file - Hesburgh

tax reform legislation - HR 13270
Nixon Adm. proposal
[1969]

II. EFFECT OF THE PROPOSED LEGISLATION ON FOUNDATION BENEFICIARIES

Statement by Father Hesburgh, Mr. Erwin, and Doctors Cooper and Robb

Mr. Chairman and Members of the Committee:

I am Theodore M. Hesburgh, president, since 1952, of the University of Notre Dame. With me today I have Dr. John Cooper, who is the president of the Association of American Medical Colleges; Mr. Frank Erwin, who is Chairman of the Board of Regents of the State Universities of Texas; and Dr. Felix Robb, who is the Director of the Southern Association of Colleges and Schools.

The four of us appear before you this morning as representatives of institutions which are, in a sense, bystanders in the present controversy over legislation affecting private foundations. Although I am also a trustee of the Rockefeller Foundation, neither I nor my colleagues are appearing here to represent a "private foundation," or a group of foundations. No matter what definition you finally settle upon for that key term, all of the institutions which we represent will fall beyond it. We will, therefore, be beyond the direct effect of whatever rules you prescribe for foundations.

If we are bystanders, though, we are intensely interested ones. We are, also, a good deal more familiar with the subject of the controversy than bystanders ordinarily are. For both our interest and our knowledge, we are indebted to the very close relationship which

foundations have to the programs of the institutions which we represent. Our institutions receive vital support from foundations; they work continually with foundations; and, in doing so, they have developed a broad experience with foundations' functions and characteristics. Moreover, as individuals, we have served as members or trustees of a considerable variety of private and governmental organizations--ranging from the National Science Board and the Carnegie Commission on the Future of Higher Education to Governor Rockefeller's Select Committee studying private education in the state of New York--which are active in the fields in which foundations work.

Based upon our knowledge of private foundations--and the very considerable benefits which our institutions steadily derive from them--we are seriously concerned about certain aspects of the legislation proposed for foundations.

The four of us have observed the work of foundations from rather different points of view. In discussing the consequences of the proposed foundation legislation, I will draw upon my experience with private educational institutions. Representing the Association of American Medical Colleges, Dr. Cooper will explain the role of foundations in medical education. Mr. Erwin will speak to you of the relationship of private foundations to colleges and universities which derive their principal support from states or local governments. Finally, on behalf of the Southern Association of Colleges and Schools --an organization with 9,000 member and affiliated colleges, universities, secondary and elementary schools serving eleven Southern states

from Virginia to Texas--Dr. Robb will speak to you of the place of foundations in education in the South.

From these varied points of view outside the foundation world, we would like to tell you what we know of that world; how it affects the institutions which we represent; and why we are disturbed about certain parts of the legislation proposed for foundations. As we proceed, we will document our observations with concrete examples and with general statistical data. We will not, however, enter upon an examination of the technical details or ramifications of the House bill, or other specific legislative proposals. Other witnesses are [illegible] for those tasks than we are.

At the outset, we would like to make it clear that the four of us wholeheartedly support legislation aimed at the financial abuses in which a minority of private foundations are reported to have become involved. We pretend to no expertise on foundation abuses, because the foundations with which we are familiar have not engaged in them. On the other hand, we recognize that the 1965 Treasury Department Report on Private Foundations and witnesses who appeared before the Ways and Means Committee this spring have made out a strong case for legislative proscription of foundation-donor self-dealing, unwarranted accumulations of income, and certain other practices. To the extent that such practices exist, we share the concern of the Ways and Means Committee about them, and we urge you to deal decisively and effectively with them.

Beyond such steps, however, we are deeply disturbed about one aspect of the House bill and one additional proposal which, while not

incorporated in the House bill, has been advocated by critics of foundations in recent years. In brief, the proposals which concern us are these:

--The House bill would impose a 7-1/2 percent tax upon foundation investment income. The Ways and Means Committee Report estimates that this tax will produce $65,000,000 of revenue in its first year of operation. According to the House estimates, the revenue effect of the tax would rise rapidly to an annual $100,000,000. Furthermore, as the next group of witnesses will explain in greater detail, the precedent which the tax would establish for state and local governments seems likely to have an additional substantial monetary impact on foundations.

--Several critics of foundations have recommended terminating the existence or exemption of foundations after a period of years. One proposal would fix a 25-year limit on foundations' tax exemption and qualification to receive deductible charitable contributions. Another would restrict the life of each private foundation to 25 years. Others would require foundations to distribute their assets at a sufficiently high rate to end their existence within a period of 10, 15, or 20 years.

We are deeply concerned both about the proposed tax on foundation investment income and about the adoption of any mechanism whose effect would be to terminate the existence or exemption of all foundations over a period of time. Our combined experience with foundations convinces us that their work has been of immense value to the classes of

institutions which we represent and to American society. We are, therefore, strongly persuaded that any measure which diminishes the current funds with which foundations carry on their work and with which they support the work of other charitable and educational institutions--by an annual $65,000,000, $100,000,000, or any like amount--will have major undesirable consequences. For the same reasons, we are convinced that an endeavor--direct or indirect--to curtail the existence or tax benefits of foundations would be thoroughly unfortunate.

To explain the grounds upon which we base these views, we should like to review briefly the work which foundations have done in the four areas with which we are familiar.

A. Foundations and Private Universities

During more than seventeen years as president of Notre Dame, I have found one of my great preoccupations to be the financing of the University's educational, research and service programs. The progress that my University has recorded during this period can be attributed in no small measure to the support of private philanthropic foundations. Indeed, one major philanthropic organization, the Ford Foundation, looms as the largest single benefactor in Notre Dame's 127-year history.

I shall not presume to speak for my fellow college and university presidents, although I can think of none whom I know personally who would favor the foundation tax which we are discussing. I would like to say a word about how one foundation, the Ford Foundation, is helping

Notre Dame accomplish in ten years what normally would have required thirty years. With equal force I could document what has been accomplished on our campus with support from the Rockefeller Foundation, the Sloan Foundation, the Carnegie Corporation and others.

Specifically, I shall speak about the Ford Foundation's Special Program in Education--perhaps the most magnificent philanthropic program in the history of American higher education--in which a significant number of colleges and universities have been helped to help themselves through challenging matching grants. In the case of Notre Dame, the whole vision of what the University might be has been startlingly, almost unbelievably, altered by two $6 million matching Ford Foundation grants. With the incentive of these matching grants, between 1960 and 1966, we were able to double or triple the money normally contributed to the University. There is no question in my mind that this gigantic stride forward was made possible by the matching provision. So, aside from what the grants themselves helped underwrite--for example, the 13-story Notre Dame Memorial Library--they have helped generate many additional millions of dollars in support from alumni, from friends, from corporations and even from other foundations.

The best thing about foundation support is, of course, that it is project-oriented for the most part and encourages a university to do new things, to undertake research and launch new educational programs that would be out of the question if one had to rely on operating

income or even the gift support of alumni and friends. For example, the Carnegie Corporation made a capital grant to Notre Dame which underwrote the first, national study of Catholic elementary and secondary education in the United States. Support from the Kellogg Foundation has made possible a program of continuing education that has touched the lives of tens of thousands involved in more than 300 campus conferences each year.

The aid which the major foundations have provided in the years since World War II has proved to be a life-line to the independent half of our nation's unique dual, private/governmental system of higher education. There is serious question whether the independent sector can persevere and continue to provide an educational alternative. With inflation and the spiraling cost of living threatening to impair the philanthropic support of individuals, and with corporations, generally speaking, contributing less than 1 percent of their profits to charitable organizations when they are entitled by law to contribu up to 5 percent, the proposed tax on foundations--or any general measure to end the existence or exemption of foundations--will have the plain and necessary effect of driving our independent colleges into the arms of the government at a time when many feel there is already too much government involvement on the campus. I cannot believe that this is a prospect welcomed by members of this Committee or the Congress.

To state the matter somewhat differently, a 7-1/2 percent tax levied on the investment income of foundations would, in effect, be a tax on Stanford and Johns Hopkins, Vanderbilt and Emory, Notre Dame and

Denver and, indeed, on all the colleges and universities, great and small, in every part of this land, which benefit from the regular and substantial support of these foundations. It would result in less foundation support for the nation's colleges and universities at precisely the time when they are experiencing a financial crisis and need more. The revenue generated by the tax would be of little consequence to the government, but its collection would have the direct effect of reducing the funds normally available to colleges and universities by a similar amount, and the indirect effect of a proportional reduction of the individual contributions which these funds stimulate. Furthermore, it would seem inevitable, once the precedent is set, that the tax would be increased as the states and municipalities and future administrations seek much needed revenues, thereby further reducing the funds available to colleges and universities. Again I say that I cannot believe those results to be acceptable to this Committee or the Congress.

My plea, then, is to legislate against specific abuses which have been discovered in the administration of certain foundations, but not to diminish the funds with which foundations make their vital contribution to the private sector's educational system. This is the time for the Congress to take steps to encourage even further private philanthropy to higher education. The proposals of which I have spoken would have exactly the opposite effect.

B. Foundations and Medical Education

In the field of medical education, too, the resources of private foundations have been of critical importance. Review of the relevant data reveals that foundations provide a continuing flow of funds which, in absolute terms, makes significant contributions to the training of our doctors, research technicians, nurses, and other medical personnel. Even more important, foundation funds have been of vital assistance in certain special areas of medical education for which it has proved difficult or impossible to secure support from other sources.

The Association of American Medical Colleges conducts an annual survey of all medical schools in the United States to determine the sources of their funds and the purposes to which the funds are applied. In addition, to assist this Committee in its current inquiry, the Association has conducted a special canvass of several of the larger medical schools to obtain more detailed information on the amounts and purposes of foundation grants in recent years.

The data stemming from these investigations demonstrate convincingly that, overall, the contribution of private foundations to medical education and medical research has been an impressive one. Foundations have repeatedly granted funds to medical schools for operating budgets and capital construction. Such grants for general purposes, however, present only a partial view of the importance of foundation support in

the field of medical education. In several specific areas, foundation funds have been of special significance.

Faculty Salaries

While the federal government annually appropriates large sums for medical research, it has proved exceedingly difficult to obtain government support for the maintenance and upgrading of medical school faculties. Plainly, funds committed to these purposes have major bearing upon the quality of medical practice and the state of medical knowledge throughout the United States. Yet, as a dean of the Harvard Medical School noted in a recent letter to the Association of American Medical Colleges, "We are especially dependent on foundations for teaching funds since the government has neglected this area."

Specific illustrations abound. In recent years the Mellon funds have made substantial grants for faculty support and expansion at Tulane, Vanderbilt, Northwestern, Chicago, Boston University, Brown, Case Western Reserve, Columbia, Cornell, Dartmouth, Duke, Emory, George Washington, Harvard, Temple, Tufts, Washington University (St. Louis), Yale, Johns Hopkins, Jefferson Medical College, Marquette, Pennsylvania, Pittsburgh, the University of Rochester, the University of Southern California, and Stanford.

The comments of administrators at several of the recipient schools provide insight into the importance of the grants:

--"Both the basic sciences and the teaching programs have been immeasurably improved by the infusion of funds. New appointments have been made and the entire faculty stabilized." (Tulane.)

--"The grant has proved to be one of the most timely and beneficial ones we have ever been privileged to receive. It has made possible the strengthening of various departments where the need was pressing." (Vanderbilt.)

--"To say that Mellon funds were invaluable to Northwestern University Medical School would be an understatement. They came at a time when personnel particularly in the basic sciences was in very short supply." (Northwestern.)

--"The funds have been used to stabilize the position of several very promising young scientists, attract new ones, and to start new and important areas of teaching and research at a time when federal funds have become overly restrictive." (Johns Hopkins.)

--"The assistance which we have received each year from the Mellon funds has enabled us to strengthen the faculties of the three departments which do most of the teaching in the first year of medical school." (Jefferson Medical College.)

--"There would be literally no other way which faculty expansion and strengthening could have been financed." (Boston.)

--"These funds have made it possible to bring in people who we would have found very difficult to support in any other way." (Case Western Reserve.)

--"The grant has made it possible for us to maintain academic strength in all of our basic science departments." (George Washington.)

The Mellon grants have not been the only ones supporting the improvement of medical school faculties. During the period from June of 1962 through June of 1969, the Surdna Foundation made grants of $3,300,000 to the Harvard Medical School for general faculty support. Of that total, $2,500,000 was allocated to a fund which supports full-time faculty members in the basic medical science and clinical

departments. Six hundred thousand dollars has been used to establish a new professorship in pediatrics. An additional $200,000 has been used to complete funding of a professorship of preventative medicine. The Josiah Macy, Jr., Foundation has made annually-increasing grants to Washington University (St. Louis), Columbia, and Harvard to expand training in obstetrics. It has, in addition, established a major professorship in obstetrics and gynecology.

The examples could be multiplied at considerable length. Their point, however, should be evident: institutions of medical education are heavily dependent upon private foundations for the resources which support the faculties which train the nation's doctors and medical research personnel.

Establishment of New Medical Schools

As has been the case with the maintenance and improvement of the faculties of existing medical schools, in recent years the federal government has provided little operating support for the establishment of new medical schools. Here again, the need has been evident, and foundations have acted to close the financial gap. Moreover, in this area particularly, their action has carried an impact extending well beyond its immediate dollar effect; for foundation grants have stimulated contributions from a broad variety of other sources--both public and private, and often many times larger than the original foundation grant. In that way, foundation commitments have frequently had a plain and pronounced multiplier effect.

The Kellogg Foundation has given $8.4 million over the past nine years to establish new medical schools at

--the University of Connecticut
--Rutgers Medical School
--Brown University
--the University of Hawaii
--the University of New Mexico
--Michigan State
--the University of Nevada

Of the grant to Connecticut, the president of the university has said: "The foundation authorized a three-year grant to the University of Connecticut in the amount of $1,037,500 'to support the establishment of a school of the basic medical sciences...' It is no exaggeration to say that the foundation's grant has had an exciting catalytic effect upon our progress to date. ...This grant is a classic example of what 'venture capital' assistance from a foundation can accomplish."

The business manager of the Rutgers Medical School has commented: "Without the stimulus of the foundation, Rutgers Medical School would still probably be a dream of the future."

Assistance to Medical Schools in Financial Difficulty

The demands upon our medical schools have been particularly great in the past several years. Financial pressures have increased correspondingly. It is hardly surprising, therefore, that a number of schools --particularly in the private sector--have come very close to financial collapse. Repeatedly, foundations have made timely grants to avert such failures.

One foundation has provided almost $4,000,000 over the past five years to 10 schools which were experiencing severe fiscal difficulties. Included were such schools as Creighton University, in Omaha, Nebraska, the University of Utah, Meharry Medical College, in Nashville, Tennessee, and the University of Vermont. The dean of one of the recipient schools has said: "I should like to once again comment on the extraordinary value of the ... award to our developing School of Medicine. The award permitted a continued growth of the school during an exceptionally critical period in which the program was expanding far more rapidly than the allocations to the School of Medicine from state appropriations. Indeed, I seriously question whether the school could have avoided a substantial collapse...."

Development of New Techniques

If foundation resources have afforded crucial support for medical school faculties, the establishment of new schools, and the assistance of schools in financial difficulty, they have performed services of at least equal value in a different class of endeavor. Nowhere have the innovative capacities of foundations been more evident than in the development of new systems and techniques of medical education, improved medical curricula, and new methods of relating medical facilities to the provision of health care for our citizens. Here again, reference to particular examples is useful.

--The shape of modern medical education owes as much to Abraham Flexner's 1910 report on the subject as to any other single factor. Made possible by a Carnegie grant, the Flexner report advocated--and produced--fundamental revisions in a variety of facets of our system of developing and training doctors.

--In the academic year 1955-1956 the Harvard Medical School utilized a $1,000,000 grant from the Commonwealth Fund to test pioneering changes in medical curriculum. Based upon the knowledge developed in these initial experiments, major changes in the school's curriculum were adopted two years later. The innovations at Harvard were the basis for far-reaching changes in curriculum at Western Reserve--changes which were supported by the Commonwealth fund, and which have had great effects on medical education across the country.

--Grants to Northwestern University by the John and Mary R. Markel Foundation and the Commonwealth Fund enabled the school to evolve a program which substantially diminishes the time required for the education of doctors. Under this program, Northwestern now admits students from high schools who are able to obtain M.D. degrees in a total of six years. Grants from the Commonwealth Fund to Boston University and Johns Hopkins University permitted the initiation of similar programs at those institutions.

--The Rockefeller Foundation and the Macy Foundation provided the Harvard Medical School with funds to undertake the nation's first undergraduate program designed to assist members of minority groups to enhance their qualifications for graduate study in medicine and dentistry.

--The Carnegie Corporation of New York has provided three-year funding for teaching, research, and administrative programs on the economics of health care.

--The Ford, Rockefeller, and Avalon Foundations have committed themselves to provide a total of $5,200,000 for the development of a unique laboratory studying human reproductive biology in conjunction with the existing Center for Population Studies at the Harvard School for Public Health. According to a recent Harvard report, "Together these two programs will represent one of the nation's primary concentrations of talent and competence."

--The Commonwealth Fund and the Surdna Foundation have, together, provided funds for the creation and operation of a pilot university-sponsored community health plan. Drawing on the

facilities and personnel of the university's medical school, the program will make comprehensive medical service and health care available to the residents of the surrounding community.

Conclusion

Year after year, foundation dollars afford vital support for the nation's medical schools. In a number of respects, they fulfill needs for which there are no other dollars. Further, by stimulating other support, foundation grants often generate resources which--even measured solely in monetary terms--are of far greater magnitude than the original grant. Finally, in at least one area foundation support has produced results which can only be described as unique; for without the creative impetus supplied by foundations' experimental projects, their studies of system and technique, and their programs for change, many of the advances of modern medical education simply would not have occurred.

With increasing demands being placed on the medical schools for an increased production of health manpower and greater involvement in meeting the health service needs of the country in the face of ever less adequate support from local and federal sources, foundations are a critical part of our effort to meet the expectations of society for a healthier life.

C. Foundations and Public Educational Institutions

Nobody honestly concerned with American education condones illegality or irregularity in private philanthropy. Hence every representative of public higher education endorses all legislation assuring fairness

and equity among taxpayers, donors, foundations, their institutional beneficiaries, and the government.

On the other hand, it is a simple historical fact that both established state universities and developing public institutions could not fulfill their missions without foundation support. Gifts, bequests, special grants under the law have enabled such institutions to grow, to increase their effectiveness, and to serve the whole population. By such means, private philanthropy has provided a tremendous variety of activities which often cannot be supported by government appropriations.

Thus foundations have encouraged innovation and experiment.

They have initiated creative work and kept it alive.

They have made possible new departures in multi-disciplinary study and research.

They have brought public and private institutions into practical cooperation.

They have broadened and strengthened activity aimed at the common welfare.

Drawn from the Southwest alone, the following examples are typical of thousands of similar projects in the United States. Each is recent. Each has the vitality to assure later effectiveness.

Innovation and Experiment

In Texas, private foundations have brought engineering and medical schools to join in studies of the individual and his environment;

numerous academic departments and business organizations to experiment with problems as different as beef production and mineral recovery; inventive skills and consumer needs; biological, mathematical, and space research opening new perspective on geophysics, the world and the solar system.

Creative Work

By gifts of art and libraries, by support of humanities centers and the individuals working in them, foundations have brought to life creative work, which has involved both whole communities and smaller groups concerned with painting, music, and the theater, as well as general studies.

Interdisciplinary Study

Private foundation gifts and grants have helped the scientific linguist and the classroom teacher to overcome the disadvantage of students with language handicaps; the biologist and the oceanographer to establish new methods in marine medicine; the engineer and the journalist to take advantage of modern communication; the computer scientist and scholars in a dozen fields to speed the acquisition and dissemination of knowledge.

Public and Private Institutions

In one state alone, more than thirty joint programs between privately-endowed and tax-assisted institutions have ranged from the single classroom to the whole region.

Common Welfare

Where taxes were unavailable, private foundations have made possible the initial operation of two medical schools and continuing programs of a major teaching hospital. Without foundation grants, the Anderson Hospital and Tumor Institute, host to the next International Congress on Cancer, could not have begun its work or maintained its distinction.

Immediate benefits of such programs are manifest. Taxpayers have been saved money; they have also been given benefits which taxes could not provide. Still more important, however, is the fact that in every such phase of higher education, the university has been assisted in getting ready for the future. In that future, it is not the eminence of an institution which is at stake. It is the people's interest.

By relatively small sums afforded through tax relief this future prospect can be assisted. By depriving foundations of those funds--as the proposed tax would do--that prospect would be diminished or denied. In all institutions which are "public" in the broadest and truest sense, the present system of tax relief is essential to a base of planning now more than half a century old. To shut off or cut down that relatively modest independent funding would close innumerable doors on future educational progress.

D. The South: Foundations and Education

This country desperately needs a strategy for expanding legitimate philanthropy as a vital component of free enterprise--and of the private-public balance in American life--not a precedent for reducing philanthropy through taxation or excessive regulation. If it is the will of Congress to equalize educational opportunity, then Congress should encourage and facilitate the work of reputable philanthropic foundations. Such encouragement is particularly important in the South.

The South lacks resources with which to provide adequate educational opportunity for its people. The entire nation has suffered as a consequence. But the gap between the South and other regions would be much wider except for the investment by national and regional philanthropic foundations in the development of human resources.

Any reduction in foundation support would be adversely felt in the South, with its huge number of children to educate and the fewest public dollars with which to do the job. Mississippi, which in proportion to income makes a greater per capita educational effort than any other state, spent only $364 per pupil in public schools in 1967-68 compared to New York State's $1,024. If the South is ever to catch up, it needs more private philanthropy--not less.

Economic limitations have prevented most Southern educational institutions from having enough funds for operation; they have fallen far short of having enough funds for innovation, experimentation, and improvement.

All educational institutions serve best when they are strong, venturesome, and self-renewing. Consistently, ever since the Civil War, when we Southerners have had an educational problem requiring an innovative approach, we have sought and often received foundation support to test our idea, to demonstrate a new approach, or to finance needed research and programs. A substantial flow of money from large national foundations, along with our own regional philanthropies, continues to be essential to education in the South.

WHAT WOULD BE THE DIFFERENCE IF A REDUCTION OF AVAILABLE FOUNDATION DOLLARS WERE BROUGHT ABOUT THROUGH TAXATION?

1) It would tend to discourage <u>new</u> philanthropy just at the time when the South's improving economy is developing indigenous private wealth that is increasingly flowing back to the public through local philanthropy.

2) It would have serious impact upon at least two or three hundred key Southern colleges and universities--public and private--that look to foundations as their "margin for excellence," plus a number of smaller, weaker colleges facing deficits for the first time this past year. To them foundation grants are crucial.

Vanderbilt University's rise to national statute results substantially from foundation grants that stimulated local effort. Emory's great medical center could not have functioned well without Woodruff Foundation money to cover its deficits. As recently as August 22, the Kresge Foundation gave $1,500,000 to Meharry Medical College in Nashville for a badly needed library. This college--which has educated

approximately half the Negro physicians in the United States--has been literally saved by foundation grants in the past decade.

Strategic grants are helping our colleges predominantly serving black students to improve their curricula, to develop their staffs, and thereby to move into the mainstream. The Carnegie Corporation of New York has underwritten one of these programs over a 5-year period and the Danforth Foundation committed $5,000,000 over seven years to sustain the Southern Fellowships Fund.

3) Reducing foundation funds would curtail the only money we can get with long-term commitments sufficient to stay with projects and evaluate their results. For instance, over the past five years the cities of New Orleans, Atlanta, Nashville, Huntsville, Alabama, and Durham, North Carolina have received approximately $3,000,000 each from the Ford Foundation as "seed money" for a world of educational improvements. In Nashville the first public kindergartens were started with new ways of teaching young children. In New Orleans, schools were designated to show what can be accomplished when resources and flexibility to teach individuals are combined. In Durham, research of enormous value about infant and very early child behavior and learning was conducted. In Atlanta, better ways to prepare teachers were discovered. At Huntsville, because of new programs started with foundation funds, that city's school system was recently chosen for participation in a major national educational program.

4) The Kellogg Foundation has done much to enrich life in Georgia through the creation of a dynamic continuing education center at the

University of Georgia. The value of this program is incalculable, and it would not have been initiated without foundation funds.

5) Taxing foundation resources would reduce one of the chief means of attack on the problems of disadvantaged people in poverty-stricken rural areas. For instance, the Danforth Foundation has underwritten three pilot projects in rural counties of Florida, Georgia, and Tennessee for a 5-year interval in the amount of $1,350,000. These counties--Wheeler, Overton, and Wewahitchka--would never have seen their educational potentiality for something better without foundation funds to show how teaching and learning can be improved with very few dollars.

6) Project Opportunity, operating in Alabama, Georgia, Kentucky, Louisiana, Mississippi, North Carolina, Tennessee, and Virginia, is already identifying, motivating, and propelling toward college and fulfillment of their highest potentiality 3,000 bright, academically talented high school youngsters whose record of poverty and deprivation was pressing them into unproductive lives as public liabilities. This dramatic reversal, achieved largely through a system of testing and counselling, is producing constructive citizens who will, in turn, pay taxes. Ford and Danforth Foundations have invested approximately $2,000,000 in this joint effort by eleven colleges, the College Entrance Examination Board, and the Southern Association of Colleges and Schools. Dividends to the nation can be many times the money spent in the discovery and motivation of these young people. It would be a

human tragedy of serious dimension to deny 7-1/2 percent, or any, of these youngsters their chance to succeed.

7) Regional foundations such as Z. Smith Reynolds, Mary Reynolds Babcock, Woodruff, Rich, Callaway, Stern, and the strategic Southern Education Foundation make an important difference in life in the South. They are taking a keen interest in elementary and secondary schools, and the aggregate of their support is a vital factor in the "growing edge" in Southern education. The public kindergarten movement in the South was initially fueled by foundations, as were many experiments on individualized instruction.

8) Especially in a time of escalating costs and inadequate tax revenues at the state and local levels, it would seem unwise to reduce educational resources of the kind used for stimulus of local effort, for matching purposes (required in many federal programs), and for the kinds of innovation and long-term search for solutions to problems for which public funds are insufficient.

9) In a dozen Southern cities, fine arts and music flourish precisely because of foundation support for our symphony orchestras, art museums, and concert halls. Without the help of national and local foundations, our cities would lose major cultural advantages.

The philanthropy of foundations operating in the South has been accomplished with competence, wisdom, and freedom to operate professionally once grants are made. Because these agencies have traditionally worked quietly, without fanfare, the American public is not fully aware

of their great contribution. Thus it is necessary for those of us who live close to Southern education and who dream of its future to speak up and state how strongly we feel about our vulnerability to any change in public policy that--like the proposed tax on foundations--would limit the flow of private funds for education.