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IJS-10 A NATIONAL UNIVERSITY GRANTS
FOUNDATION: THE FEDERAL ROLE
IN AMERICAN HIGHER EDUCATION

44 Canfield Gardens
London, N.W.6.
England

29th December, 1971

Mr. Richard Nolte
Executive Director
Institute of Current World Affairs
535 Fifth Avenue
New York, N.Y. 10017
U S A

Dear Mr. Nolte:

Attached you will find the copy of an article of mine, which has just been published: "Current Federal Financing of Higher Education and a Proposal."* The ideas presented in this article have been developed during the past four years. But, because of delay built into the publication process, events have overtaken some of the suggestions. Also research undertaken during the past six months as an Institute Fellow has given me a somewhat different perspective on the problems. Therefore, I write this cover letter as a brief commentary on the article, with special reference to its relationship to recent Congressional action.

Ideally the suggestions in the article should follow a number of additional newsletters about the British University Grants Committee, which are yet to be written. (See IJS-7 for the first of the series.) However, since a higher education bill will probably emerge from a House-Senate Conference Committee during the next three or four months, I offer the ideas in the article now with additional comments.

In order to appreciate this cover letter, it would be helpful for you to read the article and then return to the comments which follow.

The current debate over the provision of federal financial aid to higher education can be relatively simply stated. On one side are those who believe that federal aid should be limited and selective in terms of programs and groups receiving support: for example, aid should go to innovative programs and needy students. The proponents of this view are generally dissatisfied with the substance of postsecondary education in the United States. On the other side are those who believe that all federal aid should go directly to institutions of higher education themselves without any strings whatsoever. Those who support the latter view are most concerned with the severe financial strictures which impinge on almost all

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institutions of higher education in the United States and who are especially sensitive to the threat to institutional autonomy from federal interference.

At the risk of oversimplifying actual positions, it can be said that the first position is advocated by the Nixon Administration and is the general principle of the Senate bill dealing with higher education, S659. And the second position is that of the higher education establishment (the American Council on Education and friends) and is encapsulated in the House Bill, HR 7248. However, it is important to note that differences on the issues do not follow simple party divisions. And both bills contain a number of complex provisions which would belie my simple dichotomy; yet the argument in the Conference Committee will probably be between the two general positions articulated here.

I would argue that the second best possibility for the solvency, integrity, and reform of higher education in the United States during the next decade would be a compromise between the two positions. The best possibility would, of course, be to adopt the policy suggestions suggested in the attached article. Yet, if one cannot have the ideal, then a compromise between the two positions would be best. A bill which included elements of selective financial support and also general institutional funding would be far stronger than a bill which gave either side of the controversy everything it wanted.

A compromise position would be quite consistent with the overall approach recommended in the article: a combination of formulas for federal support is necessary in order to protect and enhance the various interests -- public and institutional -- at stake in federal relations with institutions of higher education. The federal government must encourage innovation and promote equal educational opportunity; however, it must also provide funds to deal with the broad range of problems which each and every institution of higher education in the United States must face and do so in a manner which protects institutional independence.

One element in the Nixon Administration approach and especially emphasized in the Senate bill, which I did not adequately stress in the attached article, is the placing of highest priority on aiding low income students. Any federal role in higher education must concentrate on aiding the neediest students. However, having said this, it is not helpful to use this argument as a justification for not providing general institutional aid, for one cannot assume that the student market's information system will allow it to make decisions which enhance the various interests which we look to institutions of higher education to promote; for example, there is no reason to expect the student market to respond either to the educational or research needs at the frontiers of knowledge or the need for maintaining continuity of less popular programs (e.g. classical languages and medieval history). Discretionary funds in the hands of institutions ought to allow the colleges, universities, and technical schools best to respond to both local and national needs.

Neither the House nor the Senate bill adequately deals with the problem of institutionalizing federal aid to higher education. Within the bills a number of different commissions, new units within the Office of Education, and long term studies are recommended. The Senate Bill suggests: an Advisory Council on Developing Institutions, a National Foundation for Postsecondary Education, a community colleges unit within the Office of Education, a study of higher education finance for institutions in distress, and a study of governmental support for post secondary education. The House Bill recommends: a National Commission on the Financing of Post-secondary Education; a National Advisory Council on Educational Research and Development, a National Advisory Council on Ethnic Studies, and a Council on Higher Education Relief Assistance. Both bills also suggest a National Institute of Education for educational research and a National Student Loan Marketing Board. Something for everyone, but each activity separate and apart.

Interestingly both House and Senate Bills recommend the development of state higher education planning agencies, although there is little prescriptive detail provided.

Yet there is no attempt to organize a federal planning agency which combines the planning function with actual authority over money and programs, which is the major recommendation of the attached article. Instead, both bills recommend a proliferation of advisory agencies with no real power and no real thought to guaranteeing their representative character. So the institutional framework for the planning and delivery of federal aid is the weakest aspect of both bills.

As I say in the article, the National Foundation for ^{Postsecondary} // Education, which is proposed by the Nixon Administration and the Senate Bill, is an important step along the road toward rationalizing higher education policy development in the federal government. However, this proposal has its drawbacks, on which I comment in the article. Instead of restricting this agency to acting like a philanthropic foundation, I would channel all higher education aid programs through it and would argue that its funds for innovation be enlarged and it be encouraged to support not only particular programs but also whole institutions on a continuing and long term basis. Then the National Foundation would become a much more effective institution playing an important role in American higher education.

If the National Foundation were to become more like my National University Grants Foundation, I would strongly argue that its proposed part-time board appointed by the President should be changed to guarantee representation from especially interested and public constituencies. A design not unlike that of the Wages Board of Nixon's New Economic Policy, Phase II, related to the representation needs of higher education might be appropriate. The attached article contains detailed suggestions in this regard.

Another approach to the institutional problems analyzed here is Senator Mathias's (R.Md.) Bill S2195, which suggests a National Grants Committee for Higher Education. The details of his proposals differ from mine -- and I would still defend my specific recommendations -- but his bill also recommends state grants committees to assist the national grants agency. The Conference Committee would do well to look at Senator Mathias's Bill for a preferable way of packaging the aid formula finally selected and also for amending the House and Senate suggestions for state planning agencies.

One final institutional shortcoming deserves some comment: the Senate Bill enhances the power of the Commissioner of Education by a reform of the Office of Education, while the House Bill attempts to minimize his power. This trend is especially evident in the differing suggestions about the placement of the National Institute of Education which is to become the major educational research agency in the Federal Government; the House wants to make its director coequal with the Commissioner of Education; the Senate Bill has the director report to the Commissioner.

Should some coherent organization for federal aid to higher education emerge, the issue of placement in regard to it would be similar to that involving the National Institute of Education.

In the attached article I am ambivalent about this issue. I lean toward placing a national grant making agency for higher education in a position outside of the jurisdiction of the Commissioner and reporting directly to the Secretary and the President. The political and institutional facts of life in Washington at this point in history force me to take this position. However, I have come to believe that the long range policy implications of this position are quite unsatisfactory on two grounds: first, because one of the most important impediments standing in the way of creative solutions to educational problems in general is the insularity of various sectors and agencies of education, which any separation of a postsecondary foundation would tend to exacerbate (more on this topic in future newsletters); second, because any separation of function to enhance the pursuit of a particular policy goal, whether it be the financing of higher education or the expediting of educational research, covers up the continuing lack of educational leadership from the Office of Education.

Fundamental reform of the Office is necessary -- much more far-reaching than that in the Senate Bill -- and piece-meal hiving-off of functions does a disservice to the overall reform of the Office and of education. An analysis of the problems of the Office of Education and the Commissioner's role cannot be attempted here. However, the existence of the problems must be considered in the recommendations about placement of new educational agencies in the federal government.

My present conclusion is that temporarily a higher education agency (and also the National Institute of Education) must be given a status independent of the Office of Education, but the next immediate task is to

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reform the Office and the Commissioner's role so that one can encourage the reintegration of all educational activities into one general administrative unit, which would be organized in such a way as to decentralize authority where necessary and appropriate -- as in the case of higher education funding and educational research -- and at the same time to free the Commissioner for vigorous educational leadership. With this need for future reform in mind, it would be helpful if the Conference Committee on the higher education bills would write in the possibility for review and limit any decisions in regard to placement of new agencies to no more than two fiscal years.

The Conference Committee has a unique opportunity to affect the future of American higher education for the next decade. The implications of its decisions will be so far ranging that we must hope the short-range interests of competing groups will not blind the committee to the challenge and opportunity.

This letter is necessarily fragmented and incomplete -- both time and space conspire to restrict the scope of my analysis of the bills before the Conference Committee. But perhaps the attached article and these additional comments may add something to the considerations and to your understanding of the dimensions of the debate.

Sincerely,

A handwritten signature in black ink, appearing to be 'I. Spitzberg', with a stylized flourish at the end.

Irving J. Spitzberg, Jr.

Received in New York on January 4, 1972.

Current Federal Financing of Higher Education and a Proposal

BY IRVING J. SPITZBERG, JR.

In a period of rising prices and declining financial support, the impact of the federal government's involvement in the support of higher education in the United States becomes very clear. A number of public and private universities throughout the United States are in grave financial trouble; many of these institutions face this trouble because of their reliance on federal support for their programs. This federal support has come mainly from agencies of the federal government asking the university to perform certain contract research services. The grants-in-aid have been awarded in the past to the universities whose programs are most likely to fulfill the missions of the particular federal agency involved. The impact of this support is clearly evident in special problems facing many science and some social science departments in the university. When federal research investment was on the rise, there were cries in the wilderness about the impact of such support on the educational priorities of the university; when such funds are waning the occasional cries become a chorus questioning whether or not the institution as a whole can continue without such resources.

That American institutions of higher education need money

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is not a secret. The recent study of the Carnegie Commission on Higher Education on the financial situation of forty-one institutions, public and private, in the United States clearly shows the severe financial needs of American colleges and universities whether they be public or private.¹ However, our experiences in this depressed university economy must lead us to question once again the manner in which the federal government has involved itself in the past in the financial affairs of the universities of the United States. This examination must consider two distinct questions. What substantive criteria should guide the allocation of resources from the federal government to institutions of higher education? What institutional arrangement can best oversee the intervention of the federal government in the financing of higher education? In the course of this essay I shall consider both questions.

I shall offer an eclectic combination of substantive programs designed to reflect the complexity and diversity of higher education in the United States as well as the outlines of a new institutional arrangement to administer the programs. I call the institutional umbrella for this federal intervention the National University Grants Foundation. The model for this device is the British University Grants Committee. I recognize the limitations of this model for the United States, but I believe that the exercise of adapting it to the United States illuminates many of the problems of organizing federal support for higher education and provides a device alternative or complementary to those already in existence. I, myself, have some doubts about the political and economic feasibility of my suggestions at this point in the history of higher education in the United States; however, present infeasibility does not entail future unreality. Although platonic models very seldom find a home on earth, thinking about them has a way of illuminating the landscape.

1. *Substantive programs.* In order to evaluate substantive programs for the support of higher education by the federal government, one must clarify the sort of support at issue. For

¹Earl F. Cheir, *The New Depression in Higher Education: A Study of Financial Conditions at 41 Colleges and Universities* (New York: McGraw-Hill Book Company, 1971).

the purposes of this brief survey, we shall consider only general support, defined not by explicit statement but by statement of the exceptions to it. General support shall mean all expenditures of the university, except those directly related to room and board of students. These we shall call student expenses which we shall briefly consider separately.

In this survey, we shall not specifically discuss particular legislative proposals offered in the past or now under consideration. Instead, we shall discuss various formulas for allocating resources and examine the implications of each.

Techniques for allocating funds can be divided into two distinct methods—through the students, and through direct funds to institutions of higher education.

Providing resources through grants to students offers a number of benefits. First, this method can be used to persuade institutions to open their doors to groups they have in the past neglected (especially minorities and the disadvantaged). Also, by putting the money in the students' hands, the universities, which in the past seemed to have lost sight of their responsibilities to students, would become receptive to student participation in decision making, because of the purse-string power which they (directly or indirectly) would hold. And by providing grants to students, the position of the students in different institutions would tend to be equalized—especially if the technique adopted were that of a flat grant awarded to the institution accepting the student. It should be understood that the student grants would be money which would find its way into the coffers of the institutions and that programs for financing the living expenses of students would be separate. Although these other subsistence programs would relieve the institutions of certain financial responsibilities, they would not contribute to their general support, which is what interests us here.

Another virtue of this technique is that it has been proved by experience. Many graduate fellowship programs run by the federal government have used the technique of awarding grants to students in order to support the educational activities of the university; however, in the past, these grants have been

quite limited in amount and number and have not even covered the expense to the university of any given student.

Finally, student grant programs can be partly or completely in the form of loans, which the student can repay over a long period of time, thus providing a source of long-term financial support that limits the drain on the federal treasury.

However, the drawbacks to the technique of direct student grants are formidable and impair this technique as a device for general support. Whatever contribution the technique makes to equality, it makes only a limited contribution to the improvement of quality. One could not sincerely claim that a high school graduate is in any position to evaluate the quality of a university or to promote the total map of values which one might believe appropriate for it.

Also, tying federal aid to student grants would encourage the universities to increase in size themselves, a tendency which the recent history of higher education in the United States indicates is the least desirable development to promote.

Finally, and most important, if the loan program were to be the sole device for aid to higher education, one would have to question the amount that any given student should have to repay; the public benefit of higher education should not be placed as a burden on the shoulders of the private individual. The cost and benefit should be apportioned: a difficult task.

The second general technique for supporting institutions of higher education provides direct grants. The specific issue in this method is the formula to be used to allocate the resources among them. An analysis of various formulas will illuminate their impact.

One formula is quite similar in effect to the direct student grant. That is one which bases the amount of aid to an institution on the number of students enrolled or the number of degrees granted. Various modifications of this formula have been suggested; most distinguish between graduate and undergraduate degrees and students, though few go so far as to deal with the number of distinctions which an evaluation of actual instructional cost would suggest. No formula has distinguished between first-term freshmen and second-year graduate students

in attempting to establish a grant formula based on numbers of students. The relative simplicity and the lack of interference in the independence and integrity of institutions are the positive aspects of this formula. However, this formula suffers from many of the drawbacks of direct student grants, especially the manner in which it promotes increasing the number of students in any given institution in order to increase the institutional income from federal support.

Another problem associated with a student or degree formula is the difference in costs and quality of the education offered at different institutions across the United States. The amount of money awarded per student or degree could be based on the average cost of educating a student. The question is then raised whether this data should reflect the actual costs to each institution, or the regional average cost, or the national average cost. The decision concerning the average to be used would determine the character of the aid—whether it maintains existing differences in quality and cost among institutions; whether it encourages the development of quality in institutions or just promotes inefficiency; whether it contributes to the equality of educational opportunity. Calculating the aid on the basis of the cost to a given institution would either maintain existing inequities or promote inefficiency by subsidizing skyrocketing expenditures. A regional average would maintain differences in quality among the regions. And a national average would equalize educational opportunity at the risk of lowering the overall standard of excellence.

A proposal which does not depend upon number of students or degrees as the criterion for awarding grants is one which suggests that the universities be reimbursed for the upkeep of physical plant. This proposal has two premises, one, that the universities need only marginal assistance, and, two, that the cost of physical maintenance is an objective measure which bears relationship to both their size and quality. The greatest virtue of this proposal is its relative objectivity because of the availability of data. Also the rise in cost of maintenance of physical plant tends to outrun any increases in the general cost of living. However, this measure would promote investment

in physical plant at the expense of human investments, such as faculty and student scholarships. Of course, it can be argued that the support of maintenance costs frees other university resources for human investment; but one would expect an exaggerated proportion of this money to be invested in physical plant, which would in turn attract further federal subsidy. Also, any claim that physical plant reflects quality seems quite questionable. And unless there were a national or regional average grant—both of which share the drawbacks discussed in regard to student and degree based grants—reimbursement for maintenance of physical plant could subsidize inefficiency in the one sector of university finance where traditional notions of efficiency in an enterprise are relevant.

Another proposal which has had some currency in the United States is one which attempts to include a measure of quality in the granting process. Quality is defined in terms of the number of research grants which a university has received from various federal agencies such as the National Science Foundation, the National Institutes of Health, and the Atomic Energy Commission. Although there is probably some correlation between quality and the number of research grants received by an institution, the relevance of such indices to an award for the general support of an institution of higher education must be questioned. The grants of research agencies are awarded on the basis of goals and purposes quite restricted to the interests and requirements of the agencies and not on a general consideration of the goals and quality of an educational institution. Also, these research grants have distorted the programs of existing institutions because of the narrow scope of federal interest, which has been predominantly restricted to the sciences. An award of general support money on the record of receipt of these research grants would institutionalize this distortion of university support.

Another method of calculating aid is one that identifies capability to provide resources and effort to utilize potential financial support. A formula based on these considerations—such as the one utilized in the Elementary and Secondary Education Act of 1964 as amended—may be the most effective.

But at present there does not exist adequate information about both potential public and private resources to measure the capability and effort of institutions of higher education; it would be especially difficult to devise such a formula for a private institution.

All of these proposals for the general support of institutions of higher education in the United States share five defects: none takes into account the overall educational quality of existing institutions in order to support excellence in educational programs; none satisfactorily provides programs for overcoming gross inequities in the educational programs offered to different social groups and geographical areas; none takes into account the future promise of existing institutions and the future needs of various geographical areas; none provides for the selective expansion of the number of institutions through the promotion of new ones. And none attempts to develop coherent national policies for higher education. The use of mechanical formulas necessarily leads to the neglect of those qualities and problems which require the exercise of judgment. This general defect suggests that another technique is needed.

Yet one must keep in mind the virtue of mechanical formulas: they do not impose the judgments of a civil service bureaucracy on the informed judgments of the institutions themselves and their mechanical character protects the integrity and independence of the institutions and the academic freedom of students and faculty (though mechanical rules—such as those prohibiting participation in campus disorders—may be easily attached to mechanical formulas).

However, these formulas tend to distort institutional decisions concerning the allocation of institutional resources and tend also to subvert the diversity of institutions of higher education insofar as they tend to focus on averages.

2. *Institutional designs.* The Nixon administration has responded to the problem of inadequate financing of higher education in a message first sent to Congress on March 19, 1970, and resubmitted in substantially the same form on February 23, 1971. Of special interest to us are two new institutions suggested by the Nixon administration, the National Student Loan

Association² to provide government guaranteed loans for students of institutions of higher education, and a National Foundation for Higher Education to make grants to support innovative reform in private and public institutions.

The National Student Loan Association would operate in a manner similar to that of the Federal National Mortgage Association; it would act as a warehouse for the buying and selling of student loan paper. Also through the association, interest rates on student loans would be subsidized. It was proposed to fund the National Student Loan Association at one billion dollars for the first year. This was to be the major vehicle for investment in higher education in the United States by the federal government. The design of this plan seems to be appropriate for the strategy of support for higher education selected; however, the strategy suffers from the shortcomings of loan programs outlined in the preceding section of this essay.

The recommendation of the president which is most relevant to our analysis is the suggestion that there be established a national foundation for higher education on the model of the National Science Foundation. This foundation would act as a grant-making agency, responding to requests for specific grants of money. The National Foundation for Higher Education would respond by supporting those applications most innovative and imaginative. The president proposed to fund the national foundation at the level of one hundred and fifty million dollars for the first year of operation, with the foundation co-opting fifty million dollars more in existing grant and aid programs located in the Department of Health, Education, and Welfare.

In order to distinguish this National Foundation for Higher Education from my own suggestions which follow in the next section of this essay, we must clearly understand that the National Foundation for Higher Education would operate strictly as a grant-in-aid operation responding to various special requests, and the criterion for awarding grants would be one of innovation. The national foundation would be separate from the National Student Loan Association and other agencies

²Renamed the Student Loan Marketing Association in a bill passed by the Senate during the past summer.

dealing with universities. The national foundation would not provide categorical grants to institutions of higher education. Nor would it oversee continuing federal investment in quality education and thereby monitor the quality of all institutions of higher education. It would not serve any coordinating function in regard to other programs affecting universities.

The president's National Foundation for Higher Education is a step in the right direction: it allocates resources and develops an agency which would be sensitive to the educational needs of the institutions of higher education. Also, this foundation would not be an agency with an independent mission using universities to fulfill a task quite apart from the educational purposes of those institutions. However, this agency would have a number of drawbacks. Its grant-in-aid character and limited resources compared with the total investment in higher education make its role as a vehicle for general aid questionable. Also, there is nothing in the president's proposal to lead one to believe that the design of this foundation would contain adequate safeguards for the integrity and independence of institutions of higher education in the United States. Besides, there is nothing in the president's proposal to encourage coordination among the various agencies and institutions responsible for federal aid to higher education; and there would be no continuing evaluation of a national policy for higher education. For all these reasons, I do not believe the Nixon administration's proposals would deal adequately with the problems of financing higher education in the United States. Therefore, I shall now turn to my own suggestions about an institutional design for the role of the federal government in higher education.

First of all, a National University Grants Foundation in the United States would have to incorporate many of the characteristics of the British University Grants Committee. It would have to be relatively independent from the political control of either the executive or legislative branches of government. Its membership would have to be drawn, at least in part, from the university community, so that the universities themselves would be able to participate actively in its decisions.

The quality of membership on such a committee would have to be extraordinarily high. The board of the foundation itself would have to be quite restrained in its relationships with the universities and be explicitly committed to the maintenance of their independence and diversity. The policy-making body would have to be supported by a small and manageable but high caliber civil service. Professional advice from the various academic disciplines would have to be institutionalized so that decisions of the committee would be based on the widest possible sources of information. If these characteristics were maintained in the American context, the allocation of resources by the government would be made by those who have developed an expertise in the problems of higher education unmatched by any existing governmental institutions in the United States.

But there are many difficulties in transplanting the British University Grants Committee model to America. For example, the ugc must deal with only forty-four universities, while an American agency would have to cope with over twenty-five hundred. And the institutions of higher education in England are much more homogeneous than in the United States; consequently, it is much easier to have an agreed national policy concerning higher education. Also, in the United States there does not exist a national consensus concerning either the independence of the universities or academic freedom for students and faculty. Decisions concerning the allocation of resources might become involved in the pork-barreling of national politics, which would defeat the purpose of having a discretionary agency allocate resources according to standards of institutional quality and educational needs.

During the past decade, many critics of higher education in the United States have suggested adopting the ugc model for the United States. But these critics have been satisfied with just suggesting a public foundation based on the model of the University Grants Committee without ever attempting to work out the details of such an innovation in the American context. And they have not dealt with the difficulties which the model, adopted without modification, would have in the context of

American politics. Recognizing these difficulties in transplanting the model, I therefore shall attempt to take them into account in the design I offer.

Because of the shortcomings of each individual formula or system for providing federal aid within any given context, the device which I suggest is a conglomeration of techniques which would complement each other and compensate for the shortcomings of any one approach. And by placing all of the programs under the umbrella of a single, independent authority, they would be applied in a manner commensurate with the purposes of the program as a whole: educational policy-making would illuminate grant making, and vice versa.

A National University Grants Foundation ought to be established which would have authority over a package of new programs designed to promote the improvement of higher education and to provide continuing general support for the universities. The NUGF would also assume authority over all existing federal programs directly supporting higher education, except for grants to students in the form of scholarships or loans to support students' living expenses.

The National University Grants Foundation would be an independent authority governed by a board of directors whose composition would be designed to enhance the independence of the NUGF from other federal authorities and also to guarantee the integrity of the recipients of the foundation's largesse. The board would consist of seventeen members, among whom five members should serve full time and twelve members part time.

Five full-time members of the board would be nominated by the president with the advice and consent of the Senate of the United States. Four part-time members would be nominated by the institutions of higher education: these nominations would be approved by the board of directors of the NUGF. Other part-time members would include the following: one member appointed by the speaker of the House of Representatives; one member appointed by the president pro tem of the Senate; four members nominated by the president of the United States from among outstanding residents of the country not

employed by institutions of higher education, who would be approved by the board of directors of the NUGF; and two students, one an undergraduate nominated by the National Student Association and the other a graduate student nominated by the student sections of the various professional organizations of faculty members of the United States. Both student nominees would be approved by the board of directors of the NUGF. Appointments to the board of directors would be for a term of five years, with the exception of the students appointed to the board, who would serve no longer than two years.

The composition of the board of directors of the NUGF would be large enough to draw on a wide variety of constituencies, political and educational. By having both full and part time members, strong leadership and direction would be assured, tempered by less interested criticism and objective comments. This combination is important because the success of an institution such as the NUGF would depend on the confidence of both political and educational authorities in the decisions of the board of directors.

Having representatives drawn from the institutions of higher education themselves should guarantee that the NUGF would continue to be responsive to their legitimate demands and at the same time would provide a forum for any complaints of interference by the NUGF in their independence and integrity. Another safeguard is built into the appointments of representatives from these institutions: four classes of institutions would be designated—"national institutions," a class numbering no more than 5 percent of the total number; "regional institutions," numbering no more than 20 percent; "state and local institutions," numbering no more than 25 percent; and community colleges and junior colleges. If each of these groups is represented by membership on the board of directors of the NUGF, then it is unlikely that the NUGF would make decisions without at least considering the interests of the component constituencies of the higher education community.

The political representatives, those appointed by the president and by the houses of Congress, might cause some difficulties. We have examples in the problems of boards of trustees of state

university systems, which include political representatives. The state examples—especially California—raise grave doubts about the wisdom of having political appointees, for political appointees often involve the decisions of these boards in their strategies for achieving and maintaining office. However, one could distinguish the nvgr board of directors from the usual state board of trustees; the nvgr board would be designed to guarantee representatives from a series of competing constituencies—neither the president nor the Congress would be in any position to dominate the appointments to other positions on the board and thereby have controlling power on the board. And there is a positive benefit in involving politicians in the decision-making body: political appointees would be likely, because of their own elective office, to be persuasive spokesmen in the legislative and budgetary processes with which the nvgr would have to deal.

Others who might create some problems by virtue of their membership on the nvgr board of directors would be the students. The two student representatives would bring an important perspective to discussions about the problems of higher education; however, the difficulties of selecting legitimate representatives from among students are very great. One can raise important questions about whether or not the National Student Association and the student sections of professional organizations would be the appropriate elective bodies. Perhaps not. However, student membership on the board of directors of the nvgr would be critical to its long-term effectiveness. Therefore, if the identified electorates are not satisfactory, substitutes would have to be found.

The composition of the nvgr board of directors could provoke a conflict situation. However, the only hope of providing general institutional support to higher education in the United States without threatening its independence is to provide a decision-making body which reflects all of the competing influences and interests existent in the general national process of determining priorities in higher education. There are risks involved in the conflict model—there is always the possibility that conflict would impede the decision-making procedure.

However, one would hope that out of the discussions of the nvgr board of directors there would emerge a consensus more often than a conflict, thereby providing a continuing dialogue about higher education policy which would not hinder action.

Another characteristic of the design of the nvgr board of directors is that there would be five full-time members of the board of directors, who ought to be also the administrative and executive officers of the National University Grants Foundation. The five full-time appointments should include: the chairman of the nvgr, a vice-chairman, a hearing officer, and two investigating directors. The chairman would be the chief executive officer of the foundation. The vice-chairman would assist the chairman. The hearing officer would play a crucial role in the administration of the programs administered by the nvgr. He would be especially important in dealing with the discretionary programs under the nvgr. The hearing officer would combine both administrative and judicial functions and would be available as an appeals agent to consider complaints from institutions served by the nvgr. The investigating directors would have general authority over the discretionary programs administered by the nvgr and would be the first-line officials in implementing nvgr policy decisions.

This core of full-time directors would provide the board of directors with a direct line into the operations of the agency. But with the complement of part-time directors representing affected constituencies and the public at large, it is unlikely that the full-time directors would be in a position to ignore the interests of these constituencies.

The exact location of the nvgr and its board of directors in the web of the federal government is open to debate. In order to guarantee its independence, it would be helpful if the nvgr were to report to the president and the Congress directly, but with the advice of the commissioner of education and the secretary of health, education and welfare. However, it might be better to establish the nvgr as an independent agency operating out of the office of the president in a manner similar to the original position of the Office of Economic Opportunity. The tension between coordinating the activities of the nvgr

with other educational, scientific, and welfare agencies and at the same time maintaining its independence creates a problem of organizational design which is not easily dealt with.

3. *Recommended programs.* The design of programs to underwrite part of the expenses of higher education must accept the lessons of our earlier analysis of the various alternative formulas for allocating these resources. After thinking carefully and critically about the alternative techniques, one must conclude that none of these techniques by itself could best allocate the money. Therefore, we shall briefly consider a composite package of programs which could be effectively administered by the National University Grants Foundation. There are three major components in this program: (1) a formula for allocating resources based upon student enrollments; (2) a program of general grants to various institutions based on evaluation of quality by the NVGF; and (3) a plan for grants-in-aid to support specific innovative programs and institutions. Also part of the package contained in both the second and third components would be the opportunity to allocate certain resources to endowment.

Approximately 50 percent of the money to be allocated by the NVGF should be allocated according to the following formula. First, all students should be classified into five categories: (1) first and second year undergraduates, (2) third and fourth year undergraduates, (3) first year graduates, (4) second year graduates, and (5) third and fourth year graduates. And then on the basis of information furnished by all institutions of higher education in the United States as a condition for participating in the programs administered by the NVGF, the NVGF should determine the cost of educating students in each classification. Each institution should inform NVGF about the number of full-time student equivalents in each classification. The NVGF in light of its budget allocation from Congress should then determine what percentage of the total cost of educating the students should be allocated in this manner. Thereafter, each institution should receive a percentage of the total allocation for each category equal to the percentage of students in the category attending the particular institution.

However, in order not to promote enlargement of any given university, some maximum number of students—perhaps an enrollment of a thousand in each classification—should be set as a limit and all enrollments beyond this number should be funded at a declining rate. The decline in rate not only would represent the decrease in cost of each added student, but should also be calculated in such a manner as to penalize exceedingly large institutions. This penalty would be based on a policy judgment that extremely large universities create many of the problems which contemporary students face.

That all institutions are created equal is the theory behind the preceding program; the rationale for supporting quality in higher education is that some are more equal than others. None of the mechanical formulas ask for any judgment about institutional quality in the grant-making process: to remedy this defect the NVGF would also administer a program geared to rewarding excellence.

Under a Program for Excellence in Higher Education, the NVGF would classify all institutions into four categories: (1) the top 5 percent; (2) the next 20 percent; (3) the next 25 percent; and (4) the remainder. Funds under this program should be divided in such a manner as to invest significantly more money in quality institutions, with institutions in the first category receiving one-third of the funds, those in the second category receiving another third, those in the third receiving one-sixth, and those in the fourth receiving one-sixth, all on a response-to-application basis. But how does one evaluate the quality of an institution of higher education? It is impossible to answer this question in detail in this essay. But quality decisions are made regularly in regard to project-oriented grants. Although the quality of a whole institution is a more general judgment, with careful thought standards could be articulated. And the development of such standards would be the first task of the NVGF.

The Program for Excellence would establish a regular schedule for monitoring institutional quality. The NVGF would appoint advisory panels dealing with various disciplinary specialties and particular operations of the university. Also an NVGF

team, under the supervision of one of the investigating directors, would visit each campus before classifying an institution. Because of the large number of institutions in the United States, such regular classification operations could be undertaken only once every four years. However, should an institution or the NUGF believe that any particular institution had changed in quality, the institution or the foundation could initiate a reclassification procedure. Also, should an institution believe that it had been unfairly classified, it could appeal its classification.

This procedure may sound complicated, but it is similar to the procedure followed by the British University Grants Committee, which has proved workable. Again, one could object that the UGC must deal with only forty-four institutions, whereas the NUGF would have to evaluate over twenty-five hundred. Admittedly the situation is more complex in the United States, but with a regular schedule of classification visits and the development of sophisticated information retrieval technology, it could be done. And the information about higher education, which such a procedure would generate, would be invaluable to policy decisions by the NUGF. As well, such an arrangement would set up a reward system for overall educational quality which presently does not exist in the financial arrangements for higher education in the United States.

A third program in the package of proposals for a National University Grants Foundation would allocate resources to institutions wishing to attempt new programs and also groups wishing to establish new institutions. The NUGF in administering this program would be acting in a manner similar to President Nixon's National Foundation for Higher Education. Grants under this program would be in response to specific project proposals, evaluated for their promise and contribution to national needs.

The NUGF would assume authority over all other existing programs designed to support higher education, such as those providing loans for constructing new buildings and tuition scholarship and work-study programs. The latter programs would be changed to focus on tuition-related needs of low-

income students and on areas of study where an identifiable national need exists. Funds for room and board for students and construction of residential facilities would come from the National Student Loan Association recommended by the Nixon administration.

In order to minimize the threat to the integrity of individual institutions, I would recommend that a limited percentage of the funds allocated under the three new programs be earmarked as endowment grants. If some monies are invested in endowment, then over the long run the reliance on the federal pocket-book may be limited although not reduced. Investment of federal resources in endowment may restrict the sanctions used to enforce accountability for public monies; however, the independence enhanced should be worth the cost in accountability.

If this recommendation for a National University Grants Foundation and the programs to be administered by it has merit, it is that it represents a compromise among the various values which should be considered in developing a national policy for higher education. Equality of opportunity would be promoted through the program for new and developing institutions and, to some degree, through the allocation of resources based on a national average student expenditure. Excellence would be promoted through general grants based on an evaluation of the quality of institutions. The independence of institutions would be protected by the use of an objective formula for allocating a substantial part of the federal resources and by encouraging the award of endowment grants.

This institutional design encourages the development of coherent goals for higher education based upon a national judgment of priorities. Yet this intrusion into academic planning and policy of individual institutions would be limited by the participation of these institutions themselves in selecting members of the board of directors of the NUGF. The overall scheme is designed to attract the highest quality personnel and thereby guarantee respect for academic freedom and institu-

tional integrity. Also, the expected caliber of the directors would help insulate the day-to-day operations of the nuer from interference by the Executive or Congress. And perhaps the existence of a National University Grants Foundation would contribute to a realization by the public at large that the freedom and independence of institutions of higher education is an important value for a democratic state; such an attitude on the public's part is the only real guarantee of this independence.

One further note about independence deserves consideration. The nuer and its programs are not expected to preempt the field for funding higher education. Existing federal agencies such as the National Science Foundation, the Atomic Energy Commission, the National Institute of Mental Health, and other such sources of money for research would be expected to support project-oriented programs. Also, state and private sources would continue to provide most of the resources for higher education. It is only through the existence of multiple sources of funds that institutional independence can be maintained.

The establishment of a National University Grants Foundation would not solve all of the problems of higher education in the United States. But it would be a significant step toward the solution of the precarious financial plight of higher education in a manner which would respect the diversity which is our greatest asset.