Assistant Secretary Stroup and Deputy Assistant Secretaries Andrade and Bryant:

Thank you for the opportunity to testify today. My name is Robert Hemenway, and I am the Chancellor of the University of Kansas. My remarks today are submitted on behalf of the Association of American Universities (AAU), an organization of 62 leading public and private research universities, including the University of Kansas. AAU member universities recognize and value the importance of the Higher Education Act (HEA) to our nation's higher education system, and AAU is pleased to respond to the Department of Education's request for proposals for amending and extending the Act.

In general, we believe that the HEA serves students, universities, and our nation well and that it does not need significant modifications. However, there are several areas that we believe merit the Department's attention and action to make improvements. To this end, AAU has actively worked with the higher education community to prepare a set of recommendations for reauthorization of the HEA that reflect the priorities of the community as well as those of AAU. AAU endorses the higher education community's reauthorization recommendations, which were submitted by the American Council on Education on behalf of 50 higher education associations and organizations to the Department of Education last week.

Within the higher education community set of recommendations, there are several recommendations that especially reflect the interests and priorities of the research universities that comprise AAU's membership. These include:
I. increasing access to higher education for low-income students increasing funding for grants;

II. increasing financial support for graduate education;

III. improving student loan terms and conditions and increasing student loan borrowing limits; and

IV. ensuring accountability of higher education institutions through the accreditation system and by providing high-quality information for students.

I will offer comments on each of these recommendations.

I. Increasing access to higher education for low-income students by increasing funding for grants.

Federal grant assistance is especially important to increasing access to higher education for low-income students. The Pell Grant and Supplemental Educational Opportunity Grant (SEOG) programs are key to accomplishing this goal. Low-income students remain underrepresented in higher education in comparison to their more affluent peers, and we believe that significant new investments in the Pell and SEOG would provide for greater opportunities for low-income students. Moreover, additional funding for the Pell and SEOG programs could help low-income students pay for more of their education with grants instead of loans.

AAU applauds the significant increases to the appropriated maximum Pell Grant in the past six years. The real value of the maximum Pell Grant increased nine percent between 1990-1991 and 2000-2001. Despite these increases, the purchasing power of the maximum Pell Grant was greater in 1975 than it is today when inflation is considered. The Pell Grant is the fundamental federal student aid program and given its importance to providing educational opportunities for low-income students, we ask the Department of Education and the Congress to make a commitment to double the appropriated maximum Pell Grant over six years.

SEOG is an important source of grant aid that is available to students with the fewest resources to pay for their education. SEOG was designed originally as the partner program to the Pell Grant and to this day it continues to provide financial assistance to Pell Grant recipients with the greatest amounts of need. SEOG works well and it provides great bang for the buck universities must provide at least 25 percent of all SEOG funds awarded. We recommend that the authorized funding level for SEOG be increased to $1 billion and such sums as may be necessary for the succeeding fiscal years, an increase of $325 million over the amount authorized for 1999.

II. Increasing financial support for graduate education.

The Department's graduate education programs play a unique and integral role in supporting domestic graduate students. Unlike graduate education fellowship and traineeship programs in other federal agencies, the Department's programs provide support for the entire range of academic disciplines, including the life and physical sciences, the arts, the social sciences, and the humanities.

The Department administers two graduate programs: Graduate Assistance in Areas of National Need (GAANN) and the Jacob K. Javits Fellowships. GAANN awards grants to academic departments at universities to provide fellowships to students of superior
academic ability pursuing a doctoral degree in one of the areas of national need designated by the Secretary of Education. Javits competitively awards portable fellowships to top graduate students pursuing a doctorate or a Master of Fine Arts degree in the arts, humanities and social sciences. Unfortunately, funding for these programs has not kept pace with inflation or their authorized funding levels for more than a decade. Adequate numbers of traineeships, fellowships, stipend levels, and funding are necessary to sustain the vitality and effectiveness of GAANN and Javits.

AAU recommends that the Department use this reauthorization opportunity to ask the Congress to strengthen the nation's commitment to graduate education by authorizing increased funding for GAANN and Javits. Specifically, we recommend that sufficient funding be authorized to support at least an annual total of 1,200 GAANN fellowships, including 400 new awards and an annual total of 400 Javits fellowships, including 100 new awards. We believe this level of investment would reinvigorate GAANN and Javits at a time when our nation must have the domestic intellectual capability to respond to increased national security threats and to maintain our leadership position in the world economy.

III. Improving student loan terms and conditions and increasing student loan borrowing limits.

Federal student loans are a vital element of federal financial aid. According to the National Center for Education Statistics, nearly 30 percent of college students in 1999-2000 received a student loan and three-fifths of all graduating seniors at four-year institutions borrowed through the federal student loan programs at some time in their undergraduate studies. The Department of Education's FY2004 budget proposal estimates that federal student loans will help over 12 million undergraduate and graduate students finance their education this year.

AAU seeks better borrowing terms and conditions for students to make student loans more affordable and effective in helping low and middle-income students finance their educations. One of the improvements we seek is to eliminate all up-front fees on federal student loans. The up-front fees were approved in 1981 as a "temporary" measure and they have since become an unfortunate and seemingly permanent feature of federal student loans. These fees amount to a tax on students that only adds to the costs of their education. Up-front fees on federal student loans have outlived their original justification and it is time to eliminate them. Another improvement we seek is for all borrowers to have access to income-contingent loan repayment regardless of whether or not they are in the Direct Lending program.

Federal student loan limits have not been adjusted for ten years and evidence suggests that students are borrowing increasing amounts of money from the private sector. The College Board's *Trends in Student Aid 2002* report noted that non-federal borrowing totaled $5.6 billion in 2001-2002, an increase of 34% over 2000-2001. Federal student loans offer the best lending terms and conditions of any source of loans, including low interest rates, the in-school interest exemption, repayment options, and payment deferments.

We recommend an increase in student loan limits to give borrowers more access to federal loans and their favorable terms and conditions. Specifically, we believe that increasing loan limits to reflect inflationary changes since loan limits were last increased is necessary and appropriate. Loan limits were last increased in 1992, except for the loan limit for first year students which was last increased in 1986. The Consumer Price Index (CPI) is the standard used to account for inflation and it is expected to increase 35 percent between July 1, 1993 and July 1, 2005. Consequently, we
recommend increasing the subsidized cumulative loan limit for dependent undergraduates in four-year programs to $30,000 (30 percent increase). We also recommend that the first year student borrowing limit be increased to $4,000, an increase of $1,375. We recommend that the remainder of the funds, $26,000, be available to students in the form of a line of credit with appropriate safeguards to ensure that students who take five years to complete their course of study do not use their full loan eligibility before their final year of study. Also, we recommend increasing unsubsidized loans limits for eligible borrowers in the first and second year to $5,500 and to $7,000 for students in subsequent undergraduate years.

AAU especially supports raising loan limits for students pursuing graduate degrees. Graduate and professional students are independent students, who often have spouses and children. These students desire and require greater lending flexibility to finance their education and to complete their degrees on time. We strongly urge that cumulative loan limits for graduate and professional students be increased to reflect inflationary increases since loan limits were last increased. Specifically, we recommend that the annual loan limit for graduate and professional students be eliminated and that a line of credit feature similar to that proposed for undergraduate student borrowers be created. Additionally, to provide greater flexibility in and access to federal loan terms, we ask for clarification that graduate and professional student borrowers who did not reach the cumulative loan limit as undergraduates are allowed to carry forward and apply any unused amount to post-baccalaureate expenses.

IV. Ensuring accountability of higher education institutions through the accreditation system and by providing high-quality information for students.

This is a subject with which I am very familiar. For several years, I was chairman of AAU’s Accreditation and Rankings Committee. AAU created this committee to examine ways to strengthen the higher education accreditation system and to explore ways to improve the information AAU universities provide to students and families.

The American system of higher education is the strongest in the world and our nation’s universities and colleges attract students from all over the globe. One of the factors that contributes to the preeminence of our system of higher education is its reliance on mission-driven institutions that evaluate themselves and compete with each other. In most countries, governments control and manage higher education, including the mechanisms that provide accountability for institutional and program performance. However, in the U.S., higher education is controlled mostly at the institutional level through internal efforts to monitor and ensure quality. The primary external accountability mechanism - accreditation - is largely a non-governmental process that is controlled and managed by institutions of higher education.

Accreditation is a self-regulation process by which universities and colleges, through a process of self-study and peer review, demonstrate that they meet certain minimum standards. The process also allows institutions to receive feedback and guidance on what they need to improve and how to make suggested improvements.

The fact is that U.S. universities and colleges are highly accountable and heavily regulated institutions. Universities and colleges are subject to numerous evaluation mechanisms to ensure institutional quality appropriate to their missions. In addition to accreditation, accountability is provided by a number of other mechanisms, including oversight by governing boards and by institutionally initiated external and internal program reviews. Universities and colleges are subject to oversight by government agencies concerning issues of land use, environmental protections, public safety, and employment practices. Also, public universities such as mine are accountable to the
state in which they are located. Usually forgotten is that accountability is also promoted by the competition among universities and colleges to attract students in a open and diverse market. This is probably the primary impetus for institutions to improve and demonstrate their quality. Lastly, as you well know, all universities and colleges in the federal student aid programs are held accountable by the Department of Education to demonstrate fiscal stability and proper expenditure of federal funds.

AAU strongly endorses the statement included in the higher education community recommendations on ensuring accountability of institutions through the accreditation system and by providing high-quality information for students. Moreover, AAU urges that the current non-governmental system of higher education accreditation be preserved. The accreditation system has successfully facilitated self-review and peer-review to ensure and improve academic quality and public accountability of universities for over a half century, and we believe it can continue to serve well institutions, the federal government, and students and families into the future.

AAU and I appreciate the opportunity to provide testimony to the Department of Education. We are grateful for the Department's efforts to solicit ideas, views, and recommendations pertaining to the reauthorization of the HEA. The Department's December 2002 request for public comments and this hearing today are much appreciated. As the reauthorization process continues, I encourage you to work with AAU, the American Council on Education, and other higher education associations that speak for the presidents and chancellors of nation's universities and colleges. These are the organizations that my colleagues and I work with to shape and represent the interests and priorities of our collective institutions.

Thank you once again, and we look forward to working with Department of Education during the reauthorization process to effectuate enhancements to further strengthen our nation's already robust and diverse system of higher education.