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A SEVEN-POINT STRATEGY FOR FEDERAL AID TO HIGHER EDUCATION

INTRODUCTION

The Senate will shortly follow the House in deliberating the reauthorization of the Higher Education Act of 1965. Legislation finally passed the House of Representatives last December (H.R. 3700). The full Senate has yet to consider a less costly bill (S. 1965), recently marked up by the Senate Labor and Human Resources Committee. The purpose of the legislation is to fund federal aid to higher education, which in fiscal 1986 will cost some $11.9 billion.

The trouble with both House and Senate bills in particular, and the Administration's proposal in part, is that they refuse to tamper with the nature and structure of higher education policy. They make minor improvements by tinkering here and fiddling there, only later, to cancel gains they made, in some other parts of the program. Higher education, the American taxpayer, and qualified needy college students deserve more. Substantive changes are necessary if Congress is to remedy the serious flaws in current higher education policy.

Throughout the 1970s, large amounts of federal financial aid were available under the Act's Title IV, Student Financial Assistance, almost without regard for the student's financial need or demonstrated academic ability. The Middle Income Assistance Act (MIAA) of 1978, for example, removed family income qualifications in the Guaranteed Student Loan Program (GSL), which today accounts for 62 percent of total federal higher education financial assistance. MIAA made available highly subsidized federal loans to many upper- and middle-income families who did not need them. Not surprisingly, between 1979 and 1981 the GSL volume increased 270 percent, from $2.9 billion to $7.8 billion. The MIAA also expanded eligibility for the largest aid program funded solely by the federal government--the Pell Grant, established in 1972 to help finance college educations for the neediest students. Yet by 1979-1980, only 23.2 percent of the Pell

Grant recipients were from families with adjusted gross incomes below the poverty line.[1]

Such policies too often threw good money after bad students. A 1981 report by the General Accounting Office, which reviewed the academic progress standards for students at 19 colleges, found that 10 percent of the Pell students had a lower than C average.[2] And because there is no limit on how long students can receive Pell grants, many poorly performing students spend up to eight years in school with low grade point averages, taking courses that do not even count toward graduation.

The effect of the federal easy-money policy has been to provide large sums of money for many academically poor students for whom colleges have competed, thereby flooding their campuses with students unprepared for and uninterested in rigorous higher education. The result: many schools have abandoned substantive core curricula and replaced them with courses geared to the needs of their new student body. In the 1983-1984 academic year, 25 percent of college freshmen were enrolled in remedial math, 21 percent were taking remedial writing, and 16 percent were in remedial reading.[3]

None of the higher education proposals, as they now stand, address the substantive changes needed in federal higher education policy. A new strategy is required for federal aid to higher education. It should contain at least seven main revisions in the current flawed policies. Under the new strategy:

1) To streamline administrative complexities and costs, Title IV should provide only one unsubsidized guaranteed student loan program and one supplemental grant program for the neediest students.

2) Therefore, the National Direct Student Loan Program should be eliminated, and

3) the Pell Grants should be eliminated and the Supplemental Educational Opportunity Grant changed to supplement the single loan program.

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1. Sandra R. Baum and Saul Schwartz, "The Fairness Test for Student Aid Cuts," Challenge, May-June 1985, pp. 39-46.

2. "Students Receiving Federal Aid Are Not Making Satisfactory Academic Progress: Tougher Standards Are Needed," Report to the Chairman, Committee on Labor and Human Resources, United States Senate, United States General Accounting Office, December 3, 1981.

3. "Indicators of Education Statistics and Trends," U.S. Government Printing Office.

4) The College Work Study Program should be eliminated, and where necessary, replaced by state work study programs.

5) Students enrolled less than half-time should not be eligible for federal student aid.

6) Federal financial assistance should be limited to individuals who have good high school grades and college board scores.

7) Federal aid to new or struggling schools should exist solely to help worthy institutions establish a solid financial base, and this aid should end at a specific time.

FINANCIAL ASSISTANCE UNDER THE HIGHER EDUCATION ACT

The Higher Education Act of 1965 comprises 13 titles that encompass some 60 individual programs. The Titles support various congressionally determined higher education priorities. Most of their funding is so low as not to be of much budgetary significance. Title III and Title IV, however, are notable exceptions. Title III, Aid for Institutional Development, in 1985 was authorized at $270 million to help less developed colleges and universities become financially independent.

Title IV, Student Financial Assistance, accounts for over 90 percent of the higher education authorization, the largest by far in dollar value.[4] It contains the five major student financial aid programs: Pell Grant, Guaranteed Student Loan (GSL), Supplemental Educational Opportunity Grant (SEOG), the National Direct Student Loan (NDSL), and College Work Study (CWS). The last three are campus-based programs, with colleges administering the loans to their students.

Eligibility for all federal student aid requires 1) at least half-time enrollment in a college or university, technical or vocational school, or hospital nursing training school;[5] 2) U.S.

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4. The other Titles are Title I, Continuing Education; Title II, College Libraries; Title IV A, Children of Migrant and Seasonal Farm Workers, Veteran's Cost-of-Instruction, Special Programs for Disadvantaged Students; Title V, Teacher Training; Title VI, International Education; Title VII, Academic Facilities; Title VIII, Cooperative Education; Title IX, Graduate Education; Title X, Fund for the Improvement of Postsecondary Education; Title XI, Colleges and Community Development; Title XII, General Provisions; Title XIII, Of Public Law.

5. This requirement can be waived for some less than half-time students who are otherwise eligible for an SEOG or for CWS assistance.

citizenship or permanent residency; 3) demonstration of financial need (to date, this entailed separate statements for each federal program); 4) maintenance of satisfactory academic progress as defined by the institution;[6] 5) not being in default on a GSL, PLUS (which is a less subsidized GSL), or NDSL or owing a refund on Pell Grants or SEOGs; 6) signing a statement of educational purpose.[7]

THE PELL GRANT PROGRAM

The Basic Educational Opportunity Grant Program was established by Congress in 1972 and later renamed the Pell Grant Program after Rhode Island's Democratic Senator Claiborne Pell, one of its staunchest proponents. The bill originally was intended to promote economic opportunity by giving low-income students a chance to attend college, and it was the first federal entitlement for students based solely on financial need. In the academic year 1984-1985, close to three million undergraduates were receiving Pell Grants.

The House Version

H.R. 3700 authorizes $4.8 billion for Pell Grants in FY 1987, which will rise to $6.5 billion in FY 1991. This is $0.4 billion higher than the current authorization. The maximum individual award would be increased to $2,300, or 60 percent of nontuition costs, up from the current $2,100, or 60 percent of these costs. This is to be increased to $3,100 in the academic year 1991-1992.

A student's allowance for nontuition expenses is to be set at $1,700 a year for students, without dependents, living at home and at $2,300 for all others. (Current law has an unlimited living allowance for on-campus students.)

In addition, H.R. 3700 amends the law to extend eligibility to vocational students needing English language instruction and to less than half-time students. To accommodate the latter, the minimum grant award is lowered to $50.

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6. No specific guidelines exist on what a school's academic standards should be. Nor does the Department of Education have any statutory authority to challenge the rigor of the standards that exist, "Students Receiving," op. cit., p. 25.

7. Marguerite J. Dennis, Mortgaged Futures (Washington, D.C.: Hope Press, 1986), pp. 84-85.

The Senate Committee Bill

The Senate subcommittee bill (S. 1965) authorizes $4.3 billion for the Pell Grant Program and limits the grants to students from families with an adjusted gross income of $30,000 or less. The maximum award amount is set at $2,400, or 60 percent of nontuition costs in 1987-1988, rising to $3,200 in 1991-1992. The allowance for nontuition costs is raised to $1,500 a year minimum for students, without dependents, living at home. For those living in institutional housing, the current policy of matching institutionally determined costs is retained. There is also an expected family and student contribution, to be determined by weighing numerous factors.

The Reagan Proposal

The Reagan Administration's FY 1987 budget trims Pell Grant aid. It requests $3.2 billion, with $3 billion available for actual awards. The Administration proposes that middle-income parents increase their contribution and that students contribute a minimum of $800 in self-help.[8] The proposal also reimposes the five-year limit, eliminated in 1980, on student eligibility for federal student assistance.

A uniform allowance for nontuition costs of up to $3,400 for on-campus students, $3,100 for off-campus students, and $2,000 for students living at home, would be imposed on all aid programs.

Under the White House proposal, the maximum grant of $2,100 would be unchanged, but Pell Grants would be combined with Supplemental Educational Opportunity grants, which in turn would be consolidated with Work Study funds. The combined amount of this assistance would be limited to 60 percent of nontuition costs, minus the expected family contribution. College work study earnings could be applied to the remaining balance.

While the number of Pell Grant recipients would be reduced by the Administration's proposal to 2.1 million from 2.8 million currently, the average grant would be actually increased to $1,400 from the current level of $1,295. The reason is that the eligibility ceiling would be lowered from the current $25,000 to $23,400 family income.

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8. An automatic self-help assessment of $700 to $900 currently is required by the campus-based programs only, not the Pell Program. The Reagan proposal extends the automatic assessment to all student aid programs.

THE GUARANTEED STUDENT LOAN PROGRAM (GSL)

Title IV's Guaranteed Student Loan Program is the largest single source of federal student assistance. It provides a 100 percent guarantee for low-interest loans made to students by private lenders. Current law permits undergraduates to borrow up to $12,500; and graduate students, $25,000 for their undergraduate and graduate work combined. The interest on the GSL is currently 8 percent and is paid by the federal government while the student is in school and during grace and deferment periods. Students must begin repayments within six months of graduation. A 5 percent "origination fee" to offset the in-school subsidy is deducted from the principal loan amount at the beginning of the loan.

In addition to reinsuring, and subsidizing the interest on, the loans, the federal government pays the lenders a "special allowance" throughout the life of each loan to encourage financial institutions to lend to students. The state guarantee agencies that insure and collect defaulted loans receive a 100 percent reinsurance on defaulted loans if their default rate does not exceed 5 percent.

A second component of the GSL Program, known as the PLUS loan, is for parents and students needing to borrow extra money for education expenses. PLUS loan limits are set at $3,000 annually for parents and students and cannot cumulatively exceed $15,000. Independent undergraduates can borrow up to $2,500 a year, $12,500 in all. The interest rate on the PLUS loan is 12 percent.

The House Bill

The House bill, which authorizes $2.7 billion for the program, recognizes that costs must be cut, and trims some parts of it. H.R. 3700 reduces some costs by altering provisions affecting payments to borrowers and lenders. For instance, a single financial need analysis (to be used in all major Title IV federal programs) would be instituted for all students, not just for those with family incomes above $30,000. This is expected to reduce GSLs for about 650,000 individuals.[9] In addition, all students would have to apply for a Pell Grant before applying for a GSL. This would target grant monies to those with the lowest incomes. And student interest rates would be increased from 8 to 10 percent beginning in the fifth year of repayment.

The House bill also requires lenders to disperse loans incrementally over the academic year instead of in one lump sum. This

9. "Senate Committee Votes to Cut $810 Million from Guaranteed Loan Program Over 3 Years," The Chronicle of Higher Education, October 2, 1985, p. 21.

"multiple disbursement" would cut costs by paying the special allowance only on the loan amounts actually disbursed, rather than on the total amount.

Other provisions of the House bill, however, offset these and other reductions. Loan limits, for instance, would be increased for third and fourth year undergraduates and for graduate students. In addition, students would be allowed to borrow an additional 5 percent to pay the origination fee charged by lenders. Certain groups, such as public and private elementary and secondary school teachers, would be given extensions on their loan deferments, while the grace period for starting repayments would be extended from six to nine months. As a result of these provisions, net outlays in 1991 are expected to be increased by $5 million.[10]

The Senate Committee Bill

The Senate version authorizes $3.1 billion in FY 1987. Two separate need analysis statements would be required for the Pell and the GSL programs. The total loan limit would be increased to $7,500, and student interest rates would be increased from 8 to 10 percent beginning in the fifth year of repayment. The bill contains a number of other cost-saving measures, including changes in the financing of the guarantees and a reduction in the special allowance payment to lenders, from 3.5 percent to 3.25 percent. The state guarantee agency's lender loan insurance against default, in addition, would be reduced to 80 percent or 70 percent depending upon the state's annual default rate.

The Reagan Proposal

The Administration's budget request substantially changes the Guaranteed Student Loan Program. The White House asks for $2.3 billion for FY 1987, down from the $3.3 billion enacted in FY 1986. While the average loan amount would be maintained at current levels, the number of recipients would be cut. Moreover, the federal interest subsidy during in-school, grace, and deferment periods would be reduced, and interest rates would be set at the 91-day T-bill rate in effect when the loan is made. Two years after the student left school, the interest rate would be negotiated between the borrower and lender, subject to a cap of the 91-day T-bill rate plus 3 percent. The 5 percent loan origination fee (to offset interest subsidy costs) would be eliminated and replaced by a guarantee fee to cover default and other federal costs.

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10. Higher Education Amendments of 1985, Report from the Committee on Education and Labor, U.S. House of Representatives, Report 99-383, November 20, 1985, p. 94.

A financial need analysis would be required of all income levels. This is expected to increase family contributions for middle- and upper-income families. Anticipated savings from this provision alone are $1.7 billion. PLUS loan limits would be raised to a total of $25,000 and eligibility extended. The interest rate on these loans beginning in academic year 1986-1987 would be lender determined, but subject to a cap of the 91-day T-bill rate plus 3 percent.

The Administration's budget also would reduce the lender loan insurance (against default) to 90 percent of the principal and interest. In addition, it proposes multiple loan disbursements, and it ties reduced special allowance payments of 3 percent plus the average 91-day Treasury bill rate to the loan amounts actually disbursed while the loans are in in-school status and during the first two years of repayment status. After that time the subsidy to lenders is to be eliminated entirely. Some lenders have threatened to drop student loan portfolios if these changes are enacted.

State guarantee agencies would receive 90 percent (instead of 100 percent) reinsurance of any default claim, dropping to 80 percent or 70 percent depending on the agency's cumulative net defaults.

In keeping with its general strategy of privatizing federal assets, the Administration proposes selling the most difficult student loan default portfolios to private collection agencies.

THE NATIONAL DIRECT STUDENT LOAN (NDSL)

The NDSL program is one of three campus-based loan programs in which funds (collected on a 90 percent federal to 10 percent institution basis) are distributed to the students by college administrators. The program provides low-interest, need-based loans for undergraduates who now may borrow up to $6,000; graduate and professional students may borrow up to $12,000.

The House Bill

The House bill renames the NDSL the "Perkins Loan" in honor of the late Carl D. Perkins, Chairman of the House Education and Labor Committee. It halves the FY 1987 authorization for NDSL to $328 million from $625 million in 1986. Loan limits, however, would be raised to a total of $10,000 for undergraduates and to $20,000 for both undergraduate and graduate years of graduate students. Borrowers would be allowed to defer repayments up to 9 months (3 months beyond the time allotted by present law) after they leave college. H.R. 3700 also adds payment deferments for elementary and secondary school teachers, borrowers on "parental leave," and active duty members of the National Oceanic and Atmospheric Administration. Cost reduction measures would target funds more carefully by reducing the amount of guaranteed federal funds to each institution, tightening debt collection, and barring institutions with excessive default rates from federal funding.

The Senate Committee Bill

S. 1965 authorizes $228 million in FY 1987 for NDSL, to rise to $278 million in FY 1991. Loan limits would be increased while the current 5 percent interest rate would be retained. And any graduate who entered either the Peace Corps or Vista programs would be eligible for loan cancellation. Institutions would be instructed to give priority to students with exceptional financial need.

The Reagan Proposal

The Reagan Administration's budget proposes a significant innovation in federal policy for the NDSL. The program would be restructured on an unsubsidized, income-contingent repayment basis; that is, borrower repayments would be tied to income after college. This would allow students to borrow increased amounts on easier repayment terms without a net long-term cost to the federal government in providing loan capital. The Administration requests $190 million in new federal loan capital for FY 1987, to rise to $1.4 billion in new capital over the entire period of the bill. The program would be restricted to about half of the students now receiving assistance. Loan limits would be increased substantially (the lifetime borrowing limit would be upped to $40,000 from $12,000). Interest would be unsubsidized, accruing at the prevailing 91-day Treasury bill rate plus 3 percent.

SUPPLEMENTAL EDUCATIONAL OPPORTUNITY GRANTS (SEOG) AND COLLEGE WORK STUDY (CWS)

SEOGs are awarded to needy students by the college or university, in $2,000 maximum yearly increments. As in the case of NDSLs, schools receive SEOG funds from the federal government based on a state allocation formula. SEOGs exist to supplement Pell Grants for needy students in high tuition colleges. Statutory changes in 1980 allowed some schools to award SEOGs to students from families with adjusted gross incomes of over $30,000.[11]

College Work Study is also a need-based program and is administered through a college's financial aid office as part of a student's financial aid package. The federal government pays 80

11. Higher Education Amendments, op. cit., p. 52.

percent of a CWS student's salary if that student works on campus or off-campus in a nonprofit institution. The employer pays the remaining 20 percent. Students attending proprietary schools are ineligible for CWS funding.

The House Bill

The House bill authorizes $500 million for the SEOG Program in FY 1987 (up from the current $350 million) and such sums as may be ncessary for each successive fiscal year. The maximum grant would be doubled to $4,000 a year. At least three-fourths of the award recipients would have to be Pell Grant recipients. The bill provides for annual reductions in the amount an institution would be guaranteed, and it requires colleges to match federal funds at a rate of 20 percent by 1991-1992.

H.R. 3700 cuts the authorization for CWS from the current $830 million, to $700 million; CWS funding then would rise to $880 million in 1991. The portion of the student's salary that must be paid by the college or other nonprofit organization eventually would be raised to 30 percent. And proprietary institutions of higher education would be allowed to use work study funds to pay students for on-campus jobs in the areas of student services.

In a major change, H.R. 3700 would authorize colleges to use up to 25 percent of their College Work Study funds to supplement student salaries earned in profit-making organizations, provided these jobs contributed to the development of the student's academic major. The for-profit employer, moreover, would be required to pay 40 percent (increasing to 50 percent) of that salary.

The Senate Committee Bill

The Senate bill authorizes $433 million for the SEOG program in FY 1987, increasing to $526 million in FY 1991. S. 1965 makes very few changes in the SEOG program. It would raise the maximum grant to $3,000 and, as in H.R. 3700, give priority to students with exceptional need and to those who receive Pell Grants.

The College Work Study program is authorized at $622 million in FY 1987, to rise to $756 million by FY 1991. Work Study funds would be targeted to students working in areas that complement their educational programs or vocational goals and to community services activities. Proprietary schools also would be eligible for Work Study funding of on-campus jobs that complement the student's vocational goals.

The Reagan Proposal

The Administration's budget request consolidates the SEOG and CWS Programs and cuts the combined funding by more than half to $400 million. Allocations would be applied toward either grant assistance or work study, but no more than 50 percent could be awarded as grants. The number of recipients would be reduced from the current 1,506,000 to 825,000.

The Administration emphasizes cost sharing. Institutions would be required to pay 20 percent of the student's wages in FY 1987 and 50 percent by FY 1991.

GENERAL PROVISIONS FOR TITLE IV

This is a catchall section in all three versions of Higher Education bills. It affects such issues as:

1) Self-Help. The Senate bill and the Administration's proposal would require a minimum contribution of $800 for a student to be eligible for grant assistance.

2) Ability to Benefit. The House incorporates into the Act an "ability to benefit" provision now found in departmental regulations. This provision would extend eligibility for federal assistance to students, even without a high school diploma or passing grades on the General Educational Development exam, if they were judged by a college able to benefit from postsecondary education. The Secretary of Education would be prohibited from publishing regulations that defined the criteria used. The Administration rejects the notion of "ability to benefit" and requires a high school diploma or its equivalent for student aid eligibility. The Senate simply leaves the current "ability to benefit" provision as is.

3) Less Than Half-Time Students. Both the House and Senate would extend eligibility for federal financial assistance to college students enrolled less than half time. Under current law such students are allowed to receive only SEOG and CWS funding. The House bill would extend less than half-time eligibility to all student aid programs, with the exception of the GSL. The Senate would extend it only to the NDSL Program.

4) Satisfactory Academic Progress. Current law states that federal financial aid is contingent upon the recipient's satisfactory academic progress "according to the standards and practices of the institution at which the student is in attendance."

The Senate bill strikes out this wording and would require instead that institutions review students' progress at the end of each academic year. By the end of the second academic year, an aid recipient must have a cumulative C average or "academic standing consistent with the requirements of graduation" to continue to be eligible. If not, the student would lose eligibility until the cumulative average were brought up. An undue hardship clause, however, would allow colleges to waive these provisions.

TITLE III - INSTITUTIONAL AID

Under Title III of the Act, which will spend $141.2 million in 1986, the federal government has supplied grants to struggling colleges and universities that serve primarily low-income and minority students. The goal is to help these institutions gain self-sufficiency. Unfortunately, two decades after original passage of the Higher Education Act, most of the targeted schools still rely on federal assistance. The average public black college in 1981, for example, received 53 percent of its financial support (minus student aid) from the federal government.[12]

The House Bill

In an effort to solve the problems of these schools, H.R. 3700 authorizes $322 million for Title III. It would introduce race-specific set-asides for institutions that serve predominantly minority students. The rationale for this is that minority students have been denied "equal access" to higher education. H.R. 3700 would reserve $45.7 million for such schools and eliminate the current requirement that an institution's eligibility be contingent on its meeting "the criteria related to accreditation or degree programs."

The House bill creates a separate program for historically black college and universities (HBCUs) by consolidating Part A[13] with Part B of Title III, which now allocates funds to all developing institutions (including HBCUs). A new Part B, entitled "Strengthening Historically Black Colleges and Universities," targets $110 million to the HBCUs. Institutions would be able to reapply for grants after a period of not participating in the grant program.

The Senate Committee Bill

As with the House version, S. 1965 sets aside funds for minority groups, albeit less extensive. It also consolidates Parts A and B and creates a new Part B for HBCUs. S. 1965, however, would retain the current provisions requiring the schools to meet accreditation and program standards. The Senate bill authorizes $165 million for Title III.

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12. Chronicle of Higher Education, "State-Run Black Colleges Seen Threatened by Drop in Government Aid," February 19, 1986, p. 17.

13. Part A currently defines eligible institutions.

The Reagan Proposal

The Administration has a very different view of what causes developing institutions of higher education to remain dependent on federal handouts. The problem, says the Administration, is the "narrowly categorical, poorly structured" Title III programs, which have failed to spur the targeted institutions to seek alternative funding sources. The White House thus plans to consolidate or eliminate several Title III programs. Funds, moreover, are not set aside for minority groups.

Title III funding would be maintained at the 1986 enacted level of $141.2 million. As do the House and Senate bills, the Administration's proposal would consolidate Parts A and B, but would not create a new Part B for HBCUs. To help developing institutions of higher education build a solid financial base, the Administration proposes a consolidated Development Grant Program, which would provide five-year nonrenewable grants. Historically black colleges and universities, however, could be exempted from the five-year limit. The objective is to enable the HBCUs to build their endowments quickly and thereby become eligible for larger endowment grants.

RECOMMENDATIONS

Although the House and Senate bills contain many constructive changes in the Higher Education Act, both overlook needed reforms in its basic structure. With a few exceptions, the House bill ignores the demands of federal deficit reduction. Increased eligibilities and loan limits, new deferments, extension of the grace period, and phasing out the loan origination fee found in the House bill would only add to U.S. fiscal difficulties rather than subtract from them. The House also ignores the lessons of those policies that have created higher education's problems. A troubling example of this is that the House wants to add the "ability to benefit" provision to the Higher Education Act and thereby extend eligibility for federal aid to even more academically unprepared students.

The Administration's 1987 budget request, on the other hand, wisely emphasizes cost sharing, parent and student participation, program consolidation, market conditions, and institutional independence. It attempts to shift responsibility from the federal government to the states, institutions, parents, and students. The Administration correctly recognizes that the centralization of power in Washington has led to a tangled web of federal programs that usurp state and college autonomy and, ironically, produce results quite opposite to those originally sought. Nevertheless, the Administration's proposals still leave the structure of the Higher Education Act in tact.

As the Senate considers the bill reauthorizing the Higher Education Act, it should:

1) Restructure the Student Financial Assistance Program so that there is one unsubsidized guaranteed loan program and one supplemental grant for the neediest students. Streamlining will reduce administrative complexities and costs. And a uniform loan for all students will be fairer. Many lower-income students, now eligible for extensive grant assistance, move into high paying jobs after graduation, while many middle-class students, who now must take out a loan, do not. It is better, then, to assess need after the individual graduates and begins to work. The Administration's income-contingent plan could be a feature of the single loan program. Better still would be to turn it over completely to private lenders.

2) Eliminate the heavily subsidized National Direct Student Loan Program. As the Administration has argued in the past, the federal government should provide access to private loan capital, not direct subsidies.

3) Eliminate Pell Grants and change the Supplemental Educational Opportunity Grant to supplement the new single loan program. It is not the federal government's responsibility to make it possible for students to attend the most expensive schools. Quality education can be attained at schools with modest tuitions. And if grant assistance is made contingent on demonstrated academic ability and accomplishment, the quality of all schools will be improved as curricula begin once again to serve properly motivated students whose preparation is at college level.

4) Eliminate the College Work Study Program at the federal level. The original purpose of CWS was to subsidize colleges for jobs created for needy students--jobs that might not otherwise exist. This is no longer the case. Private companies are increasingly interested in student employees, while many subsidized on-campus jobs are not being filled. States should assume control of the College Work Study Program.

5) Eliminate federal aid eligibility for students enrolled less than half time. Many such students hold jobs and attend less costly community colleges or trade schools. They generally do not need the federal aid.

6) Eliminate the current "ability to benefit" provision. Assuring access to a higher education for everyone, regardless of academic achievement, erodes the quality and integrity of a postsecondary education. Financial assistance should be limited to those individuals who merit it and have shown their motivation through good high school grades and college board scores.

7) <u>Consider the Administration's proposals for Institutional Aid (Title III)</u>. Funds should not be targeted to instiitutions serving specific ethnic groups but to any worthy developing institution to help it build a secure financial base. If colleges cannot achieve this within a definite period of time, the federal government should end its support. Institutions that fail to meet minimum standards for accreditation and program quality should not be eligible for federal assistance.

CONCLUSION

Federal policy in higher education during the past two decades has helped erode college quality and the integrity of a college degree. Federal student aid has provided anyone who wants it with the means to finance a college education at the school of choice regardless of ability or self-help. It has insulated institutions of higher education from market pressures, thereby encouraging them to increase their costs. And it has prompted these institutions to accept students who are unprepared for higher education.

In reauthorizing the Higher Education Act, the Administration and Congress can eliminate these perverse incentives. In particular, Title IV should be greatly simplified and targeted to full-time students, who have demonstrated the academic ability to benefit from postsecondary schooling. And Title III should serve the short-term, start-up needs of only those developing institutions with high standards and good program quality. Racial set-asides should be abolished, for they are ineffective and insultingly patronizing to minorities.

A reformed Higher Education Act will have the courage to admit that its current nature and structure fail to aid institutions of higher education. For two decades, federal policy has used cheap money to cheapen standards. It is now time for Washington to change course and fund quality education and quality students.

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