

IMPRIMIS

"Hillsdale College vs. the Federal Bureaucrats-Again"

by George Roche President,
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Preview: *What follows are excerpts from remarks President George Roche prepared for delivery to the Hillsdale College faculty and staff on August 22, 1992. We chose to share these remarks with our Imprimis readers because we believe that they reflect an attitude that stands in sharp contrast to what passes for "educational leadership" on other campuses.*

A School with a Stubborn Streak

From its humble beginnings, this small rural school had a stubborn streak that prompted it to champion principle over expediency. In *Historic Hillsdale*

College, Professor Arlan Gilbert cites a State Board Visitor's report from October 14, 1882:

"In these times when there are such inducements to surcharge the college curriculum with modern subjects, we think it very credible that this College [Hillsdale] should maintain its integrity with respect to the humanities. So far as we could observe, there prevailed in the College a sincere and well-directed effort to educate rather than instruct"

It is hardly likely that a similar government report in the 1990s would compliment us for defending the traditional liberal arts. We would be assailed because we have *not* surcharged our curriculum with "modern" subjects and academic fads ranging from deconstructionism ("there is no objective truth, only different interpretations") to gender or race-based teaching (disguised as multiculturalism).

Hillsdale has always been a conspicuous symbol of old-fashioned independence and is

an institution that has never abandoned its history. But living up to our history becomes more difficult every day, for the "powers that be" place less and less value on independence. How different things would be if the government would credit Hillsdale College with the mandate in the State Board Visitor's 1882 report! But instead it has created a centralized bureaucracy intolerant of local rights and power and hostile toward individuals and institutions that prefer to be responsible for their own destinies.

Wrongfully, America's colleges and universities encourage this bureaucracy. They eagerly compete for federal funds and seek an active partnership with government. But not at Hillsdale. We don't view government as a partner but as a threat to our very way of life. And in my 21 years as president, the threat has changed and grown yearly. I now think of it as the Greeks did Proteus: it changes shapes constantly and with each change it is uglier and more difficult to combat.

The Financial Crisis in Higher Education

At first glance, however, it looks like the threat is to *other* schools, rather than to us.

Today, many institutions of higher learning are conducting their financial affairs only a step or two ahead of insolvency. Sixty per cent of all public and private colleges were forced to cut their operating budgets in 1991-92—many in mid-year. It is not just small schools that are in serious financial trouble. Harvard had a \$42 million deficit last year. Yale has deferred \$1 billion in maintenance. The entire state university system in California ha

promised 17-33 percent cuts across the board this year and Oregon's public colleges will have to slash 20 percent over the next several years.

In the short term, this means increased student fees, postponed capital expenditures, increased class size, and hiring and salary freezes. In the long term, it means more dependence on tuition revenue, outdated facilities and equipment, smaller endowments, fewer programs and fewer courses.

Approximately 20 percent of all schools have cut full-time faculty and are relying more and more on part-time instructors. In the past year, the *Chronicle of Higher Education* and the *Wall Street Journal* have documented the uncertainty and hardships on hundreds of campuses. Overall, America is spending more than ever before on higher education, yet her colleges and universities are experiencing an unprecedented budget crisis. Clearly this is an indication of a collapsing infrastructure.

Exploding Federal Grants and Loans

If Hillsdale College had not gotten its own financial house in order in the last two decades, we would be in similar trouble. At other pre-opening conferences around the country, I can guarantee that the mood is substantially different than it is here today. We have many blessings for which to give thanks.

But before we become complacent, we must realize that we currently face one of the greatest problems ever to confront the school. It comes as a result of the Higher Education Amendments of 1992, passed as Public Law 102-325. For the past year, all signals seemed to indicate that President Bush would not sign the legislative package that covers all federal tuition assistance programs. He was urged by his education secretary not to sign. He publicly and repeatedly vowed that he would not, yet he did sign on July 23, 1992.

As a consequence, a federal Pell Grant

available to any student with financial need—increases from a maximum of \$2,400 to \$3,700 next year.* By 1997, Pell Grants will peak at \$4,500. Of course, Hillsdale has been replacing Pell Grants and other federal grants and loans with private funds ever since 1985 when the Supreme Court ruled that such funds made colleges "recipient institutions" subject to total federal control.

So why are we in danger?

We aren't competing against other colleges for students—we are competing against the federal government. We are simply unable to replace all the federal grants and loans our students would have received on a dollar-for-dollar basis. The hard truth is that students are eligible for thousands of dollars more if only they will choose another school. The pressure *not to attend Hillsdale* is enormous, but students continue to choose us anyway, even if it means that they or their parents are forced to assume a heavy financial burden.

In 1991, a student with what is termed a "full need factor" could have received some \$8,650 from the government in Pell Grant, Perkins Loan and Supplemental Educational Opportunity Grant (SEOG) funds. At Hillsdale, by comparison, the same student received in private funds only \$4,220. By 1997, a "full need factor" student will be eli-

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gible for \$11,500 from just three government programs. Where will Hillsdale come up with the funds to compete?

No matter how exceptional we are, we have to be concerned about being priced out of the market by skyrocketing federal assistance programs that literally force students to attend other schools. We have never been and will never become a school for a select few based on the ability to pay. But we aren't setting the rules of the game—the federal bureaucrats are.

Beating the Bureaucrats at Their Own Game

We have to beat them at their own game. We have been doing it for 148 years, after all, and we will keep on doing it, as long as we remain committed. There is a national leadership audience of thousands of heartland Americans who already support us in our efforts.

Twenty years ago, the College's endowment was slightly under \$3 million. The Freedom Fund launched in the late 1970s brought in over \$30 million. In the late 1980s, we began the FreedomQuest 150th-anniversary campaign with its goal of \$151 million. Many of you here took part in the extensive planning sessions that shaped the heart and working agenda of tin; campaign. It is *your* campaign meant to secure your future and the future of Hillsdale College.

When we celebrate our 150th anniversary in 1994-95, we will be uniquely positioned in American higher education, and there will be many more chapters to come in Hillsdale's proud story.

But I will warn once more about being too complacent. When we set the goals for the FreedomQuest campaign, we could not know that federal assistance programs were going to explode by 40-50 percent. And although the Higher Education Amendments are not due to take effect for another year, their impact is immediate since we are currently recruiting students for 1993-94.

The Department of Education already has a total aid budget of more than \$19. billion. Last year, it overspent its Pell Grant budget by \$1.5 billion and there is every expectation that it will continue to exceed its authority. In 1986-87, 75 cents out of every dollar of need-based tuition assistance came from the federal government. That figure will increase dramatically next year, and it does, our colleges and universities will become, in effect, incarcerated wards of the

* Once more promising more than it can deliver, Congress will not be able to budget more than \$2300-\$2400 per student for now. Federal assistance conforms to the laxest possible standards. Perkins Loans can be obtained without an acceptable credit rating—the same is true with the private/public Stafford Loans. If an institution knows that an individual has no intention of repaying, it is required by law to certify the loan as long as the eligibility requirements are met. And under the Higher Education Amendments, a family's home and farm equity and college savings accounts are removed from the asset column, so more and more students are eligible for more and more money that the government does not have but spends anyway.

state. If you teach or work at such a school, you might as well request that your salary be paid directly by the U.S. Treasury. You work for the government.

Hillsdale must become more competitive. We are already on the right track. Last year, 7 percent of Hillsdale's students received some sort of financial aid from private sources. Fifty-one percent of that aid was need based while the other 49 percent was merit-based. The need-based funds come from the Hillsdale College Independence Grant and Loan Program. The average grade point of the 51 percent was 3.2 on a scale of 4.0. This not only reflects the sound quality of the students, but the strength of their belief in what the College has to offer them. Their appreciation is evident in the fact that our student loan program has a zero percent default rate.

So much for the good news. The bad news is that changes affecting Guaranteed Student Loans (GSL), now known as Stafford Loans, are going to make it even harder for students to attend

Hillsdale. The government is the ultimate guarantor,

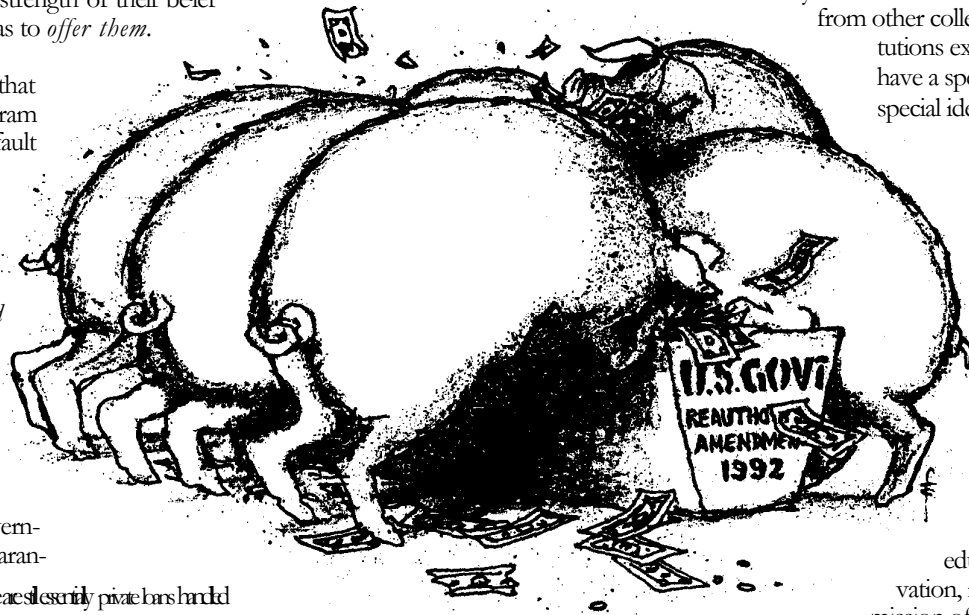
but these loans are handled by commercial

banks. In the political jockeying behind the Higher Education Amendments, a battle was mounted to remove Stafford Loans from the banks and place them under the direct control of federal government. Eventually, a compromise was reached in which students from 300-500 schools will receive direct aid.

This "pilot" program, which nobody expects to remain limited very long, was agreed upon despite the fact that under the old system, default rates were in excess of 50 percent. This year, more than \$2 billion Stafford Loans are in default. Direct aid will only make matters worse. It wipes out any remaining vestiges of institutional accountability and it will drive up tuitions and federal assistance even further.

Long ago, Hillsdale anticipated that the government would seize control of this private loan program. So we included \$10 million for the College's endowment in the

FreedomQuest campaign to replace the funds involved. However, there is a more immediate concern. It would only take an administrative ruling within the Department of Education to determine right now that all Stafford Loans are really federal loans. Without warning, we would have to raise an extra \$600,000 or more each year on top of everything we are struggling to raise already for scholarships, grants and loans—the hardest category of all for which to raise funds.



Why Hillsdale's Future Looks Bright

That is a very real threat. It will undoubtedly change and grow even more menacing. Still, we have the means to ensure a bright future.

At the FreedomQuest campaign's outset, we established benchmarks of so many million dollars to be raised each year. Every year since 1987, we have exceeded those benchmarks. (You might be interested to know that our auditors, the nationally-known firm of Arthur Andersen, has told our board of trustees that it uses Hillsdale College as the financial model for its education clients.)

The more knowledgeable you are about the financial aid crisis in American higher education, the more you can appreciate Hillsdale's independent stance and the ways we can continue to defend it. We can remain competitive, too, with your help. Encourage prospective students to visit your classroom, keep current parents involved, attend admissions-sponsored open houses, participate in campus events. Most of all, remember that your classroom teaching and hands-on academic advising are what attract students to the College and keep them here.

Students choose Hillsdale not only because of the high caliber of our faculty. They also choose us because we are different from other colleges. While other institutions exist merely to exist, we have a special mission and a special identity.

Our mission is to kindle in the next generation a love and understanding of what Edmund Burke aptly called "the permanent things" and "the moral imagination."

During its formative years, the College's founders defined education as the preservation, refinement and transmission of values. Its tools

included reason, tradition, moral concern, and introspection. It was an undertaking that sought meaning in human life, justice in human affairs, dignity in human aspiration. That definition best describes Hillsdale College's mission then and now.

As for our identity, it is rooted in our fierce and steadfast independence. It is not just a matter of our refusal to accept federal funds or federal control; we have always chosen to go our own way.

A few years ago another government official reported his observations about the College—just like the State Board Visitor in 1882. He summed up our identity this way: "Hillsdale College is a beacon to all who labor for freedom." This visitor, whose name was Ronald Reagan, had cause to appreciate our identity. I hope that you do too. 4