHARDSON. Well, I think we are moving in the same direction on that score, as I hope Mr. Muirhead's exposition made clear. We don't believe that we are in anything we have proposed accelerating a process of reliance on tuition, or stimulating an increase in tuition charges.

Senator PELL. No, I would use your earlier word "neutral." I think it is a neutral approach, and we are trying to make it a "less neutral" approach. I guess that's the difference.

Secretary RICHARDSON. I am not sure that I would agree that this is the necessary consequence of what you are proposing, however.

PAYEE PLAN

Senator PELL. I recognize we have a difference of view in that. What is your thought with regard to your alma mater's rival, Yale under which money is lent to the students and then they will pay back .04 percent for each thousand dollars, for about 28 years or 30 years, no matter what your income is?

Secretary RICHARDSON. Well, as I stated publicly, Mr. Chairman, at the time when Yale announced this experiment, I feel that it is a potentially valuable contribution to the knowledge and experience of a lot of other institutions to see how this works.

As you know, the concept depends basically on the idea that the students who in their future careers are high earners should repay larger amounts to the institution than students whose careers turn out to be ones that do not produce much income.

And the theory, I take it, is therefore that a student is going to be willing to borrow to pay the costs of education, because he won't worry that if he chooses a career that does not produce substantial income, he will be carrying a debt load that he won't be able to manage.

And so we think that it can be helpful to other institutions, particularly to independent institutions, to see how Yale makes out in this. It is a difficult program to design. The determination of what rates of repayment are appropriate for particular income levels, and so on, is almost impossible to figure out satisfactorily in advance.

Senator PELL. But it has one point, I think, in the right direction, over the Zacharias proposal, which is that it gets away from the reverse dowry inherent in that proposal, as I understand it. Would this be correct or not?

Secretary RICHARDSON. Well, there the degree of obligation that you face is a function, really, of what you earn. And in that sense, I think it is basically similar to the Zacharias approach.

CAMPUS UNREST

Senator PELL. Another question, off of today's subject. One of the political reasons attributed to the fact that we didn't move ahead on a higher education bill last year was concern about violence on campuses. I think the record should be straightened out.

My understanding is that there are about 2,800 public institutions of higher learning, and about 700 proprietary institutions, and that the numbers of instances where violence occurred, in the last year, were less than 150. Would that be a correct statement?

Mr. MUIRHEAD. May I respond to that, Mr. Secretary?

That would be a correct statement, and also I should report to you, Senator Pell, that we were operating under a provision in the Higher Education Act that required all institutions to stop financial aid for those students who had been found guilty of violence and disruption. We have made a survey, as you would expect us to, and a report from those institutions shows that nationwide—nationwide—the total number of students who were found, after due process, were found guilty of violence or disruption, according to the provisions of the law, and whose student assistance was removed, totaled about 400. I think this underscores the point that I believe was the thrust of your question, and that is that the student violence and student disruption really occurs only in a small number of institutions, and is participated in only by a very small number of students.

Senator PELL. In the last calendar year, or fiscal year, which are we talking about?

Mr. MUIRHEAD. I am talking now about the last college year, ending last June.

Senator PELL. During the last college year, in the whole United States, there were 400 students who were convicted of acts of violence or impropriety.

Mr. MUIRHEAD. About 400 students who were receiving financial assistance whose financial assistance was removed as a result of being found guilty of violence and disruption.

Senator PELL. And how many incidents of violence were there in the country as a whole?

Mr. MUIRHEAD. I can't recall that figure, but we do have a report which I will be very pleased to share with you for the record, but the total number of instances are much less than most people imagined.

Senator PELL. This is what my belief is, too. Do you have any idea of what the total cost of damage of vandalism, breaking of windows and paint, and things of that sort, including that dreadful bombing incident in the University of Wisconsin would be?

Mr. MUIRHEAD. We do not have that information, Mr. Chairman.

Senator PELL. I think it would be of interest if you gave, again, a rough estimate of the total dollar damage, which I believe is less than people would think. I think many people in the country as a whole have visions of mayhem and violence occurring on every college campus, this is just not so.

Mr. MUIRHEAD. We would be very pleased to provide a report on that, and as much information on that point as we can find.

(The information subsequently supplied follows:)

EDUCATIONAL INSTITUTIONS ACTION

FISCAL YEAR 1969

On the FY 1969 Fiscal Operations Report which covers educational institutions actions under the NDSL, CWS and EOG Programs through June 30, 1969, the following was reported:

1. Three institutions reported action against 63 convicted students under the Higher Education Amendments of 1968, Section 504(a). They were:

   Harvard University
   Wisconsin State University - Oshkosh
   San Bernardino Valley College - California

2. Three institutions reported action against three convicted students under the appropriation act, Section 411. They were:

   Columbia University - N. Y.
   Bluefield State College - W. Va.
   University of California - Davis

3. Five institutions reported 26 actions against students found to have violated college regulations or officials orders under Section 504(b). They were:

   Columbia University
   Cheyney State College - Pa.
   Belmont Abbey College - N. C.
   Alabama State University
   Wisconsin State University - Oshkosh

4. Another 584 students receiving Federal funds were suspended or expelled by 110 institutions under actions taken in accordance with the institutions' own rules and regulations.

5. Totals: 676 students out of 771,385
   117 colleges and universities out of 2,200 partipating

All participating institutions are required to sign a Terms of Agreement. This terms stipulates that "the Institution shall take such steps as are necessary and appropriate to assure that the financial assistance provided for . . . . is not made available to students where prohibited..."

EDUCATIONAL INSTITUTIONS ACTION

FISCAL YEAR 1970

On the FY 1970 Fiscal Operations Report which covers educational institutions actions under the NDSL, CWS, and EOG Programs through June 30, 1970, the following was reported:

1. Two institutions reported action against 17 students under Section 407 of the fiscal year 1970 Appropriations Act for the Department of Health, Education, and Welfare (P.L. 91-204). They were:

   Northeastern University-Mass.
   Virginia Polytechnic Inst. & State Univ.

2. Two institutions reported action against 7 students under Section 411 of the fiscal year 1969 Appropriations Act for the Department of Health, Education, and Welfare (P.L. 90-557). They were:

   Mesa County Jr. College-Colo.
   Va. Polytechnic Inst. & State Univ.

3. Five institutions reported action against 5 students under the Higher Education Amendment of 1968, Section 504(a). They were:

   California State Poly. College-Kellogg-Voorhis
   San Fernando Valley State College
   University of Maryland
   University of Arkon-Ohio
   Wisconsin State University-River Falls

4. Three institutions reported action against 11 students under Section 504(b) of the Higher Education Amendments of 1968. They were:

   Western Michigan University
   Southwest Missouri State College
   Miami University-Ohio

5. Another 315 students receiving Federal funds were suspended or expelled by 72 institutions under actions taken in accordance with the institutions' own rules and regulations.

A total of 355 students had their financial assistance terminated because of Student Unrest.

The U.S. Office of Education does not have information concerning the dollar value of college disorders.

PRINCETON PLAN

Senator PELL. Now, there is one other question, somewhat related to this subject, not directly related to the testimony today, but I would be interested in your views.

You may recall the Princeton plan, which provided the opportunity for students to have 2 or 3 weeks off prior to the election to participate in a campaign. Last year, the students were very excited about this. They came down in droves, and seemed very concerned. And yet, the activity of students in the last election was really a dismal failure. The Princeton plan itself was rather unsuccessful. About 80 percent of the students did not use the time off for political activity, but used it as a vacation, and only half of the 20 percent spent their full time in this form of political activity.

Does the Office of Education have any statistics with regard to the extent of political activity of young people?

Mr. MUIRHEAD. We do not, Mr. Chairman. But we do have, through our regional offices, and through the reports that are made to us from the campuses, some rather, I think, extensive information on the amount of violence and disruption. But, in general, what you have just said, that what started to be a movement that many people thought would become quite popular, turned out to be a movement that was not engaged in very much on university campuses, and on those campuses where it was engaged in, really wasn't directed at the main thrust of involvement in the political campaign.

Senator PELL. I would emphasize the point that when I point out the failure of this plan, I do not reflect on the establishment of it, or the institution. What is reflected upon is the young people themselves, who failed miserably when given the opportunity to participate more fully in our elective process.

Do you have any figures with regard to college programs for getting students registered? Are the colleges making any efforts in this direction? Is there any voter registration section or man working in this field in the Office of Education?

Mr. MUIRHEAD. We do not have anyone assigned in the Office of Education to that particular field, and I don't think that in the records that we do have, the information we have from universities, that we would be able to report whether or not people on campus are engaged in that particular activity.

Senator PELL. I know in my own State, I am very disappointed, because there seems to be no effort as yet to get the many thousands of young people who are there to participate in elections. On the national level, in those States where they can vote between 18 and 21, the record again is dismal.

No reflection on the States, or the establishment. It is a reflection on the young people.

My recollection is that less than a third of those eligible between 21 and 30 take the bother to register and vote.

THEORY OF PROPOSAL

Going back to the direct subject in hand, your statements indicate a very strong emphasis on keeping the cost of education off the national budget. I realize that. This is one of the advantages of a loan program, because you don't have the figures appearing in the budget as you would in a grant program.

Do these budgetary factors play a role in your emphasis on loans over grants?

Secretary RICHARDSON. Yes. It undoubtedly plays some part. In general, though, we think that, so far as loans are concerned, that it is appropriate, and effective, to call upon the private sector.

I could supply here for the record a tabulation showing the extraordinary increase, or extraordinary volume increasing year by year, in guaranteed loans, under the program that started just about 5 years ago. And this tends to indicate that the private capital market is as prepared, given security of principal, to lend to students or to anybody else, and so our answer, in effect, is why not use it?

Mr. MARLAND. May I supplement that, Mr. Secretary?

I think, recalling the chairman's question as to the implications that this proposal tends to lean on loans as distinct from budget items, it should be noted in the record that our budget in 1971 is about point $9 billion. That is, $900 million. Our budget for 1972 will request more than double that, $1.9 billion for higher educational loans.

Now that, I must quickly add, that $1.9 billion will include forward funding, but nonetheless, allowing for the forward funding, there will be a 70-percent increase in the higher education budget line items, which does include, of course, the funding of the student loan association.

NATIONAL STUDENT LOAN ASSOCIATION

Senator PELL. As you know, I have had a somewhat dim view of the idea of this National Student Loan Association. One of the points here is that ultimately the association will be controlled by a board of directors elected by stockholders. There is no real control by either the executive branch of Government or by the Congress, and I am wondering if, as a matter of national policy, there is an argument to be made to the effect that it is a mistake to put such a public trust in an independent board.

Secretary RICHARDSON. Well, this association, Mr. Chairman, would have no authority over who gets loans or in what amount. Its only function is to operate a secondary market. Or to carry on the function of warehousing loans.

As we visualize the operation of the proposed student aid program, it would rely, as I think I tried to emphasize earlier, upon the student assistance office of the college or university itself to determine which students should get loans, versus grants, and what the combination of loans and grants should be.

Beyond that, insofar as it does have responsibilities for polices affecting the operation of the secondary market itself, the proposed National Student Loan Association would be a publicly responsible body, with appointment by the President of seven public members of its board, which would amount to one-third of the board.

Senator PELL. Right. Actually, who would set the interest rates?

Secretary RICHARDSON. The Secretary of the Treasury, Secretary of HEW, and the Director of the NSLA.

Senator PELL. The three of them, so two out of the three could decide what the rate would be. That decision would have an effect in and of itself.

Secretary RICHARDSON. Yes. Well, that is, of course, the ultimate, most fundamental policy decision to be made.

LENDER OF LAST RECOURSE

Senator PELL. Right. In how many of the States is there a lender of last recourse, where, if a student finds that the banks won't take him because his family does not have an account there, or he doesn't look like a good risk, he can turn to.

In many States is there an institution of last recourse?

Secretary RICHARDSON. I do not know. Mr. Muirhead may know.

Mr. MUIRHEAD. But let me respond to your question, first of all, by saying that the proposal that we have before you is directed at making sure that the student would have a loan available. At the present time. under the guaranteed loan program, as you know, Mr. Chairman, a number of States, 35 States, participate in the Federal program, because they have not set up their own guaranteed loan agency.

And this proposal would say, in effect, that there would be funds available, because not only would the lending institutions include the banks, but they would also include the colleges and universities.

And the Secretary, in consultation with the Secretary of the Treasury and the Director of NSLA, would set the volume of loans. So that. once and for all, we would have available credit for providing both the subsidized loans that the Secretary has explained and the guaranteed loans which are intended for those of upper income level.

WAREHOUSING

Senator PELL. If we go ahead and enact our approach, which is the warehousing provision but do not go ahead with the incorporated association, what would be the disadvantage of our approach?

Mr. MUIRHEAD. I think it would be very unfortunate, Mr. Chairman, if we were to have only a warehousing proposal. And now having said that, I think a warehousing proposal is very important. But the warehousing proposal would be more to the advantage of a banking, commercial banker, than it would to a college.

The warehouse, as you know, makes it possible for a commercial lender to put aside for a while loans which he has, with the clear understanding that he will purchase them at a later date.

We are saying that the colleges and universities should be involved in making these loans, and they can't have that difference of saying that they will turn over their capital to a warehouse for a while, and then repurchase at a later date. They don't have that type of resource.

So it seems to me that the warehouse is a very important part of this proposal, to benefit the commercial banks, but the other part of the proposal is crucial to make it possible for NSLA to purchase the loans in order for the colleges and universities to become effective lenders in this program.

Senator PELL. Well, the money is just as green, and worth just as much or just as little, no matter where it is borrowed from. Or how it is borrowed. And I would think the warehousing provision would meet the requirements of the students.

Secretary RICHARDSON. May I add a point to that, Mr. Chairman, Which goes back to discussion we had earlier of the NDEA student loans.

Generally speaking, while we think it is helpful for banks to stand ready to make guaranteed loans to students, on the other hand, we

also think that it makes sense for a college or a university to be able to administer a student assistance program as a whole, looking at the situation of the student, his opportunity to work parttime, if any, his family situation, and to work out with him an appropriate combination of work, grant, and loan. The institution really isn't in a position to do that unless it has loanable funds, and the great contribution of the NDEA student loan program has been that it has put loanable funds into the hands of the institution.

And what we are trying to do here is in effect to assure that the institution will continue to be in that position. And so the opportunity of the institution to unload its own paper on the NSLA is a vital ingredient in this combined approach.

ADMINISTRATION PROGRAM

Senator PELL. In your chart which showed the number of students to be benefitted, you indicated that your proposal would benefit 2½ million youngsters with subsidized programs.

How many of these students in that projection will be receiving loans as opposed to grants?

I think this turned out on the charts that you showed us, but I was wondering if you could translate it into numerical terms for us.

Mr. MUIRHEAD. Yes, the chart which we showed shows that we would increase the number of students from 1.6 to 2.5 million, and the 2.5 million students would receive a combination of loans and grants.

We have, for example, at the present time, a total program for equal opportunity grants, that is, proposed, of 559 million and 760.

Basically, the answer to your question, I think, Mr. Chairman, is that for all students coming from below—and again, I have to say it has to do with the size of the family—for all students coming from below about $8,000 family income, they would be the recipients of a combination of grants and loans.

For students who are eligible for support above the $8,000 and again I am speaking of a family with one child, and it might very well be $9,000 or $10,000, they would basically be supported under the subsidized loan program.

The whole essence of the proposal we have before you is to target the grant funds on low-income students.

Senator PELL. Looking at this chart, one of the effects I dislike is that a student from a poor family, with no family contribution, will still have to start out life with a loan hanging over his head. A small loan, but still a loan.

Mr. MUIRHEAD. I have now before me some figures which I can say with more precision than I did before what the distribution would be of students assisted under the grant provision, and students assisted under the subsidized loans.

We would expect that of the 2.5 million students assisted as a whole, that about 1.1 million would be receiving grants. And that about 2.5 million would be receiving subsidized loans, because all students would be eligible for subsidized loans.

Senator PELL. Right. I think this is a very important point to be emphasized, that all students would, no matter from what financial circumstances they came, would, when they finished college, if this

program of yours was enacted, have a loan hanging over them. Would that be a correct statement?

Mr. MUIRHEAD. That is a fair statement, but I think it is quite fair to point out that the student from the lowest income family would have the assistance which he received would be predominantly from grants rather than loans.

EFFECT OF PRESENT PROGRAMS

Senator PELL. Now if the presently authorized programs, were fully funded, how many students would be helped? 2.5 million would be helped under your proposals, if fully funded. How many would be helped under present programs, fully funded?

Mr. MUIRHEAD. Well, we are now supporting 1.6 under the program. But they are not funded at the authorized level. We have not computed the figures as to how many students would be assisted, if they were funded at the authorized level.

Senator PELL. Would you do that, just run through it through the computer and send us that figure?

Mr. MUIRHEAD. We would be very pleased to do so.

(The information subsequently supplied follows:)

STUDENT AID

The following table illustrates the estimated number of students who would be aided under existing student aid programs if such programs were funded at the FY 71 authorization levels:

	Authorization (Dollars in millions)	Number of Students Aided
National Defense Student Loan	$375	781,000
Educational Opportunity Grant	273	456,000
College Work-Study	320	749,000
Guaranteed Student Loan	---	1,246,000 1/

The above table reflects duplicated benefits; i.e., a student may be receiving both a EOG and Work-Study payments and would be included in the totals for both of these programs. It is estimated that the unduplicated total for all of these programs would be approximately 2,370,000 students.

1/ No authorization level in the law--number of students based on demand.

GUARANTEED LOAN PROGRAM

Senator PELL. Thank you.

Now in one of these charts, you predicted that the number of persons receiving unsubsidized guaranteed loans would increase from 25,000, 40-fold to a million. Isn't the reason for this increase the result of dropping the subsidy?

Mr. MUIRHEAD. I am not quite sure that I understand the question.

Senator PELL. In other words, the reason it goes up from 25,000 to a million is because you have dropped the subsidy that you had before?

Mr. MUIRHEAD. Yes; but we are not dropping the subsidy for the subsidized loans. We are—if I understand your question correctly—we are providing NDEA loans at four times the level.

BUDGET FIGURES

Senator PELL. Right. Now I understand that none of the figures that you have been using are in the bill that you submitted.

To put it another way, the bill that you submitted does not contain the figures that we have been using in this discussion. The bill simply asks Congress to give HEW the authority to carry out a grant program, and you are now telling us the policy you will use if we passed the bill, in the 1971–72 years.

Since you are asking for this open-ended, discretionary authority for 5 years, will you give us a comparable policy with numbers of students involved and cost estimates for the succeeding 4 years?

Because we have just been talking about 1 year here.

Mr. MUIRHEAD. Yes; we will provide you a 5-year projection for the proposed legislation.

Senator PELL. Right.

And if we should for some reason adopt the philosophy of your proposal, with the emphasis on loans, I suspect that some members of our committee will want to study the dollar figures and will want to write those figures into the legislation, as a matter or policy, rather than leaving it up entirely to the Department.

This is up to us to thrash out in executive session.

I have a couple more questions that I will submit for the record, and we would hope that you will furnish replies for the record.

(The information to be supplied follows:)

Additional Questions Submitted to Peter Muirhead of the U.S. Office of Education With Responses

Question:

Section 404(b) of the General Education Provisions Act requires that HEW submit to the Legislative Committees and the Appropriations Committees a comprehensive and detailed review and evaluation of education programs. The report is to be submitted in the year prior to the expiration of the authorization of the appropriations for the program concerned. This report was intended to serve as the basis for the Administration's legislative proposal. In the case of higher education, the report was due last year. Has that report been submitted?

Since the Administration is proposing a major revision of the College Library Program and the Higher Education Facilities Act, and the repeal of many others, it would be helpful if the evaluation report were submitted to the Committee even if they are late. The evaluations must be the basis upon which the Administration rests its proposals.

Answer:

Separate reports on Title II, HEA and the HEFA have not been prepared. As you know, P.L. 91-230 extended the requirement for such reports to all applicable programs, rather than just programs authorized by the HEA of 65, the HEFA and NDEA. In order to economize on the expenses which are incurred in preparing a number of separate reports, the Office of Education plans to submit all such evaluation reports at once. This project is currently underway; however, we estimate that it will be several months before such a report is ready for transmittal to the Congress.

Substantial money for evaluation of education programs did not become available until late in FY 1970, when $9.5 million for these purposes was provided by final appropriations action in the closing months of the fiscal year. With these funds, some fifty planning and evaluation studies were initiated.

A report listing these studies was submitted to Congress on July 31, 1970. Begun just a year ago, they are still in progress, and significant results from most of them will be coming in during the summer of 1971. As a result, we have been unable to communicate their findings to Congress to date.

The Office of Education believes very strongly that our knowledge of the effectiveness of education programs is inadequate, and we are attempting to move as vigorously as possible to provide this knowledge. Because our first wave of serious evaluation studies was only in midstream in January of 1971, we have not been able to supply the specified report.

Question:

(a) The student aid proposal also contains a cost-of-instruction allowance for institutions. What is the average cost of instruction for undergraduate students in colleges? By cost of instruction, I mean the costs directly related to instruction, not capital investment, graduate schools, or research.

Answer:

The Office of Education's National Center for Educational Statistics shows the following average educational and general expenditures per student in academic year 1967-68:

PER STUDENT EDUCATIONAL & GENERAL EXPENDITURES
1967-68

All Institutions	$1,905
Public Institutions	1,702
Universities	2,814
Other 4-Year	1,252
Two-Year	677
Private Institutions	
Universities	3,771
Other 4-Year	1,725
Two-Year	1,020

Educational and general expenditures include expenditures for instruction and departmental research, extension and public service, libraries, plant maintenance and operation, general administration, organized activities related to educational departments, organized research, other sponsored programs. Excluded are expenditures for student aid, auxiliary enterprises, and current funds expended for physical plant assets.

It should be noted that expenditures for research are included in this definition primarily because national data excluding these activities are not available at this time. However, because most of the research efforts of institutions contribute substantially to the quality of the educational offerings, it is felt that the inclusion of research expenditures in instructional costs is valid. In addition, it is not possible to separate instructional costs for undergraduate and graduate education since the staffs, facilities and other expenses are jointly used on most campuses for both graduate and undergraduate education and since most institutions cannot provide separate expenditure data for these categories.

These educational expenditures shown above have been projected to academic year 1970-71 by using a growth rate based on past increases in educational expenditures and in enrollments within each of the various types of institutions:

ESTIMATED PER STUDENT EDUCATIONAL AND GENERAL EXPENDITURES
1970-71

All Institutions	$2,197
Public Institutions	1,920
Universities	3,220
Other 4-Year	1,424
Two-Year	794
Private Institutions	2,871
Universities	4,645
Other 4-Year	2,077
Two-Year	1,125

Educational expenditures per student tend to be higher in private institutions than in public institutions for a number of reasons. Many private colleges pay higher salaries to faculty and administrators than public institutions of higher education. Pupil-teacher ratios tend to be lower. Since private institutions tend to enroll fewer students than public institutions, there is a higher cost-per-student in the provision of equivalent services.

Question:

(b) If we decide to enact a cost-of-instruction allowance proposal, what type of approach would you suggest that would pay solely the cost of instruction, and would stop increases in tuition charges?

Answer:

As we indicated earlier, the Department of Health, Education, and Welfare is indeed aware of the financial difficulties facing many of our colleges and we are presently studying the magnitude of, and various approaches to meeting, this problem. We expect to issue a statement concerning financial assistance to institutions of higher education in the near future.

Question:

The core of the Administration proposal is the National Student Loan Association. Ultimately, that Association will be controlled by a Board of Directors elected by the stockholders—with no real control by either the executive branch or the Congress. Should we, as a national policy, place the control of student assistance so far from public influences and from influence by the beneficiaries—the students?

Answer:

Section 443 of the proposed new Part D of title IV of the Higher Education Act of 1965 provides for the establishment of the Board of Directors of the NSLA and specifically requires that seven of the twenty-one members of the interim Board appointed by the President shall be representative of the general public. When in the President's judgment sufficient common stock of the Association has been purchased, stockholders which are eligible institutions of higher education shall elect seven Board members and stockholders which are lenders shall elect seven. The President shall appoint the remaining seven members. Elected members shall serve terms ending on the date of the next annual meeting of the common stockholders; appointed members shall serve at the pleasure of the President.

We feel that the diverse membership of the Board will adequately insure representation of the public interest in the decisions made by NSLA. However, it must be stressed that creation of NSLA will in no way "place the control of student assistance" in the Association. NSLA would merely be a private corporation financed by private capital, to serve as a secondary market for student loans insured under part C of title IV and to provide liquidity for those who make such loans. Control of student grant, work-study, and subsidized loan programs would remain with the financial aid officers of institutions of higher education, the Office of Education, and the Congress.

Supply a cost estimate of the Basic Educational Opportunity Grant proposal in section 142 of S. 659. Include the number of students which would be assisted and the various income levels of the families of those students. Note that the proposed section 402(a)(2)(A) of the Higher Education Act of 1965 uses the term "the amount of the tax imposed" rather than the amount of tax paid. Also, separate the estimated cost of grants to students from that of cost-of-instruction allowances in the proposed section 409. State assumptions.

COST ESTIMATES
S-659
EDUCATION AMENDMENTS OF 1971 STUDENT AID PROVISIONS

The funding projections described below are based on the assumption that the new student financial aid program will support all students who are eligible, as determined by the annual family income tax imposed in relation to the maximum grant of $1,200. The following calculations were made in order to ascertain the total number of eligible students, the grants to be received by students, and the total costs of the program.

I. Determination of Eligible Students

Department of Health,Education,and Welfare data indicate that the income distribution by quartile for full-time undergraduate students in both degree credit and vocational education for academic year 1971-1972 will be as follows:

INCOME DISTRIBUTION BY QUARTILE OF UNDERGRADUATE STUDENTS
ACADEMIC YEAR 1971-72

Income Quartile	Number of Students
1st (low)	1,040,000
2nd	1,090,000
3rd	1,585,000
4th high	2,085,000
	5,800,000

Since the data available for tax paid by families is in the form of income ranges, the above students by income quartile have been distributed by family income according to the latest 1969 Census median income groupings. The legislative proposal states that anyone eligible for a grant of less than $200 would not receive an award. Since the tax rates indicate that most students coming from families with incomes above $10,000 would receive

less than $200, the students falling into these income groups have not been included in the following table:

INCOME DISTRIBUTION OF ELIGIBLE STUDENTS
ACADEMIC YEAR 1971-72

Family Income	Number of Students (Rounded)
0 - $ 3,000 (25% of 1st quartile)	260,000
3 - 6,000 (75% of 1st quartile)	780,000
6 - 9,000 (90% of 2nd quartile)	980,000
9 - 10,000 (10% of 2nd quartile + 10% of 3rd quartile)	270,000
Total Eligible Students	2,290,000

It should be noted that these estimates are based on the assumption that the mix of dependent and independent students enrolled in postsecondary education will not change as a result of the proposed program.

II. Estimated Costs for Basic Grants

The following assumptions have been made in order to produce an illustrative support schedule for students eligible for grants under this bill. As defined in the bill, eligible students would receive a basic opportunity grant of $1,200, less the amount of tax paid by their parents or themselves. Students in extreme financial need are also eligible for supplemental grants which would be the lesser of $1,000 or half of the sum of other financial aid received by the student. Students eligible for a grant of less than $200 would not receive an award.

For the basic grant portion of the bill, it is assumed that the average family has two parents and two children. The amount of each basic grant is calculated from the 1970 College Scholarship Service tax tables. The following table shows the average tax paid by such families in each income category and estimates the average grant for which students from these families would be eligible.

AVERAGE TAXES AND BASIC GRANTS BY FAMILY INCOME
ACADEMIC YEAR 1971

Family Income	Average Tax	Average Grant
0 - $ 3,000	$ 0	$1,200
3 - 6,000	219	981
6 - 9,000	647	553
9 - 10,000	977	223
10,000 +	1,130	0

The next table shows the number of eligible students in each income category and multiplies them times the average grants in each category to arrive at the total costs of the basic grant portion of this bill.

TOTAL COSTS OF BASIC GRANT PORTION BY INCOME LEVELS
ACADEMIC YEAR 1971-72

Family Income	1971 Number of Eligible Students	Volume of Basic Grants--1971 ($ in thousands)
0 - $ 3,000	260,000	$ 312,000
3 - 6,000	780,000	765,000
6 - 9,000	980,000	542,000
9 - 10,000	270,000	60,000
TOTAL	2,290,000	$1,679,000

III. Estimated Costs for Supplemental Grants

For the supplemental grant portion of this bill, it is assumed that students in extreme financial need can be defined as those coming from families of $6,000 annual income or less. It is also assumed that total tuition, room and board costs for 1971 will average $1,335 for all types of public institutions and $2,913 for all types of private institutions. (These costs are based on a 7% increase over the NCES projected costs for academic year 1970, with 7% being assumed as a reasonable annual rate of increase in costs.)

The following table is based on the assumption (derived from NCES projections) that 73% of the eligible students in 1971 will attend public institutions and that 27% will attend private institutions. The table shows the number of students in the two income categories eligible for these supplemental grants which will be attending public and private higher education institutions.

ELIGIBLE STUDENTS ATTENDING PUBLIC AND PRIVATE INSTITUTIONS
ACADEMIC YEAR 1971

Family Income	Number of Eligible Students	Students Attending Public Institutions	Students Attending Private Institutions
0 - $3,000	270,000	197,000	73,000
3 - 6,000	780,000	569,000	211,000

The support schedule for these supplemental grants to students in extreme financial need assumes some packaging of financial aid which would include some mix of the student's basic grant, College Work-Study program support, State, local, and institutional scholarships, as well as loans. (It should be noted that this bill continues the support under the existing College Work-Study, National Defense Student Loan, and Guaranteed Loan programs.) These financial aid packages would be matched to the cost for each student to attend a public or private higher education institution.

The following examples show the assumed student financial aid packages by income categories for attendance at either public or private institutions.

1. Student from the 0 - $3,000 income category attending a public institution (cost = $1,335)

$1,200	- basic grant
135	- other financial aid from all sources
0	- supplemental grant
1,335	

In this case no supplemental grant would be given since the bill states that no supplemental grant can be less than $200, which would be more than this student would need to meet his costs.

2. Student from the 0 - $3,000 income category attending a private institution (cost = $2,913)

$1,200 - basic grant
813 - other financial aid from all sources
900 - supplemental grant
$2,913

3. Student from the $3,000 - $6,000 income category attending a public institution (cost = $1,335)

$981 - basic grant
354 - other financial aid from all sources
0 - supplemental grant
$1,335

Again in this case, no supplemental grant would be awarded because the bill requires that the supplemental grant must be the lesser of $1,000 of half the amount of other financial aid. In this case, then, the supplemental would have to be less than $200 and would not be awarded.

4. Student from the $3,000 - $6,000 income category attending a private institution (cost = $2,913)

$981 - basic grant
982 - other financial aid from all sources
950 - supplemental grant
$2,913

The following table takes the numbers of eligible students in the 0 - $3,000 and $3,000 - $6,000 income categories and multiplies them times the assumed supplemental grants shown in the examples above to arrive at the total costs of the supplemental grant portion of this bill.

TOTAL COSTS OF SUPPLEMENTAL GRANT PORTION BY INCOME LEVELS
ACADEMIC YEAR 1971

Family Income	Attending Public Inst.		Attending Private Inst.	
	Number	Total Grant Cost ($ in thousands)	Number	Total Grant Cost ($ in thousands)
0 - $3,000	197,000	0	73,000	$ 66,000
3-- 6,000	569,000	0	211,000	200,000

Total Supplemental Grant Program Cost = $266,000

IV. Continuation of Existing Federal Student Financial Aid Programs

The proposal continues the National Defense Student Loan program at a level of $375 million, the College Work-Study program at $250 million and the Guaranteed Loan program which is assumed to cost a total of $160 million in interest charges to the Federal government in 1971. It is estimated that approximately 1.0 million students who would not be receiving Basic Educational Opportunity Grants will be assisted under these programs. Academic year 1971 costs = $785,000.

V. Cost of Instruction Allowances

Under the proposal a cost of instruction allowance of $1,200 less the tuition charged to a student would be paid to the institution for each student who is a recipient of a Basic Educational Opportunity Grant. In order to arrive at cost estimates for this section of the proposal, the tuition and fees costs at public institutions is estimated to be $349 per student, while at private institutions such costs would average $1,664 per student. It is also assumed that 73 percent of the Basic Grant recipients will attend public institutions. Only public institutions would receive these allowances (an average of $851 per student) since

private institutions charge more than $1,200 tuition on the average. It is also assumed that institutions would not waive tuition and fees for the Basic Grant recipients in order to receive such awards.

Multiplying the average cost of instruction allowance for public institutions by the number of eligible students in such institutions would result in the following costs for this portion of the proposal:

Total Costs - Cost of Instruction Allowances $1,423,000

TOTAL COSTS ($ in thousands)

Adding the costs for each of the student aid provisions in S-659 will result in the following total Federal support levels:

Costs of Basic Educational Opportunity Grants	$1,679,000
Costs of Supplemental Grants	266,000
Costs of Continuing Existing Programs	785,000
Costs of Instructional Allowances	1,423,000
TOTAL	4,153,000

Amendment Number 85, proposed by Mr. Pell, would amend the "Cost of Instruction Allowances" section to read:

> SECTION 409. In addition to the amounts paid to institutions for supplementary grants, the Commissioner shall pay to each eligible institution a cost of instruction allowance for each student in attendance at such institution who is a recipient of a grant under this part. No cost of instruction allowances paid under this section shall exceed $1,000.

This language would apparently leave the amount of any individual cost of instruction allowance to the discretion of the Commissioner, and therefore is incapable of being definitively costed out. However, if one assumes a flat $1,000 per student cost of instruction allowance and the same 2.29 million student recipients of basic grants, the cost of the revised proposal would be $2.29 billion.

Question:

As I said earlier, the text of the Administration bill did not reach the Education Subcommittee until yesterday; therefore, specific questions on that bill are not possible. However, I would like to ask questions on the primary bill before the Subcommittee, S. 659, the "Education Amendments of 1971," and discuss the testimony you have offered this morning only in general terms. More detailed requests for information will be submitted in writing at a later date. What is your opinion of an across-the-board student grant program such as the one proposed as the "Basic Educational Opportunity Grant" in section 142 of the bill I am sponsoring, S. 659?

Answer:

We find a number of serious defects in the Basic Educational Opportunity Grant program proposed by S. 659:

1. Reliance on the amount of tax imposed on the student or his parents is not a measure of the family's ability to contribute toward the student's education.

A. Middle- and upper-income families with some sophistication in dealing with tax matters could emancipate their college-age children at little tax loss to the family, in comparison with the $1,200 basic grant to which the student would be entitled. Lower-income families, whose children cannot afford to go away to school, would be unable to effect such emancipation. The result would be lower grants for students from low-income families.

B. A system based on tax imposed does not take into account the family's assets, which have a direct bearing on the amount a family is able to contribute for higher education.

C. The system does not include any unusual but necessary family expenses, unless such expenses can be classified as tax deductions. Such expenses would, however, affect the family's ability to contribute toward college costs.

D. Under present tax legislation, certain types of income, such as State and local bond interest, are exempt from Federal taxation. Primarily for economic reasons, capital gains are taxed at 50 percent of the rate imposed on income from wages. Certain fringe benefits are excluded from taxable income. All of these would affect the ability of a family to contribute to their child's higher education, but would not be reflected in the amount of a Basic Educational Opportunity Grant.

E. Under existing tax laws, certain persons with high incomes incur very little or no tax liability. As a result, students from these families would be eligible for Federal support.

2. The information furnished on individual income tax returns is generally considered to be confidential.

A. Many families have a strong reluctance to divulge infor ation which they have submitted to the Internal Revenue Service. This reluctance could cost needy students Federal aid.

B. Some are concerned that release of such information will prejudice their position with the Internal Revenue Service in future years. They may look upon it as an attempt to audit their tax return.

C. Others may see the inquiry as a way of verifying information that they have given to other agencies, such as the welfare department, and may be concerned that disclosure of the information may affect the benefits that they are receiving.

3. The tax imposed on a student or his family for the prior year could be irrelevant to the student's resources for the school year for which aid

is sought. Financial aid applications received in the spring, for awards to be made in September, will be based on information for the year ending the preceding December. In some cases significant changes in family circumstances will have occurred and the contribution that would be calculated would be unfair to the family or to the college.

4. The cost of the proposal is staggering. Estimates show the total costs of the Basic Grant portion alone to amount to $1.7 billion for academic year 1971-72.

A. These projections assume that no basic grants will be made to families with incomes above $10,000, since their taxes exceed $1,200. However, if upper income families elect to emancipate their college-age children, the cost of providing $1,200 grants to such student would have to be added to the cost estimates.

B. The projections also assume a minimum grant of $200. The legislation provides for no such minimum, unless appropriations are inadequate to fund all grants fully. Presuming full funding, the cost could be vastly increased, as several million more students became eligible for insignificant amounts of Basic Grant money.

C. The cost of the Basic Grant program cannot be looked at in a vacuum, since Supplemental Grants and Cost of Instruction Allowances hinge on receipt of a Basic Grant. The Supplemental Grant program has been estimated to cost $266 million. The Cost of Instruction Allowance provision, if retained at the level of $1,200 less tuition charged, could cost approximately $1.4 billion. If the Cost of Instruction Allowance provision is amended to authorize a grant of up to $1000 for each

student aided, it could cost nearly $2.3 billion. Therefore, the total cost of the proposal is approximately $4.153 billion (if the Cost of Instruction Allowance is not amended); if the amendment is adopted, the proposal would cost more than $5 billion.

5. The proposal makes a promise that will probably not be fulfilled. Initial Educational Opportunity Grants have been funded at a level of less than 40 percent in recent years. There is little likelihood that the funding levels contemplated in S. 659 could be attained, so its primary impact could be to raise expectations which must be unrealized.

6. The provision limits eligibility to full-time students. No allowance is made for part-time students or for students who wish to drop out of college for a period of time but retain their eligibility for aid. The "academic lock-step" would be preserved, at the expense of flexibility of access to higher education. We are examining our own proposal on this point.

7. The average age of a student in a community college is 25; many of these students have dependents of their own. Pinning eligibility for financial aid on taxes imposed on these students could cause additional complications which we cannot measure at this time.

8. It would be possible for a student to make a profit on the Basic Educational Opportunity Grant program, if he enrolled in an institution whose costs were less than $1,200. The amount of the grant is not dependent on the cost of higher education to the student.

A. In 1968-69, the total basic student charges for male undergraduates who were State residents were, at the median institution, $1,058.

B. In two-year institutions, the median charge was only $941.

9. New section 402 of S. 659 limits eligibility for Basic Education Opportunity Grants to students "in good standing at an institution of higher education." This would appear to exclude entering freshmen who have not yet attained academic standing. Current legislation also makes students "accepted for enrollment as a full-time student at such institution" eligible for grant assistance.

10. The program appears to contemplate a direct grant from the Commissioner of Education to each eligible student, rather than a program channeled through financial aid offices in institutions of higher education.

A. If 2.3 million students could be eligible for Basic Grants (presuming a $200 minimum and no resort to the device of emancipation), the paperwork required of the Office of Education merely to issue checks would be staggering.

B. If no minimum grant were set by legislation, the check-writing operation could achieve even vaster proportions.

C. To verify the amount of tax imposed upon parents of applicants, a system would have to be developed within the Treasury Department. Another costly and cumbersome new bureaucracy would be developed. It is impossible to project the total cost to the Federal Government of implementing such a proposal.

11. The total cost of S. 659 is estimated to be in excess of $7 billion. At a funding level even approaching that figure it is very likely that other education programs, particularly those in elementary and secondary education, would have to be correspondingly reduced.

Question:

I note that you have submitted a brief section-by-section description of your bill; however, neither the description nor the testimony provide a detailed justification of the many amendments you are recommending. Please supply a section-by-section justification of the bill.

Sectional
Justification of
S. 1123

Title I - Amendments to Title I, HEA

Sections 101 and 102 extend existing Title I HEA authorities through FY 1973. Because HEW is reviewing the place of categorical programs such as this in the context of the broader Federal role in higher education, a two-year extension is requested at this time.

Title II - Amendments to Title II, HEA

Sections 201 and 202 extend and amend existing programs under Part A of Title II. These sections would amend Part A programs by increasing the proportion of funds targeted on special purpose grants by reducing basic and supplemental grants from seventy-five to fifty percent of the sums appropriated for Part A. This would continue the redirection of the Title II program which has already been begun administratively, concentrating grant funds in those higher education institutions in critical financial need. These include developing institutions, junior and community colleges, and those institutions with a high proportion of disadvantaged students. The Administration recognizes the fact that funds under the College Library Resources Program have assisted many institutions in improving their library resources. The time has come, however, to marshall support in those institutions in direst need. The proposed amendments would do this.

The remaining fifty percent available for special purpose grants would provide more assistance for:

—institutions or their branches which demonstrate a special need for additional library resources;

—institutions or their branches which can meet special national or regional needs in library or information science; and

—combinations of institutions which need special assistance in establishing and strengthening joint-use facilities. It is felt that a greater concentration of Federal assistance in such institutions will help to assure that the resources devoted to library materials will have the greatest impact on the quality of post-secondary education in this country. Again, since HEW is reviewing

the place of categorical programs such as this, a two-year extension is being requested.

Sections 203 and 204 amend Part B programs in two ways. First, in order to coordinate the training of library professionals with other education professions training activities, an amendment is proposed to transfer Part B training activities to Title V, HEA. Second, it is proposed to repeal the research and demonstration component of Part B. This authority merely duplicates more general authority contained in the Cooperative Research Act.

Section 205 would repeal Part C, which allows the transfer of HEW funds to the Library of Congress for the Library's use in acquiring valuable materials and in preparing cataloging information. The Office of Education merely acts as a conduit for these funds at the present time. This vital function will be continued more appropriately under the budget authority of the Library of Congress.

Section 206 makes a conforming amendment to the heading of Title II and section 207 makes the amendments made by Title II of the bill effective July 1, 1971.

Title III - Amendments to Title III, HEA

Sections 301 - 303 extend and amend Title III of the HEA. Two amendments to existing law are proposed.

First, the existing limitation on participation by institutions which have been in existence for less than five years would be removed for institutions which offer less than the bachelor's degree. This change would allow new community colleges, which are being established at the rate of 60 a year, to receive funds promptly under Title III. Such institutions would, of course, be funded under the existing set-aside of 23 percent for two-year colleges.

Second, it is proposed to amend the professors emeritus program to allow professors emeritus from developing institutions to participate in the program. The Office of Education has found that these faculty members often understand the unique problems of students at developing institutions much better than retired faculty from more traditional schools.

Title IV--Amendments to Title IV, HEA

Present Programs: Description and Problems

The Office of Education presently administers four major programs for aiding students: Educational Opportunity Grants, the College Work-Study program, National Defense Student Loans and Guaranteed Loans.

The first three programs are mainly funded by the Federal Government and administered by colleges and universities. The amount of funds available to the institution for these programs depends on the total funds appropriated by Congress, State distribution formulas and the approval of regional review panels. Once the college has its various allocations, the student aid office determines what mix of grants, work-study payments and loans is appropriate for each individual eligible student.

Commercial lending institutions, primarily banks, operate the Guaranteed Loan programs. Loans are made at a maximum interest rate of 7 percent to the student. The Federal Government guarantees the loans against default, pays the student's interest on subsidized loans while he is in college and makes a special payment to lenders during tight money conditions. There are several problems with this system of student aid:

- Availability of funds--Allocation formulas, matching requirements and insufficient funds limit the aid which institutions can award to individual students. Colleges enrolling large numbers of disadvantaged students are in an especially difficult position because of the matching requirements, 20 percent in the College Work-Study Program and 10 percent in the National Defense Student Loan Program.

- Limited loan funds--Existing loan programs provide an inadequate volume of lendable funds because (a) the National Defense Student Loan program requires capital outlays from the Federal budget which has been under severe fiscal pressures and restraints for the last several years; and (b) students must compete with other borrowers (who often offer more profitable investment opportunities) for the lendable funds of banks under the Guaranteed Loan program. (Low-income students with limited bank connections sometimes find themselves at a particular disadvantage.)
- Open-ended expenditures--The Federal Government is obligated to meet its commitment to pay the interest on subsidized Guaranteed Loans while students are in college. As interest rates rise, and as more and more middle and upper income families find it in their interest to take advantage of these subsidies, a larger and larger share of Federal funds for student aid is being diverted away from the most needy students. The system as a whole has a built-in tendency to become less progressive as these subsidies absorb a disproportionate part of any budget increase for student aid.
- Uncertainty--A student who wants to go to college cannot tell where he can get aid or how much he can count on in advance of his admission and the particular student aid office determination. Nor can a bank assure the student in advance that it will have funds to lend him.
- Inequitable distribution--Federal funds do not necessarily go to those students who need them most. Moreover, different colleges assess need in different ways. Substantial subsidies go to middle and upper income students, especially under the Guaranteed Loan program.

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Section 401 of the bill makes several conforming amendments which are necessary because of amendments in later sections and amends the existing Part A of Title IV (dealing with EOG's) by replacing it with a new Part A "General Provisions for Student Assistance, Findings and Statement of Purpose." The provisions of this new Part A are designed to assure (1) that EOG's, work-study payments and subsidized loans are made available to neediest students first; and (2) that students with equal need are treated alike. The provisions of Part A would also provide a reliable basis for students to ascertain their eligibility for student assistance.

Section 402 of the bill is a conforming amendment.

Section 403 adds a new Part B "Educational Opportunity Grants and Work-Study Payments" to Title IV. (Existing Part B is redesignated as Part C by section 401). This new Part B combines the authorities for EOG's and work-study programs in an attempt to insure that the use of both forms of subsidized grant programs, as well as subsidized loans authorized by Title IV, will be coordinated by student aid officers as they make awards to students.

Section 404 provides for an effective date of July 1, 1971, for sections 401 - 403.

Section 405 - 413 amend the existing student loan programs under Title IV, HEA and Title II, NDEA. Taken together, these sections would have the following effect:

Subsidized loans: Subsidized loans would be available to those students with the greatest unmet financial need, as would EOG's and work-study payments. The objective of this emphasis is to use limited Federal

funds in a manner which will meet the needs of those students who have the least possibility of securing funds from other sources.

Existing cancellation provisions would be repealed in order to conserve capital funds in the NDEA revolving fund.

The repayment period for subsidized loans would be extended to twenty years, at the student's option. This would allow students to borrow with minimum fear that annual repayment amounts would be too burdensome.

Insured Loans. These loans would continue to be made, but Federal interest subsidy payments would not be made on these loans, since borrowers under this program would be primarily from families which could afford to contribute in a major way towards the student's educational expenses.

The maximum amount which could be borrowed would be increased and the repayment period for such loans would be extended at the borrower's option. These amendments are made in part as a recognition of the increased costs of attending an institution of higher education today. The extended repayment period would allow a borrower to more easily meet annual repayments.

Section 420 establishes a National Student Loan Association to act as a secondary market and warehousing mechanism for student loan paper. Such an agency is necessary in order to increase the amount of resources available for both subsidized and unsubsidized loans. By offering lending institutions (banks, colleges, and other eligible lenders) a source of liquidity, the NSLA will significantly increase the flow of funds into the student loan market. In periods of extremely tight credit, such an institution is absolutely necessary in order to assure continued participation by lenders.

Section 421 makes conforming amendments.

Section 422 would exempt loans made under Title II, NDEA or Title IV, HEA from the Truth in Lending Act. This amendment is proposed in order to relieve smaller lenders (particularly colleges) under these programs from the burden of paperwork which the Truth in Lending Act imposes. Borrowers are already adequately protected since (1) all loans are made under uniform federally established terms; and (2) the prommissary notes for loans under both programs already must contain information concerning interest rates and repayment provisions.

Section 423 sets July 1, 1971 as the effective date for sections 420 - 422.

Section 430 adds a new Part E "Identifying Qualified Low-Income Students; Preparing Them for Postsecondary Education; Special Services for Such Students in Institutions of Higher Education" to Title IV. This section would consolidate Talent Search, Upward Bound, and Special Services for Disadvantaged Students programs currently authorized under section 408 of the HEA. This consolidation is proposed for the following reasons:

1. To permit a greater coordination and uniformity in program planning, development, and operations than the present enabling legislation. Given the unevenness in the funding of the three separate programs, the new proposal is intended to permit the Office of Education to allocate sufficient funds for maximum effectiveness to the target population, and to take into consideration the varied needs of the different geographic locations that must be served.

The current programs tend to have a definite focus, and a definite target description that does not permit latitude of interpretation so that one or more services of each program might be made available to a

wider population. For instance, the student who only needs the tutorial aspects of Upward Bound without its summer residential program is currently excluded from participation. Both Talent Search and Upward Bound Project Directors often interview the same student, who, because he or she does not need all of the services of the separate programs, tends to be excluded from final participation in either program. Rather than a smattering of "limited" services, the new legislation would allow the Office of Education to focus its services in a more direct, systematic and flexible way.

2. The proposed legislation would also provide a more flexible approach to the specific needs of the target population by permitting the Office of Education to coordinate services with other government programs. The amendment would allow more extensive coordination with the student financial aid programs. It has become increasingly clear that the Office of Education must provide not only an access to postsecondary education for low-income and minority students but also the financial support to reach postsecondary goals. To achieve this objective, coordination becomes crucial not only with financial aid, but with Model Cities programs, Career Opportunity Programs, Adult Vocational and Basic Education, and with programs for returning veterans.

3. This amendment would permit improved utilization of the professional manpower of staff by allowing the staff to focus its considerable talent on the needs of the target population without regard to existing program limitations.

Program management would be greatly improved, by coordinating the field monitoring of Upward Bound and Special Services Programs under the same professional individuals. This would be especially true where both of

these programs operate on the same campus. Similarly, coordination at the Washington level should have a beneficial impact at the local level. Rather than three separate project directors in a given locality, one director with qualified assistants could offer the variety of services that the amendment anticipates. There is no difference between a Talent Search counselor and one in Upward Bound. Not only would a more effective utilization of staff at the local level reduce administrative costs, but coordination of services would have the same impact. Funds presently diverted into high overhead and administrative costs can be utilized for more program needs, and a larger number of students can be served as a result of this economy.

Section 431 provides that amendments made by section 430 are to become effective July 1, 1971.

Title V - Amendments to Title V, HEA
(Education Professions Development Act)

Section 501 extends the authorizations for the National Advisory Council on Education Professions Development and for programs under Part A of Title V for five years.

Section 510 extends the Teacher Corps authority for five years.

Section 520 extends the authority for programs for attracting and qualifying teachers to meet critical teacher shortages under Part B(2) of title V for five years.

Section 521 amends Part B(2) of title V by adding authority for (1) programs to employ high school and college students as tutors or institutional assistants for educationally disadvantaged children; and (2) to provide necessary training to teachers to enable them to teach other grades or subjects in which shortages exist.

At the present time tutors, typically selected by College Opportunity Program project directors from high school and college students, to tutor other disdavantaged children cannot be compensated for their services or even for expenses involving their services under EPDA, since the tutors themselves are not necessarily training to be teachers. Elaborate arrangements have had to be made with the Neighborhood Youth Corps in order to arrange for compensation. Experience to date indicates that youth-tutoring-youth programs are an effective means of attracting and involving low-income students in the educational process and of improving the learning capabilities of both the tutor and tutee. We feel that the program would be more effectively administered if authority to minimally compensate tutors (who often come from low-income homes and cannot even afford bus fares) were included in EPDA.

Current legislation allows the recruitment and training of people who have never been, or who are not now, employed in the schools. The State grant program was designed as a means of attracting people to the field of education, particularly in critical shortage areas. However, there is now a national surplus of teachers, and many States would prefer to use Federal funds to retrain teachers already employed to meet shortages rather than recruiting new personnel. This amendment would allow States to use funds in this manner. It was recommended by the Advisory Committee for the State Grants Program.

Section 522 reduces the minimum State allotment under B(2) from $100,000 to $50,000. This action is proposed in conjunction with a decrease in the appropriations request from $15,000,000 to $8,000,000 because of the general surplus of available trained teaching personnel and the desire of many States to retrain existing faculty, rather than attracting new teachers.

Section 523 makes conforming amendments and raises the maximum amount which a State may spend for administration of the State plan from 3 percent of the State's allocation to 5 percent or $20,000, whichever is greater. This amendment is proposed because the 3 percent figure has proven to be insufficient for most States to assess critical needs, to administer the program, and to evaluate projects. It was recommended by the Advisory Committee for the State Grants Program.

Section 524 amends Part B(2) by eliminating the existing ceiling on the amount which States may expend for teacher aides. Currently the States can utilize only one-third of their allotment to attract, train, and qualify teacher aides. The amendment removes this one-third restriction and allows

State discretion as to the proportion of funds expended for training teachers. This amendment is included since experience has indicated wide variation among States in the needs for recruitment and training of teachers and teacher aides. It was recommended by the Advisory Committee for the State Grants Program.

Section 530 extends Part D authorizations for five years.

Section 531 amends Part D by authorizing programs or projects designed to employ tutors or instructional assistances in preschool, elementary, and secondary school classes, especially for educationally disadvantaged children. This amendment is proposed for the same reasons as the similar amendment in section 521.

Section 532 authorizes the use of Part D funds to pay tutors and instructional assistants authorized by section 531.

Section 533 authorizes a new use of Part D funds -- programs and projects for the development, expansion, or improvement of undergraduate programs for preparing educational personnel. This amendment is designed to fill a gap in EPDA. The present authorization does not permit grants for the direct reform of regular undergraduate programs for the

development of educational personnel. Since those programs prepare over 90 percent of all teachers and other educational personnel, the gap is a serious one insofar as it affects BEPD ability to deal with "improving the quality of teaching," one of the two primary purposes of the EPDA. The proposed amendment does not authorize stipends and other types of support for individual students. It would direct all of its resources to the development of better programs for training those undergraduates. The amendment would provide a more productive vehicle than the traditional institutes for bringing those concerned with the academic disciplines together with those concerned with teacher training in joint efforts to improve the quality of teaching.

Section 534 makes a conforming amendment.

Section 535 would allow the use of Part D funds to support the preparation of teachers of children on Indian reservations serviced by the Bureau of Indian Affairs schools and schools supported by the BIA. Federally run and Federally supported Indian schools under the Bureau of Indian Affairs are not presently eligible for funding under Part D of EPDA. Inclusion of these schools would allow for on-premises staff training in these schools and a wide variety of other benefits. The National Advisory Council on EPDA has recommended that BIA schools be made eligible for personnel development benefits.

Section 540 extends Part E of Title V for five years.

Sections 541 - 543, taken together, are intended to consolidate Title IV NDEA fellowship programs with Title V-E, HEA. Effective July 1, 1971 Title IV, NDEA would be repealed; however, fellowships awarded before that date would continue to be paid from Title V appropriations. The reason for

effecting this consolidation is that there now appears to be an adequate supply of Ph.D's to meet teaching demands in most disciplines. The unmet need for teaching faculty in higher education which does exist tends to be limited to a few disciplines and to certain types of institutions.

Section 550 extends Part F of Title V for five years.

Section 551 makes the amendment made by Title V effective July 1, 1971, except where otherwise provided.

Title VI--Repeal of Titles VI, VIII, IX, X, and XI, HEA

Section 601 repeals titles VI, VIII, IX, X, and XI of the HEA, as of July 1, 1971. These are all relatively narrow categorical programs and the last four have never been funded. Rather than maintaining these categorical authorities , the Administration is proposing the creation of the National Foundation for Higher Education. The broad authority for the Foundation, one of the purposes of which is "to provide assistance for the design and establishment of innovative structures for providing postsecondary education and innovative modes of teaching and learning therein," will permit funding of projects of merit in most of these areas.

Title VII--Amendments to General Provisions

Section 701 amends Title XII of the HEA (1) by redesignating such title as Title VIII, and (2) by inserting a new section which provides for uniform application requirements applicable to applications under titles II, III, and V of the HEA. Similar provisions in titles II, III, and V are repealed. These amendments continue the efforts already begun in P.L. 91-230 to standardize general provisions wherever possible.

Title VIII--Amendments to Higher Education Facilities Act

Section 801 amends titles I - IV of the HEFA by extending the authorities in each of these titles for two years. These programs are being extended for only two years at this time since the Office of Education hopes to examine in detail the entire question of how higher education is financed during the next two years.

Section 802 amends title III of the HEFA by adding a new program of insured loans for the construction of academic facilities at nonprofit private institutions of higher education. The Federal insurance of both principal and interest on these loans should greatly improve the borrowing power of these institutions, as well as reducing the cost to the Federal Government in the form of loan subsidy payments.

Section 803 makes a conforming amendment to title III of the HEFA by allowing the use of funds in the HEFA revolving fund to insure loans as well as to make direct loans.

Section 804 makes amendments made by sections 801 and 802 effective July 1, 1971. Amendments made by section 803 are to be effective as if enacted on the date of enactment of section 305 of the HEFA.

Title IX--Extension of Program Under Title VI of National Defense Education Act

Section 901 amends title VI of the NDEA by extending the authorizations for two fiscal years. Once again, a two year extension is requested because of the general review of categorical programs.

Section 902 makes the amendments made by section 901 effective as of July 1, 1971.

Title X--Nondiscrimination on the Ground of Sex in Federally Assisted Education Programs

Section 1001 provides that no person in the United States shall, on the basis of sex, be discriminated against by a recipient of Federal financial assistance for any educational program or activity. This language does not, however, preclude differential treatment based upon sex where sex is a bona fide ground for such differential treatment. This section also provides that no recipient of Federal financial assistance shall, because of an individual's sex (1) fail or refuse to hire (except in instances where sex is a bona fide occupational qualification) or discharge that individual, or otherwise discriminate against him or her with respect to compensation, terms, conditions, or privileges of employment; or (2) limit, segregate, or classify employees in any way which would deprive or tend to deprive that individual of employment opportunities or otherwise adversely affect his or her status as an employee. This section is intended to deal with the well documented discrimination against women which exists in some parts of the educational community.

Section 1002 permits termination of Federal financial assistance to any recipient of Federal funds for education who fails to comply with section 1001. This provision is modeled on existing procedures in civil rights legislation enforcement.

Section 1003 provides for judicial review of administrative action taken pursuant to section 1002.

Section 1004 provides that nothing in title X shall add to or detract from any existing authority with respect to any education program or activity under which Federal financial assistance is extended by way of a contract of insurance or guaranty. This section conforms with existing language in section 602 of Title VI of the Civil Rights Act of 1964 which excludes contracts of insurance or guaranty from the provisions of title VI and is intended to protect the rights of a lender who is an innocent third party.

Section 1005 defines "education" for the purposes of title X as including preschool, elementary, secondary, and postsecondary education.

Question:

Generally, the bill you propose is a five-year bill; however, you are recommending only a two-year extension of title I of the Higher Education Act of 1965 (Community Service Programs and Continuing Education) and title VI of NDEA (Foreign Language and Area Centers). Why only a two-year extension?

Answer:

HEW is currently reviewing the place of categorical programs such as this in the context of the broader Federal role in higher education; therefore, we are requesting a two-year extension at this time, pending the results of this review.

Question:

You are proposing that the NDEA student loan program be financed with private capital. Back in 1966 the Johnson Administration made a similar proposal--as a means of phasing out the program. The two proposals are so similar that the two ideas must have had a common source--the Budget Bureau. The Congress rejected the phasing out of NDEA student loans in 1966. What is your rationale for reproposing financing the program with private capital?

Answer:

Our proposals for financing NDEA-type loans with private capital is not an attempt to phase out low-cost subsidized loans. Rather, our rationale is to vastly increase the amount of capital available for the award of such loans. Our proposal would more than triple the amount available for such loans by increasing available funds from $369 million in academic year 1970-71 to $1.2 billion in academic year 1971-72.

Question:

Your testimony indicates that you are proposing a long-range, if not permanent, program of student assistance in which loans from private capital are the major form of assistance. Moreover, there is no indication of any recognition of a need for institutional assistance. The aid of permanence about the Administration proposal necessarily requires us to examine the philosophy of student assistance as a national policy. If a proposal such as the one suggested by the Administration becomes law, it is only natural to assume that college tuitions will continue to increase, with the result that higher education will be almost completely financed by tuition. Students will pay that increased tuition by borrowing large sums, which will then be repaid during the twenty-year period after they graduate. Tuition-free higher education will never be the goal of the program. Do we want to adopt a policy based on a philosophy of tuition-financed higher education, or do we want to encourage the concept of free higher education? How do you justify loans as opposed to grants?

Answer:

The immediate aim of the Administration's proposals for student aid reform is to make equality of educational opportunity a reality as quickly as possible. For this reason, the Higher Education Opportunity Act of 1971 proposes to make available to students from all family circumstances the same resources which a middle income family can readily provide towards the higher education of a child. It is only at the point where these resources are equalized that the Administration's proposals offer loans, rather than some form of grant. While tuition-free higher education may very well be a desirable long-range goal in America, current economic realities suggest that the resources for support of such a goal simply do not exist. We feel that it is more important in the interim to insure that all students are guaranteed the support necessary to enable them to meet institutional charges.

Question:

Your statements indicate a strong emphasis on keeping the cost of education off the budget. I suspect that the Fiscal Year 1972 budget limitations had a strong influence on your proposal. Should a long-range national policy, affecting millions of young people for at least the next quarter of a century, be based on budgetary limitations in this year--especially since the budgetary problem is caused by a war?

Answer:

The Higher Education Opportunity Act of 1971 seeks to serve two ends; first, to distribute existing resources available for student assistance in a more equitable manner, so that those students with the greatest need receive the same opportunity for higher education as students with a larger amount of personal resources; secondly, to increase the total available pool of funds.

While we would all like to see a world in which demand was totally satisfied, the economic realities of our system insure that competing demands will always exist for available resources. We feel that our proposals do fulfill these dual goals and that they create a framework which is capable of expansion as additional funds become available in future years.

Question:

How do you intend the work of the National Foundation to differ from that of the National Institute? Please provide the Committee with a dozen examples of projects that each of these organizations will fund.

Answer:

Activities of the National Institute of Education
and the National Foundation for Higher Education: Examples

The likely program thrusts of each agency will be different in kind. Foundation programs will relate particularly to higher education innovation, whereas the Institute will address fundamental questions and solutions relating to the processes and environments for learning. Examples of activities which each agency might be likely to support are:

National Foundation for Higher Education

--The development of a national policy toward higher education, including an examination of the Federal Government's impact on policy formulation and institutional behavior.

--Studies of the costs of higher education and alternative ways of financing them.

--The creation of institutions and programs involving new paths to career and professional training, and new combinations of academic and experiential learning.

--The carrying out in postsecondary educational institutions of changes in their internal structure and operations designed to clarify institutional priorities and purposes.

--The introduction of institutional reforms designed to expand individual opportunities for entering and re-entering institutions and pursuing programs of study tailored to individual needs.

--The creation of new institutions and programs for examining and awarding credentials to individuals, and the introduction of reforms in current institutional practices related thereto.

National Institute of Education

--Research on the social and environmental factors affecting education--and the development of a solution to the problem of economically disadvantaged children falling further behind, once they have entered the formal educational system.

--Research into the nature of language acquisition skills, and the development of improved curricula and materials for learning to read.

--Experimentation with various new technologies in education such as TV, the computer, or cassette, etc.

--Further research into early learning and the development and testing of alternative forms, curricula, and teaching strategies for early childhood education.

--The development of improved testing and evaluation procedures.

--Research on the administration and organization of the schools and the development of alternative concepts and organizational forms for the learning setting.

--Research on the demonstration, dissemination, and adoption processes and the development of an effective delivery system to provide the schools with validated R&D products and practices fitting their needs and population.

Question:

I note that you propose discontinuing construction grants for colleges in two years. Do you believe that the need for construction to accommodate increased student enrollments will be satisfied in two years?

Answer:

These programs are being extended for only two years at this time since the Office of Education hopes to examine in detail the entire question of how higher education is financed during the next two years. We plan to make further recommendations concerning the financing of construction at a later date as a result of such study.

Question:

Your budget request of $336 million for grants and work-study payments, when added to the $239 million available from the 1971 appropriations, would make $575 million available for grants and work-study payments. Excluding loans, compare:

(a) The number of students who would be benefitted if that sum of money were spent under present Educational Opportunity Grant and Work-Study Programs with the number benefitted under your proposal.

(b) Make the same comparison for an appropriation of $635 million (the amount proposed for 1972-73 school year).

(c) Make the same comparison for $364 million (the amount spent for the 1970-71 school year).

Answer:

(a) Approximately $575 million for the College Work-Study and the Educational Opportunity Grants Programs under existing legislation would assist 968,600 students. Our Grant/Work proposal would aid 1,107,500 students.

(b) If $635 million were appropriated for the existing EOG and CWS programs, 1,069,400 students would be aided. 1,289,000 students would benefit under our proposal.

(c) The $364 million spent for 1970-71 school year assisted 668,320 students. If our proposal had been implemented in FY 1971, 700,000 students would have received grant/work aid.

Question:

In your chart showing the number of students benefitted, you indicate that your proposal will benefit 2.5 million students with subsidized programs. How many of these students will be receiving loans, as opposed to grants?

Answer:

The Administration's proposal is intended to provide a floor of support consisting of parental contributions and Federal assistance of $1,400 per student. In spite of the significant increases in Grant and Work-Study funds which have been requested in the Fiscal Year 1972 budget, a portion of each student's $1,400 entitlement would consist of a subsidized NDEA type loan. As a result, each of the 2.5 million students to be aided will be receiving loans. It is also estimated that 1,157,600 students will be benefitted through Grant and Work-Study payments.

Question:

In that same chart, you predict that the number of persons receiving unsubsidized guaranteed loans will increase from 25,000 to one million. Is not this supposed increase the result of dropping the subsidy? Would not about one million students receive guaranteed loans with no change in the present program?

Answer:

The primary reason for the expected increase in the number of students who would receive unsubsidized guaranteed loans is due to the increased availability of loan capital to be generated by the National Student Loan Association. Some students who are presently receiving subsidized loans would undoubtedly be aided through a guaranteed unsubsidized loan under our proposal. However, the number of such students is expected to be less than one-third of the one million students to be aided through the proposed Guaranteed loans. The above estimates are based on the belief that loans should be made available to all students who need them, and that the National Student Loan Association would provide the mechanism for accomplishing this.

The presentation on the Administration's student aid proposal indicated that, of the $2,765,000,000 to be available for student aid, $2,190,000,000 would be based on private capital. What would be the actual cost to the Federal Government for that $2.19 billion in fiscal 1972 and in each of the subsequent years until the cost on the initial $2.19 has been paid? Itemize the estimated costs. Assume costs of the National Student Loan Association to be costs to the Federal Government.

The $2,765 million for student aid cited in the question would appear to consist of:

EOG/W-S	$ 575
NDEA-type loans	1,050
Loans from NDEA revolving funds	140
Unsubsidized guaranteed loans	1,000
TOTAL	$2,765

The only cost to the Federal Government attributable to the use of private capital would be the subsidy costs on the $1,050 in NDEA-type loans. These would be as follows, assuming an 8 percent interest rate on the loans, 3 percent of which is assumed by the student following his leaving school:

FY 1972	$ 84.00 million
FY 1973	84.00
FY 1974	84.00
FY 1975	52.50
FY 1976	47.25
FY 1977	42.00
FY 1978	36.75
FY 1979	31.50
FY 1980	26.25
FY 1981	21.00
FY 1982	15.75
FY 1983	10.50
FY 1984	5.25

Question:

How many students would be assisted under Part A of Title IV of the Higher Education Act of 1965 under present law if the amount appropriated for initial and continuing Grants were $635 million? How many if such amount were used for work-study payments under present law? State assumptions?

Answer:

If in FY 1972 $635 million were appropriated for the Educational Opportunity Grants Program, 1,026,470 students would be aided. This is assuming an average award of $600 and constant retention percentages. These retention percentages are that: 60 percent of the FY 1971 initial year recipients will receive first year renewal awards; 65 percent of FY 1971 first year renewal recipients will receive second year renewal awards; and, 85 percent of FY 1971 second year renewal students will receive third year renewal awards. The total renewal students aided would be 153,800 and the total initial students would be 872,670.

If the $635 million appropriation were used for work-study payments, the unduplicated number of students aided would be 1,460,000. This student count is based on the assumption of an average award of $525.

Question:

What is your opinion of the manner in which the National Foundation for Higher Education and the National Institute for Education are associated with the Office of Education in title III of S. 659? How is it different from the manner in which you would organize these two new agencies if they are enacted? Should we create a Department of Education?

Answer:

We understand that Secretary Richardson has been invited to appear before the Subcommittee to discuss the National Institute for Education. We would therefore prefer to submit our views on this question at greater length in the form of such testimony.

Question:

I understand that none of the figures you have been using are in the bill you submitted; and that the bill does not even indicate the level of funding necessary to accomplish what you are talking about. That bill simply asks the Congress to give HEW the authority to carry out a grant program, and you are now telling us the policy you will use for the 1971-1972 school year. Since you are asking for this open-ended discretionary authority for five years, will you give us a comparable policy--with the number of students involved and cost estimates--for the four succeeding school years? If we should for some reason adopt the philosophy of your proposal, I suspect that some members of the committee will want to write these figures into the legislation, rather than leave it to the discretion of the Department.

Answer:

We believe it would be undesirable to write into law the aid levels to be established under the Higher Education Opportunity Act, e.g., the grant ceiling of $1,000 proposed by the Administration for FY 1972 and the $400 basic NDEA-type loan ceiling also proposed.

A major purpose of the proposed legislation is to use Federal resources to give as many students as possible as wide a choice as possible in deciding upon the kind of educational program they want. The changing differentials between the cost of attending commuter and residential institutions, and between public and private institutions mean that the mix of grant and loan aid will probably need to change from time to time, in order to meet this goal of wider choice. Moreover, to stipulate levels in the authorizing legislation would either (1) by-pass the appropriations process or (2) or involve a return to the present situation, in which students are eligible for far more aid than is in fact funded, a

frustrating situation which the pending legislation is intended to correct.

Attached are tables showing the cost of the President's proposals on varying assumptions about grant and loan ceilings.

Five-Year Student Aid Costs

Chart I: Assuring Continuation of the First-Year Support Levels of the Administration Proposal

	Academic Year (Million $)				
	1971	1972	1973	1974	1975
Equal Opportunity Grants and Work-Study	575	635	590*	545*	500*
NDEA-Equivalent Loan Subsidies	85	85	77	75	74
Loan Subsidy Commitments from Prior Years	165	170	200	225	260
Totals	825	890	867	845	834

*Decrease from prior year results principally from expected growth in family income and contributions for education.

Five-Year Student Aid Costs

Chart II: Increasing Grant Ceiling to $1200 and Loan Ceiling to $1700 In Keeping with Rising Costs

	Academic Year (Million $)				
	1971	1972	1973	1974	1975
Equal Opportunity Grants and Work-Study	575	635	650	665	675
NDEA-Equivalent Loan Subsidies	85	85	85	88	91
Loan Subsidy Commitments from Prior Years	165	175	205	245	285
Totals	825	895	940	998	1051

AID ELIGIBILITY--ALTERNATE PROGRAM*
(Cost of Education Loans and All Other State and Private Aid
Would Be in Addition to These Benefits)

Typical Resources for a Student from a Two-Child Family, One of Whom Is in College

Family Income	Family Contribution	Equal Opportunity Grant/ Work-Study	NDEA-Type Subsidized Loan	Family Contribution Plus Aid	Average Summer Savings	Total Student Resources
$0-3500	$ 0	$ 800	$600	$1,400	$300	$1,700
4,500	220	680	600	1,400	300	1,700
5,500	430	370	600	1,400	300	1,700
6,500	640	160	600	1,400	300	1,700
7,500	850	0	600	1,400	300	1,700
8,500	1,050	0	350	1,400	300	1,700
9,500	1,250	0	150	1,400	300	1,700
10,000 and above	1,400	0	0	1,400	400	1,700

Typical Resources for a Student from a Five-Child Family, Two of Whom Are in College

$0-5500	$ 0	$ 800	$600	$1,400	$300	$1,700
6,500	110	690	600	1,400	300	1,700
7,500	195	605	600	1,400	300	1,700
8,500	280	520	600	1,400	300	1,700
9,500	360	440	600	1,400	300	1,700
10,500	440	360	600	1,400	300	1,700
11,500	510	290	600	1,400	300	1,700
12,500	580	220	600	1,400	300	1,700
13,500	650	150	600	1,400	300	1,700
14,500	700	100	600	1,400	300	1,700

Expected family contributions at higher income levels will depend importantly on the amount of capital assets available for meeting educational costs, and on other special family circumstances, as well as on family income. Hence, any aid to students from large families at higher income levels will depend on the overall financial situation of the family, and not simply on income.

* Maximum grant/work-study is $800, for an EOG/WS budget outlay of $405 million, and a loan subsidy outlay of $244 million, including prior year commitments, in 1971-72.

AID ELIGIBILITY--ALTERNATE PROGRAM*
(Cost of Education and Loans and All Other State and Private Aid
Would Be in Addition to These Benefits)

Typical Resources for a Student from a Two-Child Family, One of Whom Is in College

Family Income	Family Contribution	Equal Opportunity Grant/ Work-Study	NDEA-Type Subsidized Loan	Family Contribution Plus Aid	Average Summer Savings	Total Student Resources
$0-3500	$ 0	$1,200	$500	$1,700	$300	$2,000
4,500	220	980	500	1,700	300	2,000
5,500	430	770	500	1,700	300	2,000
6,500	640	560	500	1,700	300	2,000
7,500	850	350	500	1,700	300	2,000
8,500	1,050	150	500	1,700	300	2,000
9,500	1,250	0	450	1,700	300	2,000
10,000 and above	1,400	0	300	1,700	300	2,000

Typical Resources for a Student from a Five-Child Family, Two of Whom Are in College

$0-5,500	$ 0	$1,200	$500	$1,700	$300	$2,000
6,500	110	1,090	500	1,700	300	2,000
7,500	195	1,005	500	1,700	300	2,000
8,500	280	920	500	1,700	300	2,000
9,500	360	840	500	1,700	300	2,000
10,500	440	760	500	1,700	300	2,000
11,500	510	690	500	1,700	300	2,000
12,500	580	620	500	1,700	300	2,000
13,500	650	550	500	1,700	300	2,000
14,500	700	500	500	1,700	300	2,000

Expected family contributions at higher income levels will depend importantly on the amount of capital assets available for meeting educational costs, and on other special family circumstances, as well as on family income. Hence, any aid to students from large families at higher income levels will depend on the overall financial situation of the family, and not simply on income.

* Support level is raised to $1,700 (the expected family contribution of a typical two-child family with $12,000 family income) and the maximum grant/work-study support to $1,200. The required EOG/WS budget outlay for 1971 would be $836 million, plus $256 million in loan subsidies, including prior year commitments.

AID ELIGIBILITY--ALTERNATIVE PROGRAM*
(Cost of Education Loans and All Other State and Private Aid
Would Be in Addition to These Benefits)

Typical Resources for a Student from a Two-Child Family, One of Whom Is in College

Family Income	Family Contribution	Equal Opportunity Grant/ Work-Study	NDEA-Type Subsidized Loan	Family Contribution Plus Aid	Average Summer Savings	Total Student Resources
$0-3500	$ 0	$1,200	$1,100	$2,300	$300	$2,600
4,500	220	980	1,100	2,300	300	2,600
5,500	430	770	1,100	2,300	300	2,600
6,500	640	560	1,100	2,300	300	2,600
7,500	850	350	1,100	2,300	300	2,600
8,500	1,050	150	1,100	2,300	300	2,600
9,500	1,250	0	1,050	2,300	300	2,600
10,000 and above	1,400	0	900	2,300	300	2,600

Typical Resources for a Student from a Five-Child Family, Two of Whom Are in College

$0-5500	$ 0	$1,200	$1,100	$2,300	$300	$2,600
6,500	110	1,090	1,100	2,300	300	2,600
7,500	195	1,005	1,100	2,300	300	2,600
8,500	280	920	1,100	2,300	300	2,600
9,500	360	840	1,100	2,300	300	2,600
10,500	440	760	1,100	2,300	300	2,600
11,500	510	690	1,100	2,300	300	2,600
12,500	580	620	1,100	2,300	300	2,600
13,500	650	550	1,100	2,300	300	2,600
14,500	700	500	1,100	2.300	300	2,600

Expected family contributions at higher income levels will depend importantly on the amount of capital assets available for meeting education costs, and on other special family circumstances, as wellas on family income. Hence, any aid to students from large families at higher income levels will depend on the overall financial situation of the family, and not simply on income.

* Support level is raised to $2,300 (the expected family contribution of a typical two-child family with $15,000 family income) and the maximum grant/work-study support to $1,200. The required EOG/WS budget outlay for 1971 would be $836 million, plus $326 million in first-year loan subsidies, including prior year commitments.

Question:

I note that you are recommending repeal or discontinuation of titles II-C (transfer to the Library of Congress), IV-B (cooperative education), V-C (teacher fellowships), VI (instructional equipment for colleges), VIII (Networks for Knowledge), IX (Education for the Public Service), X (Strengthening Graduate Schools), and XI (Clinical Experience in the Law) of the Higher Education Act of 1965, and titles III (Instructional Equipment for Elementary and Secondary Schools) and IV (Doctoral Fellowships) of NDEA.

What is your justification for each of these recommendations?

Answer:

We have not recommended extension of titles VI, VIII, IX, X, and XI of the HEA because of their relatively narrow categorical nature. Rather than maintaining these categorical authorities, the Administration is proposing the creation of the National Foundation for Higher Education. The broad authority for the Foundation, one of the purposes of which is "to provide assistance for the design and establishment of innovative structures for providing postsecondary education and innovative modes of teaching and learning therein," will permit funding of projects of merit in most of these areas.

Our recommendation for repeal of Title IV NDEA fellowships is based on the evidence which is now available which shows an adequate supply of Ph.D's to meet teaching demands in most disciplines. The unmet need for teaching faculty in higher education which does exist tends to be limited to a few disciplines and to certain types of institutions. Teaching fellowships under Title V-E of the HEW would continue.

Activities under title II-C of the HEA will be continued, more appropriately we feel, under the budget authority of the Library of Congress. At the present time, the Office of Education merely acts as a conduit for these funds. The Office has no operating responsibility for this program. We have been assured by the Librarian of Congress that budget requests for Part C will be made by the Library to carry out these activities.

The Cooperative Education authority contained in Title IV-D is not being repealed; rather, the authorizing language is not being extended. Section 415 of the new Part A in S. 1123 would authorize the use of Federal funds to pay for the administrative expenses incurred in developing or carrying out a program to demonstrate or explore the feasibility of a program of Cooperative Education.

While it is true that the appropriations authorizations contained in Title V-C of the HEA are not being extended in the HEOA, the fact is that V-C-type activities will be continued under Part D. The language of Part D is much broader than that of Part C; for this reason, the Bureau of Educational Personnel Development has not funded activities under Part D authorities at all during this fiscal year, but has used the broader language of Part D.

Title III NDEA programs for the acquisition of instructional equipment and materials are being terminated since funds for acquisition of equipment are available in Titles I and III of ESEA and in other Federal education programs.

Question:

In a theoretical Fiscal Year 1972, assuming no interest subsidy from previous years under Part B of Title IV of the Higher Education Act of 1965, how many students would be aided under present law if the following amounts were to be appropriated:

HEA Title IV, Part A	$ 350,000,000
HEA Title IV, Part C	350,000,000
NDEA Title II	375,000,000

What would be the actual cost to the Federal Government for FY 1972? Assume no interest subsidy under Part B of Title IV.

Answer:

An appropriation of $350,000,000 for the Educational Opportunity Grants Program (Title IV, Part A) would assist 565,720 students. 800,000 students would be aided if the College Work-Study Program's (Title IV, Part C) appropriation were $350,000,000. An appropriation of $375,000,000 for the National Defense Student Loan Program (NDEA, Title II) would provide loans for 784,900 students. The total cost to the Federal Government would be $1,075,000,000.

Senator PELL. In conclusion, I would congratulate and thank you for the time you have given in coming before us. We look forward to seeing you again tomorrow, as we discuss the other aspects of the bill not dealing with student aid, and we will do our best to get the Secretary moving along quite rapidly.

With unanimous consent, I would like to ask that the hearings on higher education taken last year be considered as part of this year's record.

We will recess now until 10 o'clock in the morning.

Secretary RICHARDSON. Thank you, Mr. Chairman.

(Whereupon, at 12:20 p.m., the subcommittee recessed, to reconvene at 10 a.m., Thursday, March 4, 1971.)

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