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STATEMENT OF
WILLIAM J. GAINER, ASSOCIATE DIRECTOR
HUMAN RESOURCES DIVISION

BEFORE THE
SUBCOMMITTEE ON POSTSECONDARY EDUCATION
HOUSE COMMITTEE ON EDUCATION AND LABOR
ON
INSTITUTIONAL AID UNDER TITLE III OF
THE HIGHER EDUCATION ACT OF 1965

Mr. Chairman and Members of the Subcommittee:

We are pleased to be here today to discuss title III of the Higher Education Act of 1965, as amended. Title III is the largest source of direct federal aid to institutions of higher education, providing \$141.2 million during fiscal year 1985.

We last studied the title III program in 1979, at which time we noted a number of deficiencies and recommended major changes in program design and administration. The Congress subsequently made substantive changes to the program in 1980. Today, we will discuss these changes in relation to the problems we found in 1979 to provide a context for the Subcommittee's deliberations.

Our testimony is therefore based on a very limited update of our prior work on the title III program, involving a review

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of regulations, and interviews with Department of Education staff. We did not have time nor did we attempt to evaluate the effectiveness of the many program changes which have been made. We also made no site visits to grantee institutions.

In general, the changes made to the program since our 1979 report respond directly to the problems we surfaced at that time. The revised program uses clearer criteria for establishing program eligibility and selecting grantees, requires long-range institution development plans, provides revised guidance for program evaluation, and makes changes in program administration.

BACKGROUND

On November 8, 1965, under title III of the Higher Education Act, the Strengthening Developing Institutions Program was established. The program was "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." The term "developing institution" was defined broadly, encompassing 4 year colleges, junior or community colleges, and institutions accredited or making progress towards accreditation. Each developing institution had to meet certain requirements. An institution had to be (1) making a reasonable effort to improve the quality of teaching, administration, and student services and (2) struggling, for financial or other reasons, to survive and be

isolated from the main currents of academic life. The purpose of the program was to strengthen these institutions by financing special projects and programs at individual colleges and by increasing the use of consortia and cooperative arrangements among institutions. Typical grants funded projects for visiting scholars, administrative improvements, teaching fellowships, and curriculum development. The law also allowed for the funding of "assisting agencies," which were third-party institutions and organizations (such as other schools) to aid in development.

In 1980, the Congress made major revisions to the title III program. Title III was subdivided into three parts:

- the Strengthening Institutions Program (Part A);
- the Special Needs Program (Part B); and
- the Challenge Grants Program (Part C).

An important feature of title III since the 1980 revisions is that funding is specifically aimed at institutions which enroll a relatively high proportion of lower income students. In general, an institution's eligibility is determined by its spending per full-time equivalent student and the proportion of students participating in needs-based student aid programs. In 1983, Part C was further amended to include a provision for endowment grants.

GAO REVIEWS OF TITLE III

Our studies of the program in 1975 and 1979¹ found a variety of problems. We found that the term "developing institution" had not been clearly defined and that Education had not determined what individual institutions needed to be considered developed. Consequently, the program's impact could not be readily measured. Also, we noted deficiencies in Education's administration of the program. To overcome the problems noted, we recommended a number of legislative and regulatory changes in program design and administration such as:

- clarifying program direction,
- improving grantee selection procedures,
- strengthening controls over funds for program projects,
- improving project planning and administration, and
- ensuring effective evaluations of project performance.

Our major concern in 1979 was the overall direction of the program. After 12 years and \$700 million in grants, no school had been judged "developed" and the Office of Education did not know when any schools would "graduate" from the program. Thus, measuring progress or program impact was difficult. We concluded that the program as designed was largely unworkable and recommended that the Congress decide, in light of the

¹"Assessing The Federal Program For Strengthening Developing Institutions Of Higher Education," MWD-76-1, Oct. 31, 1975; and "The Federal Program To Strengthen Developing Institutions Of Higher Education Lacks Direction," HRD-78-170, Feb. 13, 1979.

pervasive problems, whether the program should be continued. To do so, the program purpose would need to be clarified and Education would need to provide specific guidance on how these purposes were to be achieved.

We also found weaknesses in the procedures for selecting institutions for grants. The Office of Education staff made subjective eligibility decisions based upon a variety of quantitative and qualitative criteria and applications were ranked using subjective factors such as "good communications among administration, faculty and staff." Thus, there were wide differences among the field readers who reviewed proposals and Office of Education staff in ranking grant proposals and in the amounts they recommended for funding. Consequently, there was no mechanism to (1) target grants to institutions which exhibited the greatest need or those which could benefit most, or (2) select projects clearly leading to institutional development. We recommended that the Office of Education develop and administer a more effective process for selecting grantees.

Another problem in 1979 was that the financial controls over title III funds were inadequate. For example, some institutions made overpayments and charged questionable expenditures to the grants. We attributed these problems to (1) a lack of criteria for spending and accounting for grant funds and (2) insufficient monitoring of grants by Education.

We recommended that the Office of Education strengthen both areas, particularly as regards grantee payments to assisting agencies for which we found many examples of questionable charges to grant funds.

Projects at some institutions were not clearly related to development objectives. Such problems were attributable to the program's lack of direction, the process for selecting grantees, and the lack of emphasis on these institutions' long-range planning. Consequently, many institutions relied heavily on standard programs being sponsored by assisting agencies, even though there were no assurances that these would assist their development. We recommended that institutions be required to develop comprehensive development plans and that projects funded be limited to these plans.

Our final concern was with the quality of annual external project evaluations required by Education. It provided little guidance on how they were to be performed. The evaluations were often subjective, incomplete, not timely and most importantly failed to provide a measure of the institutions' progress toward meeting development objectives. Thus, the evaluations were of little use to either the institutions or Education in administering the title III program. We recommended that the Office of Education provide grantees with specific guidelines for performing evaluations and in turn utilize these evaluations in administering the program.

THE CURRENT TITLE III PROGRAM IN
RELATION TO EARLIER PROBLEMS
IDENTIFIED BY GAO

Following our 1979 report, Congress made extensive legislative changes in 1980. The Department has also substantially altered its administration of the program.

These changes in title III address many of the problems we highlighted. For example, the title III program was available to virtually any institution, given the difficulty of defining eligibility. The revised program includes standards which provide an upper limit on the number of schools eligible and establish criteria for ranking eligible schools. According to Department of Education officials, about 1,400 schools probably qualify currently for title III assistance. Also, the grants are frequently nonrenewable, insuring that institutions will eventually cease to rely on title III program funding.

Also according to Department officials, the selection process for awarding grants has improved. For example, each school is now required to submit a long-range development plan and Education reviews each proposal in relation to that plan. Field readers are also provided with less subjective criteria for ranking and making funding recommendations. These readers are now screened so that schools submitting proposals do not have representatives sitting on review panels, thereby avoiding potential conflicts of interest.

Education has also made changes affecting controls over funding and financing projects. Education officials characterize these changes as:

- providing greater reliance on long-range development plans for determining projects to be financed;
- eliminating assisting agencies;
- adding field staff to work with headquarters' representatives conducting monitoring visits; and
- better evaluating how institutions are progressing against their long-range plans.

CONCERNS PERSIST IN THE TITLE III PROGRAM

In summary many of the problems we pointed out earlier have been addressed in the revised law. And the program probably funds numerous projects which otherwise would not have been funded. Such projects--particularly those aimed at developing faculty, improving financial management, and strengthening academic programs--are essential to long-range development.

Yet no institutions have attained a developed status through the use of title III funding, and Department of Education officials provided no evidence that any schools were approaching such a status even though some schools no longer receive grants. For example, since the beginning of fiscal year 1982, 560 institutions had received title III funding through fiscal year 1984. Of this number, 16 will have been in the program at least 20 years by the time their current grants expire. A total of 105 will have been in the program at least 15 years.

Thus the essential question remains: Are institutions which are receiving title III funds moving towards financial stability and being brought into the mainstream of academic life, or is title III merely a form of continued subsidy to institutions which are no more developed after years of assistance than when their participation first began?

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Mr. Chairman, this concludes my statement. We will be pleased to answer any questions.

FUNDING HISTORY OF TITLE III
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<u>Fiscal year</u>	<u>Basic program</u>	<u>Advanced program</u>	<u>Strengthening program</u>	<u>Special needs program</u>	<u>Challenge grants</u>	<u>Endowment grants</u>	<u>Total</u>
1966a	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,000
1967a	-	-	-	-	-	-	30,000
1968a	-	-	-	-	-	-	30,000
1969a	-	-	-	-	-	-	30,000
1970a	-	-	-	-	-	-	30,000
1971a	-	-	-	-	-	-	33,850
1972a	-	-	-	-	-	-	51,850
1973	51,850	35,500	-	-	-	-	87,350
1974	51,992	48,000	-	-	-	-	99,992
1975	52,000	58,000	-	-	-	-	110,000
1976	52,000	58,000	-	-	-	-	110,000
1977	52,000	58,000	-	-	-	-	110,000
1978	52,000	68,000	-	-	-	-	120,000
1979a	-	-	-	-	-	-	120,000
1980a	-	-	-	-	-	-	110,000
1981a	-	-	-	-	-	-	120,000
1982	-	-	62,408	62,408	9,600	-	134,416
1983	-	-	62,408	62,408	9,600	-	134,416
1984	-	-	62,408	57,208	7,680	7,120	134,416
1985b	-	-	<u>65,604</u>	<u>53,604</u>	<u>6,400</u>	<u>15,600</u>	<u>141,208</u>
Totals	<u>\$311,842</u>	<u>\$325,500</u>	<u>\$252,828</u>	<u>\$235,628</u>	<u>33,280</u>	<u>22,720</u>	<u>\$1,742,498</u>

^aIn these years, funding was not subdivided by specific program.

^bEstimated figures.

Source: Department of Education.

SUMMARY OF GAO TESTIMONY OF WILLIAM J. GAINER
BEFORE THE HOUSE SUBCOMMITTEE ON POSTSECONDARY
EDUCATION REGARDING TITLE III OF THE HIGHER EDUCATION
ACT OF 1965

Under title III of the Higher Education Act of 1965, as amended, the Department of Education provides direct financial assistance to institutions of higher education. Title III is the largest federal program of direct institutional support, providing \$141.2 million in grants during fiscal year 1985. To be eligible for title III assistance, an institution must have limited financial resources and serve significant percentages of lower-income students.

GAO last studied title III in 1979. At that time, GAO noted problems related to overall program direction and administration. In 1980, the Congress significantly revised title III, adding new eligibility requirements and subdividing the program into three separate types of assistance. The revised program addresses many of the concerns raised by GAO, adding criteria for eligibility, improved selection procedures, and a greater reliance on long-range planning.

Despite these improvements, no institutions have attained a developed status through the use of title III funds. Department of Education could provide no evidence that such schools were approaching such status even though some were no longer receiving grants.

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