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THE WHITE HOUSE  
WASHINGTON

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October 1, 1976

MEMORANDUM FOR:

JIM CANNON  
ART QUERN

FROM:

DAVID LISSY *DL*

Ed Aguirre was confirmed last night as Commissioner of Education.



Last Day: October 13, 1976

## THE WHITE HOUSE

WASHINGTON

October 12, 1976

## MEMORANDUM FOR THE PRESIDENT

FROM: JIM CANNON

SUBJECT: Enrolled Bill H.R. 5546 - Health Professions  
Educational Assistance Act of 1976

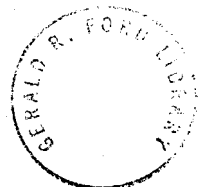
Attached for your decision is H.R. 5546 which extends through fiscal year 1980 authorities to provide financial support for the education and training of physicians, dentists, and other health professionals.

Background

H.R. 5546 extends and substantially expands the number of narrow categorical programs of support for the education of health professionals. These programs, initiated in a limited manner in the 1960's and expanded and broadened by the Comprehensive Health Manpower Act of 1971, provide Federal funds to medical, dental, and other health professions schools through grants to institutions (i.e., capitation, construction, special project grants) and student assistance. Authorizing legislation for these programs expired June 30, 1974. Since that time, the programs have been funded under a continuing resolution.

The House passed H.R. 5546 by a vote of 296-58 in July 1975. The Senate approved the bill one year later by a vote of 88-0. The conference bill was approved in both houses by voice vote.

The 1971 Health Manpower Act was designed to assist the schools to increase the numbers of students enrolled, in order to meet what was then perceived as a serious aggregate shortage of health professionals. During the subsequent 5 years, enrollments and graduates increased dramatically, and further increases are anticipated over the next few years.



Last year, the Department of Health, Education, and Welfare (HEW) submitted Administration legislation to Congress designed to shift the emphasis from Federal support merely to increase enrollments to getting schools to address the two most critical problems -- geographic and specialty maldistribution of physicians and dentists. The Administration proposed to provide capitation grants to schools agreeing to target their efforts on recruiting and training primary care and family medicine health professionals, and to medical dental students agreeing to serve in geographic areas experiencing critical shortages.

While the stated objectives of H.R. 5546 are similar to those proposed by the Administration, the enrolled bill differs greatly in its specific program authorizations and funding levels from the HEW proposal. Moreover, H.R. 5546 requires a significantly larger Federal role in health professions education, places more Federal requirements on the schools and provides less targeting of Federal funds.

#### Major Provisions

The provisions of this legislation are numerous and detailed, and are presented in OMB's enrolled bill report at Tab A. The major areas include:

- institutional support (capitation assistance, i.e., an amount for each student enrolled, special project grants, and construction grants),
- student assistance (loan and scholarship programs),
- foreign medical graduates (tightening immigration requirements), and,
- National Health Service Corps (NHSC) (completely revises NHSC authorities).

#### Budget

For fiscal year 1977, H.R. 5546 authorizes \$638 million, \$330 million more than the amounts you proposed. In fiscal year 1978, \$665 million is authorized, but in addition the legislation authorizes loan authority of \$500 million in 1978, \$510 million in 1979, and \$520 million in 1980 for the new Federal loan insurance program.

The 1977 Labor-HEW Appropriations Act -- which Congress enacted over your veto -- did not contain funds for health professions education activities because of a lack of authorizing legislation. Funding for these programs was included in the continuing resolution that the 94th Congress recently passed. Under the resolution, funding will stay at the 1976 level.

Detailed funding tables are in Paul O'Neill's memorandum at Tab I.

### Arguments in Favor of Approval

1. The stated objectives of H.R. 5546 are similar to the Administration's objectives in that H.R. 5546 is designed to shift the focus of Federal aid toward increasing the number of primary care physicians and addressing the problems of geographic and specialty maldistribution. Though different in approach, the capitation, scholarship, special project and NHSC provisions of H.R. 5546 direct Federal funds to institutions and students agreeing to specialize in primary care fields and serve in health shortage areas.
2. H.R. 5546 has broad bipartisan support in both houses of Congress and, on balance, represents the best bill that the Administration can obtain at this time. It has taken Congress nearly two years to enact this legislation; disapproval could result in a long delay in achieving enactment of another health professions bill. Moreover, depending on the make-up of the 95th Congress, the prospect of achieving a bill closer to the Administration's proposal is uncertain at best.
3. The conferees on H.R. 5546 deleted a number of provisions which the Administration strongly opposed, e.g., requirements that HEW develop and establish licensure standards for doctors and dentists, Federal licensing of radiologic technicians, and Federal pre-emption of State laws relating to physician training. This represents a substantial concession toward the Administration's proposals.

4. Although H.R. 5546 contains a number of provisions opposed by the Administration, HEW believes they will not present insurmountable problems. Amendments can be sought next year, if necessary, to modify or repeal the quota provision relating to the admission of U.S. students attending foreign medical schools. Also, it is possible that problems stemming from the authorization "trigger" requiring full funding of the scholarship program and the excessive appropriation authorization levels can be worked out with the Appropriations Committees next year.

5. With respect to the National Health Service Corps, disapproval of H.R. 5546 could be interpreted as retreating from your commitment of substantially increased funding of \$25 million for 1977.

#### Arguments in Favor of Disapproval

1. While the objectives of H.R. 5546 are similar to those of the Administration, the specific program authorities and appropriation authorization levels are almost universally at odds with the Administration's specific proposals. You endorsed the concept of a substantial loan program, for example, as a way of enabling the students -- rather than the general taxpayers -- to finance those costs. H.R. 5546 provides the new loan program, but also increases the general taxpayer subsidy through the new programs and higher funding levels. All of the major programs that you proposed for phase-out or termination are continued and expanded. A substantial number of new narrow categorical programs are added and inappropriate Federal regulatory authorities are imposed, e.g., quotas for out-of-State enrollments and U.S. students from foreign medical schools. These requirements raise serious equity issues with respect to State institutions and out-of-State residents.

2. While H.R. 5546 did have substantially bipartisan support, it represents an undesirable direction for Federal health professions programs. The next Congress may feel differently when apprised of the basis for disapproval. Moreover, the absence of authorizing legislation for health professions programs in H.R. 5546 since 1974 enabled the Administration to hold funding at \$298

million in 1976 compared to an actual level of \$552 million in 1974. Thus, the absence of authorizing legislation has -- in the past -- resulted in actual appropriation levels closest to the Administration's budget goals. For example, under the continuing resolution in 1976, no funds were appropriated for construction grants -- as the Administration proposed.

3. While the conferees deleted a number of undesirable provisions in the House and Senate versions, many such provisions still remain. Moreover, approval of H.R. 5546 should be based on the provisions remaining -- not on the potential adverse impact of provisions that might have been included and might subsequently be included in a revised bill presented to the President.

4. As the 1977 Labor-HEW appropriation bill veto override demonstrates, HEW has had an exceedingly difficult time in working successfully with Congress to attain Administration funding levels, particularly when the authorization levels are double those proposed in the President's Budget.

5. The Administration commitment to NHSC is clear. The Administration has, however, always considered the NHSC program a demonstration program. The large and progressively increasing authorizations in H.R. 5546 -- \$47 million in 1978, \$57 million in 1979, and \$70 million in 1980 -- will cause States and local communities -- as well as some Federal agencies -- to view the direct provision of medical care for health manpower shortage areas to be an ongoing Federal responsibility. This view of the Federal role would be reinforced by approval of H.R. 5546 which contains new authority for HEW to make start-up, private practice grants to former NHSC members.

Moreover, in allowing a specific medical facility -- including a Federal medical facility, such as PHS hospitals -- to be designated as a health manpower shortage area under the NHSC program, the bill places HEW in the business of staffing community or Federal hospitals. Thus, communities and Federal agencies are encouraged to ignore staffing problems in their hospitals and pressure HEW to provide NHSC staff, as necessary.

6. Federal assistance to health professions schools is not necessary to attract students. In many instances health professions schools already turn away many qualified applicants. For medical schools, for example, there are three times as many qualified applicants as there are spaces.

### Staff and Agency Recommendations

#### Approval

HEW

Max Friedersdorf

#### Disapproval

OMB

CEA (Greenspan) - "We believe the President should disapprove H.R.5546. It is inconsistent with the general Administration philosophy that while the Federal Government should help students finance their medical education, an increase in general taxpayer subsidies should be avoided".

Counsel's Office (Kilberg) defers to OMB

Bill Seidman

#### Recommendation

I join with Paul O'Neill in recommending that you veto H.R. 5546. Although the stated objectives of the bill represent concerns of your Administration, and embodies to a limited degree some Administration proposals, on balance, the legislation is a prime example of overkill.

The excessive funding levels, the extended and new maze of narrow categorical programs, the inappropriate Federal requirements and the unwarranted quotas on the health professions schools make this legislation an extensive departure from the appropriate Federal role articulated in your budget and legislative proposals.

Further, it is likely that stimulus that this measure would give the production of health professionals would in fact have a long run adverse affect on the current medical cost crisis. This results from the large number of professionals at all levels of the medical care system who are responsible for creating demand and thereby increasing utilization and costs. The carefully targeted support of only necessary types of health professionals, as the Administration originally proposed would correct this problem.

Decision

Sign H.R. 5546 at Tab B

Approve signing statement at Tab C which has been cleared by Doug Smith.

Approve \_\_\_\_\_ Disapprove \_\_\_\_\_

Veto H.R. 5546 and sign Memorandum of Disapproval at Tab D which has been cleared by Doug Smith.





EXECUTIVE OFFICE OF THE PRESIDENT  
OFFICE OF MANAGEMENT AND BUDGET  
WASHINGTON, D.C. 20503

OCT 8 1976

MEMORANDUM FOR THE PRESIDENT

Subject: Enrolled Bill H.R. 5546 - Health Professions  
Educational Assistance Act of 1976  
Sponsor - Rep. Rogers (D) Florida

Last Day for Action

October 13, 1976 - Wednesday

Purpose

Extends and expands through fiscal year 1980, with major changes, authorities to provide financial support for the education and training of physicians, dentists, and other health professionals.

Agency Recommendations

Office of Management and Budget	Disapproval (Memorandum of disapproval attached)
Department of Health, Education, and Welfare	Approval (Signing statement attached)
Department of State	Favors enactment
Department of Labor	No objection
Department of Justice	Defers to HEW
Veterans Administration	Defers to HEW
Department of Defense	Defers to HEW (Informally)
Department of the Treasury	Would support a veto recommendation

Discussion

H.R. 5546 extends and substantially expands the number of narrow categorical programs of support for the education of health professionals. These programs, initiated in a limited manner in the 1960's and expanded and broadened by the Comprehensive Health Manpower Act of 1971, provide Federal funds to medical, dental, and other health professions schools through grants to institutions (i.e., capitation, construction, special project grants) and

student assistance. Authorizing legislation for these programs expired June 30, 1974. Since that time, the programs have been funded under a continuing resolution. The House passed H.R. 5546 by a vote of 296-58 in July 1975. The Senate approved the bill one year later by a vote of 88-0. The conference bill was approved in both houses by voice vote.

The 1971 Health Manpower Act was designed to assist the schools to increase the numbers of students enrolled, in order to meet what was then perceived as a serious aggregate shortage of health professionals. During the subsequent 5 years, enrollments and graduates increased dramatically, and further increases are anticipated over the next few years.

Last year, the Department of Health, Education, and Welfare (HEW) submitted Administration legislation to Congress designed to shift the emphasis from Federal support merely to increase enrollments to getting schools to address the two most critical problems--geographic and specialty maldistribution of physicians and dentists. The Administration proposed to provide capitation grants to schools agreeing to target their efforts on recruiting and training primary care and family medicine health professionals, and to medical and dental students agreeing to serve in geographic areas experiencing critical shortages.

While the stated objectives of H.R. 5546 are similar to those proposed by the Administration, the enrolled bill differs greatly in its specific program authorizations and funding levels from the HEW proposal. H.R. 5546 requires a significantly larger Federal role in health professions education, places more Federal requirements on the schools and provides less targeting of Federal funds. A summary comparison of the major provisions of H.R. 5546 with the Administration's proposal is appended as an attachment to the HEW enrolled bill letter. The principal features of the bill compared to your proposals are discussed below.

#### MAJOR PROVISIONS

Institutional support. The bulk of direct Federal funds for health professions schools has been awarded through two major grant programs--capitation assistance, i.e., an amount for each student enrolled, and special project

grant assistance. Both programs are continued by H.R. 5546.

Capitation grants. The Administration bill proposed to limit Federal capitation grants to \$1,500 for each student at medical, osteopathic, and dental (MOD) schools agreeing to address physician distribution problems on the grounds that they were the critical health professions that warranted Federal funding for specialty and geographic distribution efforts. Capitation for all other noncritical health professions schools, i.e., veterinary medicine, optometry, podiatry and pharmacy (VOPP) was to be phased out within 3 years.

H.R. 5546 continues capitation for MOD schools at \$2,000 to \$2,100 rather than \$1,500, at rates ranging from \$695 to \$1,450 for the non-critical VOPP schools, and adds a new program of \$1,400 per student at schools of public health. The bill requires MOD schools to agree to place more emphasis on developing primary care programs and imposes an extensive array of other Federal requirements--not contained in the Administration's proposals--on MOD and VOPP schools, as conditions of receiving capitation, including:

-- a requirement that medical schools accept a certain quota of U.S. students--as determined by the Secretary of HEW--who have completed 2 years of study at a foreign medical school;

-- mandatory enrollment increases of 5% (for schools with over 100 first-year students) and at least 2.5% or 5 students (for schools with fewer than 100 first year students) in schools of veterinary medicine, optometry, and podiatry, and public health schools;

-- a requirement that veterinary medicine schools assure the HEW Secretary that "the clinical training of the school shall emphasize predominately care to food-producing animals or to fibre-producing animals, or to both types of animals," and a requirement that veterinary medicine schools accept 30% out-of-State students;

-- a requirement that public optometry schools enroll at least 25%, and nonprofit private optometry schools at least 50%, of their students from out-of-State; and

-- a requirement that podiatry schools enroll at least 40% of their students from out-of-State.

Other requirements stipulate the details of training that osteopathy, dentistry and pharmacy students must receive. In certain cases, waivers by the HEW Secretary are permitted.

Special Project Grants. H.R. 5546 contains 24 separate narrow categorical authorities for special project grants. The Administration proposed a single, flexible special project grant authority, consolidating the existing categories of financial distress, aid to disadvantaged students, primary care residency programs and allied and public health grants.

H.R. 5546 continues most of the programs proposed for consolidation and adds several new narrow categorical funding programs including:

- area health education centers;
- general internal medicine and general pediatrics residencies and fellowships;
- the education of American students returning from foreign medical schools;
- physician assistants, expanded function dental auxiliaries and dental team practice;
- occupational health training and education centers;
- family medicine general practice dentistry departments; and
- educational assistance to individuals from disadvantaged backgrounds.

In addition, H.R. 5546 stipulates in one of the categorical grants 21 different project areas, ranging from "health manpower development for the Trust Territories" to "establishing humanism in health care centers" and "the special medical problems related to women."

Construction grants. H.R. 5546 continues the appropriation authorizations for Federal construction grants, loan guarantees, and interest subsidies, programs which you proposed for termination. It also makes schools of public health eligible for grant assistance. Your proposal reflected HEW's conclusion that a marked expansion in the number of health professionals was not necessary and therefore construction subsidies--which traditionally have been used to create additional enrollment spaces--should be phased out.

Student assistance. H.R. 5546 expands loan and scholarship programs for health professions students. Like the Administration bill, H.R. 5546 continues the requirement of Federal service for scholarship recipients. There are, however, substantial differences from the Administration proposal. For example, H.R. 5546:

- makes scholarships available to all health professions students, not just medical, osteopathic and dental (MOD) students;

- authorizes scholarship recipients to satisfy their required service commitment by doing medical research;

- provides for a pay-back penalty three times the scholarship amounts plus interest if a scholarship recipient fails to keep his commitment;

- provides annual stipends of \$4,800 per year instead of the current level of \$3,600, to be adjusted each year along with Federal employees salaries, and

- mandates funding at the full appropriation authorizations for the scholarship program if capitation grants to MOD schools equal 75 percent of the appropriations authorized.

H.R. 5546 also continues the program of Federal capital contributions to school student loan funds, a program recommended for termination by the Administration. New forms of student assistance authorized by H.R. 5546, but not proposed by the Administration, include:

- scholarships for students of exceptional need;

- assistance to disadvantaged individuals in allied health training;
- advanced allied health professions traineeships;
- graduate health program traineeships; and
- a new Lister Hill scholarship program for students willing to practice family medicine in shortage areas.

The enrolled bill creates a major new health professions student loan guarantee program and a student loan insurance fund for health professions students. The amounts that the Secretary of HEW could guarantee are \$500 million in 1978, \$510 million in 1979, and \$520 million in 1980. Under the new program, the total and annual amounts that health professions students can borrow under Federal guarantee would be limited to \$50,000 in total and \$10,000 annually, except for pharmacy students who would be limited to \$37,500 in total and \$7,500 annually. The Federal Government would insure 100% of the loans plus interest--on a "full faith and credit of the United States" basis. The loans could not bear an interest rate in excess of 10%, and the Secretary of HEW would be authorized to charge annual insurance fees not to exceed 2%.

If students subsequently agree to service in the National Health Service Corps or in private practice in an area approved by the Secretary, the Federal Government would repay the student's loan at a rate not to exceed \$10,000 a year. In order for students to be eligible for these loans, however, the institutions they attend must agree to the full range of capitation grant conditions as briefly discussed above. Moreover, only 50% of the MOD students in each class at any one institution can receive loans.

While the Administration favors the concept of encouraging health professions students to finance their training, particularly in light of their relatively high income expectations, no specific Administration proposals were made. Moreover, many of the specific provisions are inconsistent with Administration policy, e.g., the 10% limit on interest, the 100% Federal insurance exposure for principal and interest, and the absence of a requirement that private financing for loans is not otherwise available, (in order to minimize unnecessary Federal involvement in credit markets).

Foreign medical graduates. H.R. 5546 requires alien physicians to pass parts I and II of the National Board of Medical Examiners and to be competent in oral and written English before they can immigrate to the United States. In addition, it tightens the requirements for participation by alien physicians in the exchange visitor program. The Administration has opposed the bill's requirements regarding immigration of alien physicians, but has supported the changes in the exchange visitor program.

National Health Service Corps (NHSC). The Administration proposed a limited number of changes in the National Health Service Corps program authorities. These included:

- one-time grants to communities of up to \$10,000 to assist them in defraying the initial costs of establishing medical practices;

- authorizing HEW to transfer Federal equipment and supplies at NHSC sites to a community; and

- allowing the communities with NHSC sites to retain some of the fees to repay a community's investment in developing the site.

H.R. 5546 goes substantially beyond the minimal changes proposed by the Administration, including a complete re-write of NHSC authorities. Among the new provisions are amendments to:

- increase the salary of Corps members for the first 3 years of service to a level comparable to that of private practitioners (but by not more than \$1,000 a month),

- guarantee that the income of a Corps member stays at least at the same level as in the last month of his initial 36 months of NHSC service,

- expand significantly the current definition of "health manpower shortage areas" to include urban areas; population groups that are underserved; private, nonprofit or public facilities including Federal facilities (e.g., PHS hospitals), that the Secretary of HEW determines have a shortage,

-- authorize the HEW Secretary to award former NHSC members grants of \$12,500 or \$25,000 for one or two years' previous service, respectively, to establish practices in areas approved by the Secretary,

-- require that areas with the greatest shortages be given priority in the assignment of NHSC personnel, and

-- modify the current authority for assistance in starting NHSC practices from one for a \$25,000 grant to one for a \$50,000 loan.

Financing. The table below contains a summary comparison of the appropriation authorizations provided by H.R. 5546 with the amounts requested in your 1977 Budget and proposed in the Administration bill. The table at Attachment A shows the amounts authorized for each program in H.R. 5546. For fiscal year 1977, H.R. 5546 authorizes \$638 million, \$330 million more than the amounts you proposed, as shown in the following summary table:

	1976 <u>Actual</u>	1977		1978
		<u>Budget</u>	H.R. 5546	H.R. 5546
Construction	2	-0-	127	42
Capitation grants	101	120	163	220
Special projects	98	128	201	195
Student assistance	82	35	113	161
National Health Service Corps	<u>15</u>	<u>25</u>	<u>34</u>	<u>47</u>
Total	298	308	638	665

The 1977 Labor-HEW Appropriations Act--which Congress enacted over your veto--did not contain funds for health professions education activities because of a lack of authorizing legislation. Funding for these programs was included in the continuing resolution that the 94th Congress recently passed. Under the resolution, funding will stay at the 1976 level.

In addition to the appropriations authorizations above, H.R. 5546 authorizes loan authority of \$500 million in 1978, \$510 million in 1979 and \$520 million in 1980 for the new Federal loan insurance program.

#### Arguments in Favor of Approval

1. The stated objectives of H.R. 5546 are similar to the Administration's objectives in that H.R. 5546 is designed to shift the focus of Federal aid toward increasing the number of primary care physicians and addressing the problems of geographic and specialty maldistribution. Though different in approach, the capitation, scholarship, special project and NHSC provisions of H.R. 5546 direct Federal funds to institutions and students agreeing to specialize in primary care fields and serve in health shortage areas.

2. H.R. 5546 has broad bipartisan support in both houses of Congress and, on balance, represents the best bill that the Administration can obtain at this time. It has taken Congress nearly two years to enact this legislation; disapproval could result in a long delay in achieving enactment of another health professions bill. Moreover, depending on the make-up of the 95th Congress, the prospect of achieving a bill closer to the Administration's proposal is uncertain at best.

3. The conferees on H.R. 5546 deleted a number of provisions which the Administration strongly opposed, e.g., requirements that HEW develop and establish licensure standards for doctors and dentists, Federal licensing of radiologic technicians, and Federal pre-emption of State laws relating to physician training. This represents a substantial concession toward the Administration's proposals.

4. Although H.R. 5546 contains a number of provisions opposed by the Administration, HEW believes they will not present insurmountable problems. Amendments can be sought next year, if necessary, to modify or repeal the quota provision relating to the admission of U.S. students attending foreign medical schools. Also, it is possible that problems stemming from the authorization "trigger" requiring full funding of the scholarship program and the excessive appropriation authorization levels can be worked out with the Appropriations Committees next year.

5. With respect to the National Health Service Corps, disapproval of H.R. 5546 could be interpreted as retreating from your commitment of substantially increased funding of \$25 million for 1977.

#### Arguments in Favor of Disapproval

1. While the objectives of H.R. 5546 are similar to those of the Administration, the specific program authorities and appropriation authorization levels are almost universally at odds with the Administration's specific proposals. You endorsed the concept of a substantial loan program, for example, as a way of enabling the students--rather than the general taxpayers--to finance those costs. H.R. 5546 provides the new loan program, but also increases the general taxpayer subsidy through the new programs and higher funding levels. All of the major programs that you proposed for phase-out or termination are continued and expanded. A substantial number of new narrow categorical programs are added and inappropriate Federal regulatory authorities are imposed, e.g., quotas for out-of-State enrollments and U.S. students from foreign medical schools. These requirements raise serious equity issues with respect to State institutions and out-of-State residents.

2. While H.R. 5546 did have substantially bipartisan support, it represents an undesirable direction for Federal health professions programs. The next Congress may feel differently when apprised of the basis for disapproval. Moreover, the absence of authorizing legislation for health professions programs in H.R. 5546 since 1974 enabled the Administration to hold funding at \$298 million in 1976 compared to an actual level of \$552 million in 1974. Thus, the absence of authorizing legislation has--in the past--resulted in actual appropriation levels closest to the Administration's budget goals. For example, under the continuing resolution in 1976, no funds were appropriated for construction grants--as the Administration proposed.

3. While the conferees deleted a number of undesirable provisions in the House and Senate versions, many such provisions still remain. Moreover, approval of H.R. 5546 should be based on the provisions remaining--not on the

potential adverse impact of provisions that might have been included and might subsequently be included in a revised bill presented to the President.

4. As the 1977 Labor-HEW appropriation bill veto override demonstrates, HEW has had an exceedingly difficult time in working successfully with Congress to attain Administration funding levels, particularly when the authorization levels are double those proposed in the President's Budget.

5. The Administration commitment to NHSC is clear. The Administration has, however, always considered the NHSC program a demonstration program. The large and progressively increasing authorizations in H.R. 5546--\$47 million in 1978, \$57 million in 1979, and \$70 million in 1980--will cause States and local communities--as well as some Federal agencies--to view the direct provision of medical care for health manpower shortage areas to be an ongoing Federal responsibility. This view of the Federal role would be reinforced by approval of H.R. 5546 which contains new authority for HEW to make start-up, private practice grants to former NHSC members.

Moreover, in allowing a specific medical facility--including a Federal medical facility, such as PHS hospitals--to be designated as a health manpower shortage area under the NHSC program, the bill places HEW in the business of staffing community or Federal hospitals. Thus, communities and Federal agencies are encouraged to ignore staffing problems in their hospitals and pressure HEW to provide NHSC staff, as necessary.

6. Federal assistance to health professions schools is not necessary to attract students. In many instances health professions schools already turn away many qualified applicants. For medical schools, for example, there are three times as many qualified applicants as there are spaces.

#### Recommendations

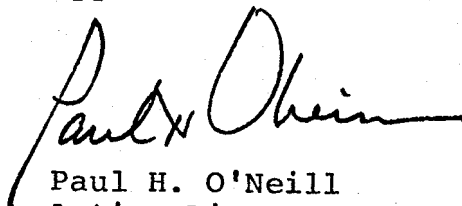
HEW recommends your approval of H.R. 5546 in its enrolled bill letter, stating:

"Although H.R. 5546 differs in a number of respects from the Administration's proposals, the principal program objectives set forth by the Administration would in large measure be carried out... If the bill is allowed to die, we believe it is doubtful that a measure more favorable to the Administration's position could be enacted in the next Congress."

The Departments of Justice, Treasury and Labor identify concerns that they have with specific provisions of the bill, although they do not recommend disapproval. Justice, in particular, points out that the section requiring medical schools, as a condition of receiving grant funds, to admit a certain number of U.S. students from foreign medical schools "is almost certain to generate litigation ...to which the United States will be a party." Justice also points out that Congress at the same time "also enacted section 408 of S. 2657, proposed Education Amendments of 1976, which would amend the General Education Provisions Act to make it unlawful for the Secretary to defer or limit any Federal education financial assistance on the basis of a school's failure to comply with student admission quotas."

We believe that H.R. 5546 should be disapproved. In its entirety, H.R. 5546 does not carry out "in large measure" Administration objectives. On the contrary, it represents an extensive departure from the appropriate Federal role articulated in your budget and legislative proposals. It contains excessive funding levels, a new maze of narrow categorical program authorities, inappropriate Federal requirements and unwarranted quotas on the health professions schools. We believe that your public disapproval and the reasons therefor can substantially influence the next Congress.

A draft memorandum of disapproval is attached for your consideration.



Paul H. O'Neill  
Acting Director

Enclosures

Comparison of the H.R. 5546 with the Administration Proposal  
(\$ in millions)

	1976 Appropriation	1977		H.R. 5546		
		President's Budget	H.R. 5546	1978	1979	1980
<b>Construction:</b>			103	40	40	40
Grants .....	2	--	24	2	3	3
Interest subsidies .....	--	--	--	--	--	--
<b>Capitation:</b>			134	177	186	197
MOD .....	83	113	29	33	33	34
VOPP .....	18	7	--	10	11	11
*Public health .....	--	--	--	--	--	--
<b>Special projects:</b>		128	--	--	--	--
Consolidated Grant.....	--	--	--	--	--	--
*Start-up, financial distress interdisciplinary training and curriculum development.....	--	--	41	25	25	25
*Graduate programs in health administration.....	--	--	--	3	4	4
Start-up and conversion.....	3	--	5	--	--	--
Financial distress.....	5	--	5	20	30	40
*Area health education centers... Health manpower education initiatives.....	38	--	41	--	--	--
*Recruitment of disadvantaged students.....	--	--	--	20	20	20
Family medicine training.....	15	--	39	--	--	--
*Family medicine and general dentistry.....	--	--	--	40	45	50
*U.S. student transfers from foreign medical schools.....	--	--	2	2	3	4
*Physician assistants and dental auxiliaries.....	--	--	--	25	30	35
*Public health and graduate programs in health adminis- tration.....	--	--	--	5	5	6
*Occupational health training and educational centers.....	--	--	5	5	8	10
*Family medicine departments.....	--	--	--	10	15	20
*General internal medicine and pediatric residencies.....	--	--	10	15	20	25
*New medical schools.....	--	--	--	2	2	2
Computer technology.....	--	--	15	--	--	--
Allied health special improvement. Allied health recruitment.....	11	--	11	1	1	1
Allied health R&D.....	**	--	**	--	--	--
Allied health projects.....	14	--	15	22	24	26
*Allied health projects.....	--	--	--	--	--	--
Public health schools formula grants	6	--	6	--	--	--
Public health school project awards	6	--	--	--	--	--
<b>Student assistance:</b>						
Capital contributions to school loan funds.....	24	--	39	26	27	28
*Federal loan insurance fund.....	--	--	--	2	2	2
*Scholarships for needy students. National health service corps scholarships.....	--	--	--	16	17	18
Federal repayment of student loans.....	22	35	40	75	140	200
Health professions scholarships. Public health traineeships.....	6	--	**	**	**	**
*Graduate health traineeships.... Allied health traineeships.....	4	--	--	--	--	--
*Assistance to disadvantaged individuals in allied health training.....	9	--	10	8	8	9
Nurse traineeships.....	4	--	--	3	3	3
*Lister Hill scholarships.....	--	--	4	5	5	5
Individuals in allied health training.....	--	--	--	1	1	1
Nurse traineeships.....	13	--	20	25	--	--
*Lister Hill scholarships.....	--	--	**	**	**	**
National Health Service Corps.....	15	25	34	47	57	70
*Private practice grants to former NHSC members.....	--	--	**	**	**	**
<b>Total authorizations</b>	<b>298</b>	<b>308</b>	<b>638</b>	<b>665</b>	<b>765</b>	<b>889</b>
*Guaranteed loan authority.....	--	--	--	500	510	520

\*New programs

\*\*Entitlement, "such sums" or less than \$1 million





Today I am signing legislation which will materially assist in insuring that all Americans throughout the country will have sufficient access to physicians and dentists. Last year the Administration submitted to Congress a legislative proposal based on findings which showed that while there was no longer a shortage in the total number of physicians in the United States, there were alarming signs that this country was facing two growing problems with respect to these practitioners. <sup>There are</sup> ~~There were~~ not enough doctors in rural and inner city areas, <sup>there is</sup> and a continuing decline in the number of doctors practicing primary care, i.e., the problem of specialty maldistribution.

I am pleased that the bill before me specifically addresses those issues which we identified as being of greatest concern. Although the bill contains some undersirable features, I believe that, on balance, it represents a definite step toward improving health care delivery, and, accordingly, warrants my signature.

There are several provisions of this legislation which will be instrumental in solving the problems of geographic and specialty maldistribution. The bill continues and expands a scholarship program which will provide individuals with financial assistance to attend medical school. In exchange for these scholarships, each recipient will be required to serve in a health manpower shortage area for a period of at least two years. Coupled with this scholarship program, the bill authorizes the establishment of a Federal program of insured loans--a proposal I have supported--to assist health professions students. This program virtually assures that no individual will be denied a medical education for financial reasons. Also the bill establishes a program of special assistance to disadvantaged students in an effort to equalize opportunities among all individuals who wish to become health professionals.

In order to deal with the problem of specialty maldistribution and increase the number of doctors who deliver primary care, the bill authorizes the continuation of the existing program of financial support to health professions schools through capitation grants. However, a significant new condition is attached to the receipt of these grants. ~~It~~ <sup>would be required</sup> ~~would require~~ <sup>A</sup> medical schools to provide annually ~~x~~ an increasing percentage of residency positions for individuals in primary care specialties (i.e., pediatrics, internal medicine and family medicine).

The bill authorizes funding for numerous special projects relating to the education and training of physicians and allied health personnel. Special grants are authorized for programs in family medicine and the general practice of dentistry. In addition, grants for programs for the training of physician extenders and expanded function dental auxiliaries were authorized. Such programs are designed to enhance the overall capacity of physicians and dentists to deliver health care.

Finally, the bill revises and extends the existing National Health Service Corps Program--a program which has made significant strides in alleviating the problem of inaccessibility to health care services in medically underserved areas. This program currently has more than 600 professionals working in shortage areas. It is estimated that by next year, this number will grow to almost 700. And, with the authorizing legislation before me now, we expect the capabilities of this program to increase dramatically during the following three years.

As I noted, however, the bill is not without some <sup>defects</sup> ~~faults~~. Because I am particularly concerned about the potential impact of some of these troublesome provisions, I intend to submit legislative recommendations to remedy these problems as soon as the Congress returns.



Primarily, these concerns relate to the levels of spending authorized by the legislation, provisions which deal with medical school admission requirements for Americans returning from foreign medical schools, and payback conditions for students who do not fulfill their obligations under the National Health Service Corps scholarship program. I am convinced that the authorization levels attached to this program are excessive. I believe that the desired results can be attained at a much lower cost. I particularly object to the provision which creates an automatic funding "trigger" for the scholarship program and which penalizes other programs authorized in the bill if certain scholarship funding levels are not met. Not only does this provision impose unwarranted sanctions, but it distorts the entire Congressional appropriations process.

Furthermore, I have reservations about the capitation condition which requires medical schools to accept a certain number of American citizens who have been students in foreign medical schools and who meet certain criteria. Not only does this requirement potentially create administrative problems, but, equally as important, it undermines our medical schools' admission policies by imposing Federal law to override an individual school's admission criteria.

Finally, I object to the unduly harsh penalties assigned to those scholarship recipients who fail to fulfill their service obligation in the National Health Service Corps. With respect to these people, the bill requires them to pay back three times the amount of the scholarship, plus interest (with adjustment for any portion of a service obligation performed), within one year of the breach of this obligation. In my view, a penalty of twice the amount provided, plus interest, would be more than sufficient.

As I indicated earlier, I plan to recommend action to remedy these problems as soon as Congress reconvenes. Despite the drawbacks of the bill, however, I believe this legislation is necessary. Many of the programs which are contained in this bill have been without authorizing legislation since June 1974. Furthermore, the bill addresses the important problems which we identified last year. In weighing all of these factors, I believe that it is in the best interest of the American people to sign this measure into law.



VETO STATEMENT

*Memorandum of Disapproval*

I have withheld my signature from H. R. 5546, the "Health Professions Educations Assistance Act of 1976."

This I have done reluctantly. I realize the need to solve the geographic and specialty maldistribution of primary care health professionals, especially <sup>that of</sup> physicians and dentists, and I proposed legislation to the Congress which would have targeted Federal funding to do so.

The Congress, however, ~~going its own way as usual~~, has distorted these straightforward objectives by enacting H. R. 5546 which would add substantially to the already complex array of Federal programs and funding levels.

This is especially disappointing at a time when scarce Federal resources must be managed effectively to maximize their impact in the areas of most need. This is especially true in the health care area where costs are increasing annually at twice the rate of the rate of the Consumer Price Index.

Tough choices are essential so that the taxpayers' dollars can be allocated to those programs where the American people can expect the greatest payoff in their health resources.

H. R. 5546 would, for example, add some 20 new narrow categorical authorities to the existing maze of nearly 150 HEW health programs, many of which I recommended be <sup>reformed</sup> ~~terminated or consolidated~~ because of their conflicting aims and priorities. While I am trying to streamline government, the Congress continues to make it more complex. While I am attempting to make government serve the needs of people, the Congress <sup>insists that</sup> ~~makes~~ people and their institutions serve the whims of government.

New regulatory authority would require the Secretary of HEW to establish quotas for individual medical schools in this country, making them accept a quota of students <sup>who</sup> ~~transfer~~ from foreign medical schools. The bill also stipulates the precise percentage quotas of out-of-State students that schools of veterinary medicine, optometry and podiatry must accept in order to receive Federal subsidies. ~~This would be a Federal law that~~ could result in requiring the residents of one State to subsidize the education of residents of other States in order to receive Federal funds. Students at these institutions would not be eligible for the new Federally insured loan program contained in H. R. 5546 unless their institutions accept conditions such as out-of-State quotas. These are but a few examples of the new Federal interference in medical school administration that H. R. 5546 would require. I believe <sup>that</sup> unwarranted Federal intrusions such as this <sup>are</sup> ~~to be~~ inappropriate.

In addition, this bill would authorize expenditures that are double <sup>authorized in or proposed by</sup> those of 1976 ~~and~~ my budget for 1977. I have consistently opposed such unwarranted expansion of the Federal Government's responsibilities, particularly in the absence of compelling evidence that non-Federal institutions cannot accomplish their stated objectives. I have already proposed responsible funding levels and an appropriate Federal role -- without excessive Federal requirements and without Federal subsidies for every health professions school -- in addressing the problems of geographic and specialty maldistribution of the most critical health professions. There are ample numbers of student applications to health professions schools. H. R. 5546 cannot be justified as <sup>being</sup> necessary to attract individuals to these schools.



H. R. 5546 goes far beyond the responsible Federal role of supporting only those initiatives that can be best accomplished by government for the public benefit. I will continue to make every effort to assist ~~in~~ <sup>training</sup> the production of necessary and appropriate health professionals to meet the basic health needs of all Americans, regardless of geographic location or social status.

THE WHITE HOUSE

ACTION

WASHINGTON Last Day: October 13, 1976

October 12, 1976

MEMORANDUM FOR THE PRESIDENT

FROM: JIM CANNON *JC*

SUBJECT: Enrolled Bill S. 2657 -  
Education Amendments of 1976

This is to present for your action S. 2657, Education Amendments of 1976.

Background

S. 2657 is an omnibus education bill which amends and extends the Higher Education Act of 1965, the Vocational Education Act of 1963, and numerous other education programs and authorities, some of which expired on September 30, 1976. The bill extends most higher education programs through 1979 and vocational education programs through 1977. All of the programs provided for in S. 2657 are currently covered by the Continuing Resolution.

S. 2657 incorporates many of the provisions recommended by the Administration, but also includes amendments which will greatly increase the complexity and cost of administering Federal education programs.

The Administration's proposals were designed to:

- Provide higher education student assistance through direct aid rather than through institutionally-based programs.
- Curb fraud and abuse in higher education student assistance programs.
- Eliminate unnecessary higher education programs.

- Reform Impact Aid to provide funding only for "A" children and special categories.
- Simply extend the Emergency School Aid legislation with expanded discretionary authority.
- Consolidate vocational education programs and include them as a title under the proposed Financial Assistance for Elementary and Secondary Education (block grant) Act.
- Provide for reasonable authorization levels.

While sharing some of the objectives of the Administration's bill, S. 2657 differs in its approach in that it:

- Imposes significantly increased Federal requirements on higher and vocational education programs.
- Requires the Administration to fund programs that neither the Congress nor the Administration have sought to fund in recent years.
- Establishes several new categories of programs and authorizes funding levels substantially in excess of those proposed by the Administration.

Additional discussion of the provisions of the enrolled bill is provided in OMB's enrolled bill report at Tab A. The Conference Report was approved by the House by a vote of 312-93 and by a 67-15 vote in the Senate.

#### Budget Impact

Authorization Levels. Authorizations under current law for 1976 are \$7.2 billion. Authorization levels in the bill total \$6.6 billion in 1977, \$8.2 billion in 1978 and \$8.4 billion in 1979.

OMB believes that outlays from Congressional appropriations will be about \$188 million more than your budget in fiscal year 1977, about \$1.1 billion more in 1978 and \$1.6 billion more in 1979.

HEW points out that, of the increase of \$1.6 billion in 1979 outlays, over \$600 million would be incurred under the Continuing Resolution, regardless of action on this bill. This amount reflects current programs which the Administration proposed to terminate, but which are, nevertheless, covered by the Continuing Resolution. HEW further believes that the incremental outlay effect of S. 2657 in 1979 is lower in terms of probable Congressional action. OMB, however, believes that their estimates reflect a realistic assessment of future Congressional action based upon previous Congressional appropriations in this area.

#### Arguments for Approval

1. The guaranteed student loan provisions. The Congress has accepted Administration recommendations that should help curb fraud and abuse in this program. Also, partial acceptance of the Administration's request to raise the amount graduate students may borrow should assist students in high cost graduate programs. Incentives to increase State participation in the loan program were added.
2. The vocational education provisions have moved substantially in the direction of consolidation of programs recommended by the Administration. While not all the Administration sought, this bill contains important first steps in consolidation and simplification of vocational education programs and represents a good base for further consolidation.
3. The degree of Congressional support for this bill is evidenced by the votes of both the Senate and the House.
4. The bulk of the technical amendments to the Education Amendments of 1974 which the Administration recommended are incorporated in this bill.
5. Notwithstanding the significant authorization levels in this bill, traditionally there has been a gap between actual appropriations and authorization levels.



## Arguments in Favor of Disapproval

1. The Basic Educational Opportunity Grants provisions could increase the cost of the fully funded program in fiscal year 1978 from the currently estimated \$1.8 billion to \$2.5 billion. If the \$1800 maximum award proposal was adopted and the Administration proposed a basic grant funding level of \$1.8 billion, which would fully fund the basic grant program with a \$1400 maximum award, but not at \$1800, the lowest income students would have their awards reduced by an average of over \$100. This would occur because more funding would have to be diverted to a larger number of middle-income and upper middle-income students. The Administration has always supported a fully-funded basic grants program. However, this provision will require appropriations far in excess of those currently available or projected for higher education student assistance programs. This may require a reassessment of the full funding policy.
2. The funding trigger for higher education is expected to force appropriations for programs that the Congress has not funded for several years, of \$150 million in 1978 and \$215 million in 1979. Furthermore, if the assumption is made that a policy of full funding of basic grants is adopted, and that funding levels for other programs follow recent trends, then in combination with the trigger, the higher education budget (excluding the guaranteed loan program) would exceed \$4.0 billion in 1978. This compares to an Administration request for higher education of \$1.9 billion for 1977.
3. Several of the changes made in the guaranteed student loan program can be implemented administratively, without changes in current law. Furthermore, there are provisions that will make the program significantly more complex and difficult to administer.
4. Notwithstanding, the consolidations contained in the vocational education programs, this bill establishes new categorical programs and imposes planning and other burdensome administrative requirements that negate the positive effects of the consolidations.

5. The bill mandates restrictive administrative structures and procedures, including the creation of new programs and bureaucracies; hold-harmless provisions which delay reform under programs consolidated under the Education Amendments of 1974; maintenance of effort provisions; new advisory bodies which duplicate the responsibilities of the National Council for Educational Research in the National Institute of Education; and 16 new narrow categorical programs which seriously detract from your efforts to move program decisions toward State and local education agencies and away from Washington bureaucracies. In addition, the bill adds more complex provisions that will impose administrative burdens on both the administering agencies and grant recipients.

#### Agency Recommendations

The Department of Health, Education, and Welfare, and the Department of Labor recommend approval. The Department of Justice and the Veterans Administration defer to the Department of Health, Education, and Welfare. OMB recommends disapproval.

#### Staff Recommendations

##### Approval

Max Friedersdorf

Jeanne Holm - "The Vocational-Education Amendments to increase the state sensitivity to the issue of sex bias and sex stereotyping in vocational education provisions are important to increasing vocational-education opportunities for women."

Bill Seidman

##### Disapproval

CEA (Greenspan) - "We agree with OMB assessment of S.2657 both because of its budgetary impact and its inconsistency with previous Administration initiatives."

Counsel's Office (Kilberg)

I recommend approval because the positive factors of S. 2657 outweigh the negative ones. In fact, the increase of the Basic Educational Opportunity Grant ceiling from \$1400 to \$1800, which OMB identifies as one of the two most objectionable facets of S. 2657, could be a positive one in view of your commitment to ease the financial burden on middle-class families sending a child to college. Over 150,000 families with incomes above \$15,000 are expected to be made eligible for Basic grants by such an increase in the maximum grant, and raising the maximum grant to \$1800 does not commit the Administration to full-funding of the BEOG program at that level.

The legislation takes positive and needed steps to reduce the incidence of student and institutional abuse of Federal student assistance programs. Many of these changes, particularly in the Guaranteed Student Loan program, were Administration initiatives.

Small but positive steps are taken in S. 2657 to increase the State's role in higher education. Incentives for State creation and continuance of Guaranteed Student Loan agencies are included as well as an experimental program to consolidate at the State level the application process of State and Federal student grant programs.

Principally as a result of Al Quie's efforts, significant steps toward consolidation are achieved in the Vocational Education section of S. 2657. Three State programs and three federally administered programs, each separately authorized, would replace ten existing Federal and State programs. The concepts of consolidation and Block grants were accepted in a limited fashion, but this could be the first step in winning Congressional approval of your Block Grant proposals for elementary and secondary education. The worst elements of S. 2657 are readily susceptible to corrective legislation in the next Congress, and the proposed signing statement (Tab C) announces your intention to offer legislation to perfect S. 2657.

Decision

Sign S. 2657 at Tab B.

Approve signing statement at Tab C which has been cleared by Doug Smith.

Approve \_\_\_\_\_ Disapprove \_\_\_\_\_

Veto S. 2657 and sign Memorandum of Disapproval at Tab D which has been cleared by Doug Smith.

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EXECUTIVE OFFICE OF THE PRESIDENT  
OFFICE OF MANAGEMENT AND BUDGET  
WASHINGTON, D.C. 20503

OCT 8 1976

MEMORANDUM FOR THE PRESIDENT

Subject: Enrolled Bill S. 2657 - Education Amendments  
of 1976  
Sponsor - Sen. Pell (D) Rhode Island

Last Day for Action

October 13, 1976 - Wednesday

Purpose

Extends and makes major revisions in the Higher Education and Vocational Education Acts, the Basic Education Opportunity Grant (BEOG), Guaranteed Student Loan (GSL), and other education programs.

Agency Recommendations

Office of Management and Budget	Disapproval (Memorandum of disapproval attached)
Department of Health, Education, and Welfare	Approval
Department of Labor	Approval
Department of Justice	Defers to HEW
Veterans Administration	Defers to HEW
Department of the Treasury	No recommendation

Discussion

S. 2657 is an omnibus education bill which amends and extends the Higher Education Act of 1965, the Vocational Education Act of 1963, and numerous other education programs and authorities, some of which expired on September 30, 1976. The bill extends most higher education programs through 1979 and vocational education programs through 1977. All of the programs provided for in S. 2657 are currently covered by the Continuing Resolution. This bill is the congressional response to major Administration initiatives for reform of education programs.

S. 2657 incorporates many of the provisions recommended by the Administration, but also includes amendments which will greatly increase the complexity and cost of administering Federal education programs.

The Administration's proposals were designed to:

- provide higher education student assistance through direct aid rather than through institutionally based programs,

- curb fraud and abuse in higher education student assistance programs,

- eliminate unnecessary higher education programs,

- reform Impact Aid to provide funding only for "A" children and special categories,

- simply extend the Emergency School Aid legislation with expanded discretionary authority,

- consolidate vocational education programs and include them as a title under the proposed Financial Assistance for Elementary and Secondary Education (block grant) Act,

- provide for reasonable authorization levels.

While sharing some of the objectives of the Administration's bill, S. 2657 differs in its approach in that it:

- imposes significantly increased Federal requirements on higher and vocational education programs,

- requires the Administration to fund programs that neither the Congress nor the Administration have sought to fund in recent years,

- establishes several new categories of programs, and authorizes funding levels substantially in excess of those proposed by the Administration.

A comparison of the major provisions of S. 2657 with current law is set forth below. A more detailed summary is included as an attachment to the enrolled bill letter from HEW. The Conference Report was approved by the House by a vote of 312-93 and by a 67-15 vote in the Senate.

## Major Provisions

### Higher Education Provisions

Basic Educational Opportunity Grants. Under current law, grants up to \$1,400 are awarded to students attending eligible higher education institutions after deducting the amount the family is expected to contribute and other funds available to the student. The grant can be no more than one half the cost of attending school. The expected family contribution is based on the family's adjusted gross income minus employment and subsistence expenses, as well as some asset deductions, such as home equity. Current law also requires that no funds can be spent for basic grants until appropriations for Supplemental Educational Opportunity Grants, College Work Study and National Direct Student Loans, all campus-based programs, reach \$653 million.

The Administration proposed to eliminate the minimal funding requirements for the campus-based programs, change the formula so that half of need rather than half of cost would be the basis for computing the basic grant, include 50% of veterans education benefits in determining student resources, and change the formula for reducing awards when the appropriation is less than required for full funding so that awards would be more intensively targeted on low income students. None of these changes is included in S. 2657.

S. 2657 increases the maximum basic grant award to \$1,800, effective in fiscal year 1978. It also provides more generous offsets by allowing the deduction of elementary and secondary education expenses of dependents in determining expected family contributions.

New funding "trigger". The enrolled bill establishes a funding trigger mechanism effective in fiscal years 1978 and 1979 only. The trigger provides that when the combined appropriations available for fiscal year 1978 for Basic Educational Opportunity Grants, Supplemental Educational Opportunity Grants, College Work Study and National Direct Student Loans exceed \$2.8 billion (\$3.1 billion in 1979), funds must be appropriated for the following programs:

-- Title I: community service, continuing education, lifelong learning,



-- Title VII: loans for the construction, reconstruction, and renovation of academic facilities,

-- Title X: establishment and expansion of community colleges.

The Administration has not requested funds for the programs involved in the funding trigger and Congress has appropriated only an average of \$15 million annually for these program areas over the last four to five years. Furthermore, the Administration has consistently maintained that these institutional assistance programs are ineffective relative to direct student assistance, are a State and local responsibility, and cannot be justified on the basis of any pressing national priority.

Guaranteed Student Loan Program. Under current law, the Office of Education guarantees loans to students at eligible institutions and reinsures loans guaranteed by State and nonprofit agencies at 80% of the amount defaulted by student borrowers. Undergraduates can borrow up to \$7,500 and graduates may borrow up to \$10,000.

S. 2657 provides for changes in the Guaranteed Student Loan program in order to induce greater lender participation, provide incentives for States to establish their own guarantee agencies which would be reinsured by the Federal Government, and to make more loan capital available to students. These objectives are consistent with prior Administration proposals.

Among the provisions aimed at achieving these objectives are:

-- New State or private nonprofit guarantee agencies will be reinsured by the Federal Government at 100% during the first five years of operation.

-- State or nonprofit private agencies, if they enter into a supplemental agreement with the Commissioner of Education, will be reinsured by the Federal Government according to their default rate experience in any given year. In this way, good State default rate performances are rewarded.

-- The supplemental agreement, which is a condition of higher reinsurance rates, would require State and private guarantee agencies to (1) authorize higher individual and aggregate loan limits; (2) insure all insurable loans at 100%; (3) provide for the insurance of loans to part-time students; (4) insure loans to its own residents going to out-of-State schools; (5) provide the same conditions on eligible residential institutions as are now in the direct Federal student loan insurance program.

-- The general limits for the guarantee program are increased for graduate or professional students who may borrow up to \$5,000 per year, with the aggregate loan amounts for such students increased to \$15,000 (including undergraduate loans).

Anti-fraud and abuse provisions. In addition to the provisions designed to make the direct Federal guarantee and Federal reinsurance programs work more effectively, there are a number of provisions designed to reduce defaults and to curb fraud and abuse generally in the student assistance programs.

With respect to defaults, the provisions dealing with reinsurance rates tied to guarantee agency performance are designed to reduce the overall default rate. Other provisions designed to reduce abuse or fraud include the following:

-- Guaranteed student loans shall not be dischargeable in bankruptcy until five years after the start of the repayment period, except in cases of unusual hardship as determined by the courts.

-- Any school lender that has a default rate of 15% or more for two consecutive years is excluded from participation, as is any school that employs or uses commissioned salesmen to promote the availability of the loan program at that school.

-- Home-study schools are excluded as lenders, as are lenders whose primary function is the making or holding of guaranteed loans.

-- Criminal penalties are provided for embezzlement, misapplication, theft, or obtaining by fraud of funds, assets or other property provided or insured under the guaranteed loan authority.

-- The existing statutory authority under the GSLP to limit, suspend, or terminate the eligibility of institutions for violating or failing to carry out the provisions of law or regulations issued thereunder is now extended to apply to all student aid programs.

Liberalization of eligibility. Another general characteristic of S. 2657 is the inclusion of middle income students in needs-based programs traditionally intended for low income and disadvantaged students. The effect of raising the maximum BEOG award ceiling to \$1,800 is to increase participation of students from families making more than \$15,000 by more than 150,000, or more than 150% of the number of such families expected to participate under the current maximum award ceiling of \$1,400.

In the guaranteed loan program, under current law, students from families whose adjusted gross income is less than \$15,000 automatically qualify for a Federal interest subsidy while in school. S. 2657 raises the automatic income eligibility limit for interest subsidy to \$25,000. This could cover families with unadjusted incomes of \$30,000 or more. Moreover, amendments to the Special Programs for Students from Disadvantaged Backgrounds (TRIO) specifically authorize the Commissioner to permit students from "other than low-income families, not to exceed one-third of the total served," to participate. The Administration opposed all of these changes.

Other Higher Education Programs. S. 2657 extends a number of categorical institutional assistance and campus-based student assistance programs that the Administration had sought to eliminate. For example, the Administration requested repeal of authorities for the Veterans' Cost-of-Instruction program, the National Direct Student Loan program and the Supplemental Educational Opportunity Grant program. This bill extends those programs at annual authorization levels approaching \$900 million. The Administration requested the extension of the College Work-Study program at an annual level of \$250 million. Instead, S. 2657 authorizes funding levels starting at \$450 million in 1977 and rising to \$720 million in 1982.

S. 2657 also establishes several new categorical programs. These include, among others, a new "lifelong learning" program which has been added to the community services and continuing education grant programs administered by the Office of Education (OE), and new special categorical

authorities in the existing Special Programs for Students from Disadvantaged Backgrounds (TRIO) in order to provide Federal funds for service learning centers at post-secondary institutions and educational information centers.

The Administration opposed these new categorical programs.

#### Vocational Education

Under current law, vocational education programs include formula grants to States and several categorical programs. The Administration, in its fiscal year 1977 budget, proposed to consolidate all vocational education programs into one block grant and to include them as a title in the Financial Assistance for Elementary and Secondary Education Act. S. 2657 provides for two consolidations--one for all funds which go to the States and another for the categorical programs. However, State matching requirements are still included, set-asides are maintained, and several new categorical programs are added.

#### Other Program and Administrative Provisions

The bill extends several other elementary and secondary education programs and contains several relatively minor provisions that either extend or create new activities. Among the extended programs are the National Institute of Education, the Fund for Improvement of Postsecondary Education, and the Emergency School Aid Act.

The bill also provides for the amendment of Title IX (Prohibition of Sex Discrimination) to insure that Father-Son/Mother-Daughter activities are not precluded, provided there are opportunities for reasonably comparable activities for students of the other sex. This follows the Administration's initiative in this regard. In addition, the bill eliminates from Title IX applicability beauty pageant scholarship winners and Girls State/Boys State activities.

The enrolled bill contains numerous new restrictions on the Executive Branch in the administration of education programs. They include the following:

- mandated collection of data,
- mandated surveys regarding teacher availability and sex discrimination,

-- mandated evaluations of certain programs, and

-- maintenance of effort for most nonpostsecondary education formula grant programs on either a per pupil or aggregate basis.

S. 2657 also imposes new requirements on institutions of higher education to carry out information dissemination activities concerning financial assistance to prospective or enrolled students, and requires institutions that undertake these activities to designate an employee or group of employees to be available on a full-time basis to assist students to obtain such information.

### Budget Impact

Authorization levels. Authorization levels in the bill total \$6.6 billion in 1977, \$8.2 billion in 1978 and \$8.4 billion in 1979. Authorizations under current law for 1976 are \$7.2 billion.

Possible effect upon the budget. The attached tables illustrate the authorization levels in current law and S. 2657, and OMB estimates of outlay increases over the Administration's program for fiscal years 1977 through 1979. OMB believes that outlays from congressional appropriations will be about \$188 million more than your budget in fiscal year 1977, about \$1.1 billion more in 1978 and \$1.6 billion more in 1979.

HEW points out that, of the increase of \$1.6 billion in 1979 outlays, over \$600 million would be incurred under the Continuing Resolution, regardless of action on this bill. This amount reflects current programs which the Administration proposed to terminate, but which are, nevertheless, covered by the Continuing Resolution. HEW further believes that the incremental outlay effect of S. 2657 in 1979 is lower in terms of probable Congressional action. OMB, however, believes that these estimates reflect a realistic assessment of future Congressional action based upon previous Congressional appropriations in this area.

### Arguments in Favor of Approval

1. The guaranteed student loan provisions. The Congress has accepted Administration recommendations that should help curb fraud and abuse in this program. Also, partial acceptance of the Administration's request to

raise the amount graduate students may borrow should assist students in high cost graduate programs.

2. The vocational education provisions have moved substantially in the direction of consolidation of programs recommended by the Administration. While not all the Administration sought, this bill contains important first steps in consolidation and simplification of vocational education programs and represents a good base for further consolidation.

3. The degree of congressional support for this bill is evidenced by the votes of both the Senate and the House.

4. The bulk of the technical amendments to the Education Amendments of 1974 which the Administration recommended are incorporated in this bill.

5. Notwithstanding the significant authorization levels in this bill, there traditionally has been a gap between actual appropriations and authorization levels.

#### Arguments in Favor of Disapproval

1. The basic opportunity grants provisions could increase the cost of the fully funded program in fiscal year 1978 from the currently estimated \$1.8 billion to \$2.5 billion. In addition, if the Administration proposed a 1978 basic grant level of \$1.8 billion--consistent with full funding under current law, but not under the \$1,800 maximum award level--the lowest-income students would have their awards reduced by an average of over \$100. This would occur because more funding would have to be diverted to a larger number of middle-income and upper middle-income students. The Administration has always supported a fully-funded basic grants program. However, this provision will require appropriations far in excess of those currently available or projected for higher education student assistance programs. This may require a reassessment of the full funding policy.

2. The funding trigger for higher education is expected to force appropriations for programs that the Congress has not funded for several years, of \$150 million in 1978 and \$215 million in 1979. Furthermore, if the assumption is made that a policy of full funding of basic grants is adopted, and that funding levels for other programs follow recent trends, then in combination with the trigger,



the higher education budget (excluding the guaranteed loan program) would exceed \$4.0 billion in 1978. This compares to an Administration request for higher education of \$1.9 billion for 1977.

3. Several of the changes made in the guaranteed student loan program can be implemented administratively, without changes in current law. Furthermore, there are provisions that will make the program significantly more complex and difficult to administer. In addition, there is little evidence that proposals designed to create incentives for lenders and guarantee agencies will necessarily result in greater lender and guarantee agency participation and effectiveness.

4. Notwithstanding the consolidations contained in the vocational education programs, this bill establishes new categorical programs and imposes planning and other burdensome administrative requirements that negate the positive effects of the consolidations.

5. The budgetary impact of S. 2657 is significant. Expected outlays will be increased by about \$188 million in 1977, approximately \$1.1 billion in 1978, and about \$1.6 billion in 1979. You have indicated your desire to balance the Federal budget by 1979. Appropriations which would result from enactment of S. 2657 could seriously jeopardize that objective. If all authorizations carried full appropriations, outlays would exceed your budget by \$522 million in 1977, \$3,106 million in 1978, and \$4,627 million in 1979.

6. The bill mandates restrictive administrative structures and procedures, including the creation of new programs and bureaucracies; hold-harmless provisions which delay reform under programs consolidated under the Education Amendments of 1974; maintenance of effort provisions; new advisory bodies which duplicate the responsibilities of the National Council for Educational Research in the National Institute of Education; and 16 new narrow categorical programs which seriously detract from your efforts to move program decisions toward State and local education agencies and away from Washington bureaucracies. In addition, the bill adds more complex provisions that will impose administrative burdens on both the administering agencies and grant recipients.

Conclusion. Notwithstanding the positive changes incorporated in S. 2657, the decision which must be made is whether the two most objectionable features of the bill, i.e., the change in the basic educational opportunity grant program and the imposition of the funding trigger, are sufficiently objectionable to warrant your withholding your approval from the bill.

#### Recommendations

HEW recommends approval. The Department believes that the positive aspects of the bill, such as the consolidation of the vocational education program and the provisions designed to reduce fraud and abuse in student assistance programs outweigh its disadvantages. The disadvantages include authorizations for some programs in excess of the appropriate or necessary level and establishment of arbitrary fund level requirements.

Concerning the budget impact of S. 2657, the Department states:

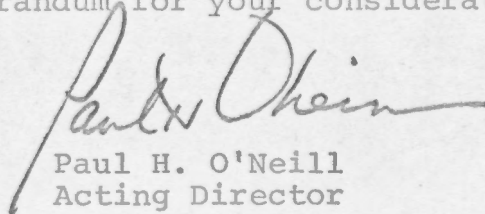
"The increase in the maximum basic grant award to \$1800 and the increase in the family income limitation for interest subsidies under the Guaranteed Student Loan Program will make it much more difficult to arrive at a budget for the Education Division within currently expected levels. While we are still in the process of reevaluating our budget request for FY 1978, it seems likely that to fund basic grants even at the \$1400 level in that year and to meet other required increases, an adjustment of approximately \$500-\$600 million would be required in the Department's request for the Education Division, to be made up of reductions in other education programs and/or an overall increase in the Department's request for education."

The Department notes that it is unlikely that a greater degree of vocational education consolidation will be achieved in the near future and that many of the Administration's proposals in S. 2657 "may fall by the wayside" if the next Congress must again take up the extension of these programs.

\* \* \* \* \*

We disagree with HEW's assessment of the potential impact of S. 2657. In our judgment, the enrolled bill would adversely affect the Administration's higher education strategy, would place undue pressures on the budget and would offer very few net programmatic advantages over current law. We believe your public disapproval and the reasons therefor can influence the 95th Congress in shaping new legislation in this area. We also believe that many of the positive aspects of S. 2657 can be implemented without changes in current law.

Accordingly, we recommend disapproval of S. 2657 and have attached a draft memorandum for your consideration.



Paul H. O'Neill  
Acting Director

Enclosures

Analysis of Authorizations in Education Amendments of 1976 (S. 2657)

(Dollars in millions, fiscal years)

Program	1976	S. 2657		
		1977	1978	1979
Basic Opportunity Grants	1,526	1,712	2,553	2,683
Other Student Assistance	1,079	1,112	1,235	1,268
Other Higher Education	2,921	2,354	2,419	2,518
Vocational Education	1,011	719	1,089	1,290
Other Programs	702	753	895	642
<b>Totals</b>	<b>7,239</b>	<b>6,650</b>	<b>8,191</b>	<b>8,401</b>

Estimated Costs of S. 2657 Based on Likely Congressional Action<sup>1/</sup>

(Dollars in millions, fiscal years)

Program		1977	Incremental outlays over current policy	1978	Incremental outlays over current policy	1979	Incremental outlays over current policy
	BO	3,147	+53	3,707	+896	4,275	+1,336
Vocational Education	BA	618		695		735	
	BO	610	+50	660	+100	690	+130
Other	BA	362		398		438	
	BO	325	+85	360	+105	400	+140
<b>Totals</b>	BA	<b>4,497</b>		<b>4,851</b>		<b>5,563</b>	
	BO	<b>4,082</b>	<b>+188</b>	<b>4,727</b>	<b>+1,101</b>	<b>5,365</b>	<b>+1,606</b>

1/ BA=Budget Authority  
BO=Budget Outlays





STATEMENT BY THE PRESIDENT

I have approved S. 2657, the Education Amendments of 1976. I have done so with some reluctance because parts of the legislation are unwise and others contain authorization levels which we cannot realistically expect to meet. I have signed the legislation, however, because of the positive elements it contains and because most of its worst elements are readily susceptible to corrective legislation in the next session of Congress.

S. 2657 makes a number of positive changes to our education laws. I applaud the steps taken toward program consolidation in the Vocational Education Amendments. This is fully consistent with my broader effort to achieve consolidation of educational programs. I hope the incentives provided in this bill to increase State participation in the Guaranteed Student Loan program will fulfill their potential, and that the experimental program which consolidates at the State level, the student application process of the Federal Basic Educational Opportunity Grant program with that of similar State grant programs will demonstrate the merit of returning such responsibilities to the State and local level.

Numerous Administration initiatives designed to curb fraud and abuse in student assistance programs, particularly the Guaranteed Student Loan program, were adopted. Other needed Administration recommendations to reduce sex-stereotyping in

vocational education programs were also adopted.

However, I particularly regret the inclusion of the so-called trigger mechanism which operates to divert funds from student assistance to clearly undesirable forms of institutional assistance, which the Congress, itself has not recently funded in a substantial way.

In raising the maximum Basic Educational Opportunity Grant from \$1400 to \$1800, effective in the 1978-79 school year, the Congress may well have continued its penchant for promising more than we can responsibly provide. I am

committed to the basic grant program, but I could not *at this time* reasonably expect responsibly assess, ~~at this time~~ that in two years we could fully fund this program at the new level.

There are other features in the bill which, I believe, ~~are~~ *are* objectionable and which should be changed.

Although it is generally the practice of Congress to consider and pass major educational legislation only when the previous authorizing legislation terminates, I would ask that such not be the case with this legislation. S. 2657 has serious deficiencies. I intend to forward to the first session of the 95th Congress for their consideration and action major revisions to this bill, especially in the area of higher education, and <sup>I</sup> ask the support of those who participated in the development of S. 2657 to assist in its improvement.





I am withholding my approval of S. 2657, the Education Amendments of 1976.

In my opinion, this bill is irresponsible in three respects: First, it would authorize appropriations of over \$23 billion over the next three years. This represents an excessive burden upon the American taxpayer. Second, this bill creates 16 new categorical programs for a multiplicity of purposes. Furthermore, these new programs <sup>creates</sup> impose unreasonable complexities and administrative burdens ~~not~~ <sup>imposes unnecessary</sup> only upon the Department of Health, Education, and Welfare <sup>as well as</sup> ~~but also~~ upon the Nation's institutions of higher education and upon State and local governments. Third, and most importantly, the Congress has altered the major Federal assistance program for postsecondary students--the basic educational opportunity grant program--in a way that would reduce awards for low income, disadvantaged students. Under current and foreseeable funding levels, lower income students would receive awards which average \$100 less <sup>that</sup> ~~than~~ <sup>presently</sup> ~~allowed~~ as a direct result of the changes made by the Congress in this bill.

By not signing this bill, I am indicating that the current laws governing our higher education and vocational education programs, as imperfect, as those laws may be, are preferable to the changes incorporated in S. 2657.

~~In summary,~~ let me emphasize that I am dedicated to the appropriate Federal role in support of higher and vocational education. <sup>However,</sup> This bill, by altering the Basic Opportunity Grants program at the expense of its intended

recipients <sup>—</sup> students from poor and working poor families, by authorizing excessive appropriations, by creating new categorical programs, by imposing additional administrative burdens, does not meet the Nation's educational needs.

*Under these circumstances, I cannot approve these amendments.*

\* commas take precedence over dashes.  
Therefore: semi-colon are not necessary.

THE WHITE HOUSE  
WASHINGTON

October 19, 1976

*Moore  
Queen  
Cissy*

*f.*

MEMORANDUM FOR: JIM CANNON

FROM: JIM CONNOR *JEC*

SUBJECT: Initiatives in Education Proposed  
by Secretary Mathews

The President reviewed your memorandum of October 18 on the above subject and made the following notation:

"The speech shop is working on an Education speech.

Give copy of this to Bob Hartmann, Bob Orben and Doug Smith."

With a copy of this memorandum we are sending copies of this material to the individuals mentioned by the President.

cc: Dick Cheney  
Bob Hartmann  
Bob Orben  
Doug Smith



*101920*

DOMESTIC COUNCIL

FROM:

Sec. Mathews

-----  
SUBJECT:

Memo to the President on Education Initiatives

----- Date: 9/14/76 -----

COMMENTS:

Lissy has written a brief cover memo (requested by Connor's office) which includes reactions to the Mathews mem.

I recommend that you sign the memo.

A.M.

*A*

type "information"

ACTION:

Date:



101523

THE WHITE HOUSE  
WASHINGTON

*Edue*  
INFORMATION

October 18, 1976

MEMORANDUM FOR THE PRESIDENT

FROM: JIM CANNON *J.C.*  
SUBJECT: Initiatives in Education  
Proposed by Secretary Mathews

Following your Ann Arbor speech Secretary Mathews forwarded a memorandum suggesting four themes "you might want to consider in giving form to the initiative you have taken." A summary of the proposed four themes follows:

I. A New Emphasis on Quality, With Focus on Basic Skills

This recommendation envisions a comprehensive effort to improve basic skills like reading as opposed to targeted efforts we now pursue, and increasing the ability of teachers to teach such skills. OMB notes that this new direction might reduce present emphasis on disadvantaged and handicapped children.

II. Programs to Join Education and Work

This concept recognizes the need to develop mutually beneficial relations between the worlds of work and education, possibly through alternate periods of work and education.

III. The Re-Unification of Family-Community and School

This comment recognizes students learn better where there is parental involvement, and such involvement could be encouraged in such ways as using parents to assist with instruction.



IV. More Education, Less Bureaucracy

This initiative recognizes our educators are being turned into bureaucrats and, thus, diverted from their mission.

Secretary Mathews suggests the Federal education effort could benefit from shifting from one of coercion to one of encouragement -- with that encouragement focused on local initiatives which give attention to general or basic purposes, such as reading.



THE SECRETARY OF HEALTH, EDUCATION, AND WELFARE  
WASHINGTON, D. C. 20201

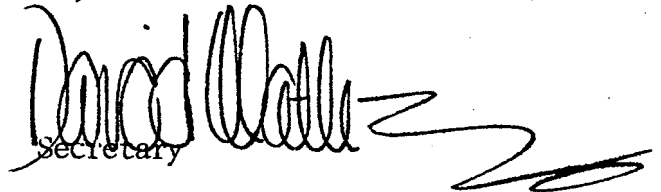
SEP 14 1976

MEMORANDUM FOR THE PRESIDENT

RH  
encl  
I am pleased by your announced intention to emphasize education as you plan for 1977 and beyond. It will be a pleasure to work with you in that effort.

Attached are some themes you might want to consider in giving form to the initiative you have taken. With each one I have included illustrations of specific programs that might be developed to make the principles practical, but as illustrations they are by no means inclusive of all possibilities. (Not so incidentally, none are programs which assume that all educational programs can be solved with massive federal spending.)

All four themes strike a new cord, but they rest on fundamentals as solid as the old Blue-Backed Speller. They add to what this Nation has accomplished in expanding educational opportunity, but they go forward to address the next questions, not to turn the clock back.

  
Secretary

Attachments

Get to  
B. DeFunderfer  
ASAP



## INITIATIVES IN EDUCATION

### 1. A NEW EMPHASIS ON QUALITY, WITH A FOCUS ON BASIC SKILLS

Without engaging in a blanket criticism of the failures of the educational system and without abandoning the commitment to increasing access, particularly for the disadvantaged,

there are good reasons to give new emphasis to improving the quality of instruction for all and to providing challenges to the best of the students;

if public education comes to mean mediocre education, it will lose its claim to public support . . . people, all people, want the best for their children.

Program emphases to carry out this initiative would include a comprehensive effort to improve reading skills (as contrasted to the good but categorical efforts we now have), support of projects to train and retrain teachers to teach the basic skills, an attack on the problem of functional illiteracy (not being able to use skills to understand issues or solve problems), and, supporting all of these projects, an effort to improve our national capacity to diagnose, earlier and more accurately, reading and other learning difficulties.

There is also a sense in which teaching social responsibility qualifies as a "basic skill," or a fourth R, which properly deserves emphasis in this initiative.

### 2. PROGRAMS TO JOIN EDUCATION AND WORK

Without assuming that all education is directly related to work or results only in job skills,

there is an obvious need to develop mutually beneficial relations between the worlds of work and education;

we would do well to make modern use of our colonial heritage of so joining the learning of basic skills and the learning of a craft that the need to know a technique was motivation for learning the three Rs.

We should remember, however, in this initiative that employable skills in our half of the 20th century are increasingly the skills of producing or transmitting knowledge; that is, work skills are often intellectual skills.

But for whatever kind of work, we could do more to bring education into a closer orbit by emphasizing alternate work-education projects and programs to use skill requirements of industry in designing educational programs.

This initiative has particular significance for handicapped Americans who not only need the opportunities for education but who must translate educational training into a job to be self-reliant.

### 3. THE REUNIFICATION OF FAMILY-COMMUNITY AND SCHOOL

These historical allies have become modern strangers, to the detriment of everyone.

Students learn better where there is parental involvement.

It is not the use of more police but the involvement of the family and the community that offers our best hope of meeting the growing problem of disorder in the schools.

The community itself is a potentially great educational agent (in its recreation programs, in its museums, etc.) that can be put to better use in league with the schools.

A sound and imaginative educational strategy would be one that looked at all the agencies that educate, whether they are schools or not, and tried to make use of their combined efforts.

Certainly we have found in the difficult experiences with desegregation that the schools can profit from broader citizen support. We ought to make greater and better use of those coalitions.

This initiative would convert into specific projects, such as a Parents Involvement Program (using parents to assist with instruction) or a program to involve everyone from law enforcement agencies to city museums in cooperative ventures with the schools.

### 4. MORE EDUCATION, LESS BUREAUCRACY

We are turning our educators into bureaucrats and diverting valuable resources that should go into instruction into clerical exercises. We need to reverse that trend.

Colleges and universities testify across the country that they are muscle-bound in a Lilliputian nightmare of forms and formulas. Secondary and elementary schools are no better off.



Of course, there are legitimate uses of regulations to prevent fraud and abuse in student loan programs and to protect the rights of minorities. But what is sound in a particular case is not necessarily sound as a general prescription.

Specific steps we are taking or could take to address this problem range from the block grant program to the regulatory reform efforts.

THE ROLE OF THE FEDERAL GOVERNMENT IN EDUCATION INITIATIVES: A STRATEGY OF ENCOURAGEMENT NOT COERCION

The federal role in education has been one of limited or special objective but with massive intrusion. Perhaps that should be reversed, at least in this case, with attention to general or basic purposes (such as basic skills) but with limited intrusion.

Leaving to state and local governments their historic responsibility, the Federal Government would act to accelerate sound local initiatives, to encourage "bottoms up" progress, and to bring into more productive relationship efforts that are now categorically separated.

Variations from our experiences with the Fund for the Improvement of Postsecondary Education and the National Institute of Education can give us good models for all four initiatives using this definition of the federal role.

We could also strike a new note by making grants directly, or through schools, to agencies outside the traditional educational system that would bring their interest to bear on the problems of the schools; those could range from industries (for teaching basic skills in connection with job training) to parents groups (to assist in instruction).



*file*

cc: Lissy  
Quern  
Moore

THE WHITE HOUSE  
WASHINGTON

October 19, 1976  
1976 OCT 19 PM 7 43

MEMORANDUM FOR: JIM CANNON  
FROM: JIM CONNOR *JET*  
SUBJECT: Initiatives in Education Proposed  
by Secretary Mathews

The President reviewed your memorandum of October 18 on the above subject and made the following notation:

"The speech shop is working on an Education speech.

Give copy of this to Bob Hartmann, Bob Orben and Doug Smith."

With a copy of this memorandum we are sending copies of this material to the individuals mentioned by the President.

cc: Dick Cheney  
Bob Hartmann  
Bob Orben  
Doug Smith



*Edwin*

THE WHITE HOUSE  
WASHINGTON



*Jim Cannon*

*This is a potential  
area for action.  
Colleges costs continue  
to skyrocket*

1976 OCT 26 PM 4 45

*[Signature]*

*[Signature]*

he or she lives on campus (resident student) or at home (commuter student). "Total cost" includes the five basic components of a student budget: tuition and fees, books and supplies, room and board, transportation, and personal expenses. The

\$5,000 at private colleges. Of course, these figures should be viewed in context with cost of living indices for each region; on a regional basis, college costs generally parallel such index comparisons.

and two-year colleges, for both tuition and fees and other costs, and for both resident and commuter students. (Compare tables 1 and 3.)

It should also be pointed out that New York State provides more student financial assistance in dollars

and two-year colleges, for both tuition and fees and other costs, and for both resident and commuter students. Such information is particularly helpful to students and parents as they plan to meet the costs of education after high school and estimate their need for financial aid. The publication for 1976-77 college costs can be obtained for \$2.50 (pre-paid) from College Board Publication Orders/Box 2815/Princeton, New Jersey 08540 (ask for item #3179427.)

**Table 1**  
**COLLEGE COSTS NATIONALLY, 1976-77**  
Average Costs of Attending College and  
Cost Increases Since 1970-71

Type of Institution	Resident Students		Commuter Students	
	Average Cost 1976-77	% Increase Since 1970-71	Average Cost 1976-77	% Increase Since 1970-71
<b>Private Institutions</b>				
Four-Year—Total	<u>\$4,568</u>	<u>54%</u>	\$4,141	74%
Tuition & Fees	2,329	54	2,329	54
Other Costs*	2,239	54	1,812	109
Two-Year—Total	\$3,907	64%	\$3,595	96%
Tuition & Fees	1,740	52	1,740	52
Other Costs*	2,167	75	1,855	169
<b>Public Institutions</b>				
Four-Year—Total	<u>\$2,790</u>	<u>56%</u>	\$2,448	60%
Tuition & Fees	621	57	621	57
Other Costs*	2,169	56	1,827	61
Two-Year—Total	\$2,454	**	\$2,223	**
Tuition & Fees	387	**	387	**
Other Costs*	2,067	**	1,836	**

\* Includes books and supplies, room and board, transportation, and personal expenses.

\*\* Data for two-year public colleges are insufficient to provide comparative information on cost increases since 1970-71.

SOURCE: College Entrance Examination Board (CEEB), New York City, April 1976.

**Table 3**  
**COLLEGE COSTS IN NEW YORK STATE, 1976-77**  
Average Costs of Attending College and  
Cost Increases Since 1970-71

Type of Institution	Resident Students		Commuter Students	
	Average Cost 1976-77	% Increase Since 1970-71	Average Cost 1976-77	% Increase Since 1970-71
<b>Private Institutions</b>				
Four-Year—Total	<u>\$5,297</u>	<u>48%</u>	\$4,390	44%
Tuition & Fees	2,807	51	2,807	51
Other Costs*	2,490	46	1,583	33
Two-Year—Total	\$4,248	41%	\$3,720	45%
Tuition & Fees	1,909	32	1,909	32
Other Costs*	2,339	49	1,811	63
<b>Public Institutions</b>				
Four-Year—Total	<u>\$3,125</u>	<u>34%</u>	\$2,308	16%
Tuition & Fees	695	42	695	42
Other Costs*	2,430	32	1,613	8
Two-Year—Total	\$2,825	30%	\$2,159	39%
Tuition & Fees	591	33	591	33
Other Costs*	2,234	29	1,568	41

\* Includes books and supplies, room and board, transportation, and personal expenses.

SOURCE: Figures are derived from data collected by the College Scholarship Service of the College Entrance Examination Board (CEEB).

