

MEMORANDUM

TO: ASAHP Members

FROM: Kristen Truong

DATE: March 14, 2019

RE: House Committee on Education and Labor Hearing on “The Cost of College: Student Centered Reforms to Bring Higher Education Within Reach

March 13, 2019, 10:15 AM, 2175 Rayburn

[\[HEARING LINK\]](#)

Overview:

The House Committee on Education and Labor held a hearing on “The Cost of College: Student Centered Reforms to Bring Higher Education Within Reach”. Discussions centered around barriers to postsecondary education for all students, but particularly low-income and students of color. There was bipartisan agreement that students need to learn financial literacy, so they can understand that taking out the maximum loan amount is not always necessary and also understand the process for repayment. There was also bipartisan support to expand awareness and increase resources for technical education and community colleges along with expanding Pell to short-term programs. The Public Service Loan Forgiveness faced disagreement with Republicans questioning the negative incentives to borrow more while Democrats believe eliminating PSLF will reduce the diversity of the industries eligible for PSLF.

Opening Statements:

Chairman Bobby Scott (D-VA) [\[Full Statement\]](#)

This morning marks the first of five bipartisan hearings, which will inform our work on comprehensive reauthorization of the Higher Education Act. The competing proposals released in the last Congress—the Republican PROSPER Act and the Democratic Aim Higher Act—illustrated the vast differences in our approach to higher education. The goal of our work in this Committee in higher education is to pass a comprehensive higher education bill. Accordingly, we propose to work together in a bipartisan way that produces a bill that can pass the House, pass the Senate, and be signed by the President.

There are many factors that have led to the rising cost of college, but a major factor is state disinvestment – a decade ago, states paid about two-thirds of the cost of higher education compared to less than 1/3 today. As tuition continues to outpace both wages and Pell Grants, it should not be a surprise that students and families are asking themselves if college is still worth the cost. The evidence and research demonstrate that, given well-supported and responsible institutions of higher education, the answer is an overwhelming yes.

Individuals with a bachelor’s degrees typically earn about \$1 million more than high school graduates over their lives. Individuals with an associate’s degrees earn \$400,000 more than high school graduates over their lives. And two out of three jobs in the modern economy are filled by individuals who have more than a high school education. Evidence shows that for every \$1 a state invests in higher education, it receives up to \$4.50 in return in higher tax revenue and lowers spending on public assistance. We know that economic competitiveness is, to a large extent, based on the availability of a well-trained and well-educated workforce. Even though college enrollment and completion are a matter of economic competitiveness, only 48 percent of Americans ages 25 to 34 have obtained some sort of postsecondary credential.

Today, we will consider a broad range of solutions to make college more accessible and affordable to individuals from all backgrounds, including:

- Halting increases in college costs by encouraging more state and local investment in public institutions.
- Restoring the purchasing power of Pell Grants and expanding eligibility, including to short-term high-quality programs that provide both valuable technical skills and a path to a two- and four-year degree, so that students will be able to afford college.
- Making college loans both cheaper and easier to pay off, while providing additional support for low-income students such as Federal Work-Study, which empowers students to earn while in college.

In the recently completed 115th Congress, all Senators and more than nine in 10 members of the House of Representatives held at least bachelor's degrees. We, of all people, should not be discouraging students from seeking the education that got us here today. If we only tinker around the edges and do not take comprehensive steps to address access and affordability, we will fail to serve the students, parents, and communities who elected to serve. In sum, we will fail the nation—and that is simply not an option. I look forward to our discussion and I now recognize the Ranking Member, Dr. Foxx.

Ranking Member Virginia Foxx (R-NC) [[Full Statement](#)]

For decades, tuition and fees have risen higher than the cost of inflation. Here is a way to put the cost of college into perspective: if the price of cars had risen at the same rates tuition and fees have risen, the average car today would cost more than \$80,000. The high cost of college is not a question for debate, it is a matter of fact. There are ways to protect students from absorbing the costs of institution-level budget decisions, and I must say, I don't believe every college administrator in the country is giving students the consideration they deserve when deciding how to manage institutional finances. Any discussion of college affordability must involve serious questions about institutional accountability.

The federal government's role in trying to help families pay for college is a classic example of the unintended consequences of good intentions. On top of the different types of grants available, the federal government deals in five loan programs, nine repayment plans, eight forgiveness programs, and 32 deferment and forbearance options. Somehow, all these numbers and options have added up to more than \$1.5 trillion in student debt and counting.

I believe in the necessity of comprehensive reform today more than ever. The comparative success of the Pell Grant program has made it the cornerstone of federal student aid. In today's economy, there are ways to strengthen the Pell Grant program in ways that may not have been evident in previous decades, and that comes back to my point about public perceptions. If we consider ways to make Pell Grants applicable to shorter-term, skills-focused programs that meet the needs of students and the communities in which they live, I believe we'll see a higher, faster, and more satisfying return.

All education is career education. American students view postsecondary education as a necessity, and they aren't wrong in thinking that way. As we broaden our ideas of what postsecondary options can look like for students of every age, the question of how they'll pay for it looms large. I am glad to see increasing public interest in this issue, and I welcome this hearing and these witnesses today.

Witness Testimony

Dr. Douglas Webber, Associate Professor And Director Of Graduate Studies, Economics Department, Temple University [[Full Testimony](#)]

Dr. Alison Morrison-Shetlar, Interim Chancellor, Western Carolina University [[Full Testimony](#)]

Ms. Jenae Parker, Student, Franklin University [[Full Testimony](#)]

Dr. Elizabeth Akers, Senior Fellow, Manhattan Institute [[Full Testimony](#)]

Mr. James Kvaal, President, The Institute for College Access and Success [[Full Testimony](#)]

Q&A

Higher Education Subcommittee Chairwoman Susan Davis (D-CA): How do public institutions handle state budget cuts by reducing spending and increasing tuition? We have students taking longer but it costs them a lot more and it has a greater burden on the institution. What are the effects of for-profits targeting veterans and service members?

Dr. Morrison-Shetlar: With [NC Promise](#), there's an increase of low-income and rural students because of the lower cost of tuition. We need resources so we can retain our students.

Dr. Kvaal: GI and military education benefits can be quite generous. For-profit institutions can only get up to 90% of federal aid but that doesn't apply to servicemembers.

Rep. Phil Roe (R-TN): Is college going to be relevant anymore? With [TN Promise](#) and [Reconnect](#), community college is free. 77% finish on time, 97% place in a job, 100% graduate with no debt in our technical school.

Can we streamline administrative costs? There's bipartisan support to educate students that you don't have to borrow the maximum loan amount because you will have to pay it back one day.

Dr. Akers: We should be concerned most about outcomes.

Rep. Tim Walberg (R-MI): Financial literacy is something we haven't done well. The FAFSA form is a real obstacle – I supported legislation for IRS to share income information for FAFSA. It would improve accuracy and cut down on time needed to verify income. Can FAFSA act as an obstacle and any recommendations?

Dr. Morrison-Shetlar: I completely agree – completing FAFSA can be an insurmountable challenge. When faced with the FAFSA questions, they just don't do it and don't go to college. I recommend, for all federal grants, to simplify them and help people with the process.

Rep. Tim Walberg (R-MI): I'm concerned about perverse incentives to borrow. What are those and how can we address?

Dr. Akers: Most glaring incentive is that borrowers anticipate they will be eligible for student loan forgiveness and have incentive to borrow the maximum. We need to consider limits on eligibility for the public service loan forgiveness (PSLF) program and income-driven repayment (IDR) and capping those.

Rep. Marcia Fudge (D-OH): Dr. Kvaal, is it important to discuss loan forgiveness with IDR? How do grad plus loans assist students?

Dr. Kvaal: Students who are paying everything they're supposed to over 20 years should be able to have the rest of their student loan forgiven. Student loan debt can affect credit scores. For shorter than 20 years, there are a couple options 1) people who go into public service careers and 2) people who have been cheated by their colleges (over 100,000 pending applications claiming fraud). Grad plus loans are most important for low income individuals – we're expanding these loans so individuals can avoid private loans.

Dr. Morrison-Shetlar: More investment in Pell grants would be wonderful. People can then graduate on time and not have to work 3-4 jobs while in school.

Rep. Brett Guthrie (R-KY): In the last 3 Congresses, I've introduced a [bipartisan bill](#) with **Rep. Bonamici** about financial aid counseling. What are you doing to keep college costs down by working with community colleges?

Dr. Webber: There are only about 5% with over \$100,000 of debt, most are in med school or graduate school. People who have \$5,000-\$10,000 of debt who didn't graduate and are more likely to default.

Dr. Morrison-Shetlar: We have MOUs for particular tracks with community colleges, so students know what they need if they move onto a 4 year degree. We work with the President's office and advising office. We have 42% of students are transfer students. Curriculum alignment is very important.

Rep. Gregorio Kilili Sablan (D-Northern Mariana Islands): 90% of our students are Pell eligible. NMI and American Samoa are the only two US jurisdictions without a 4-year public university. They have a single community college – our students then face out of state tuition at 4-year institutions and the travel costs at Hawaii or others. Does the federal government have a role to play with students facing unique costs, like those in NMI or American Samoa?

Dr. Morrison-Shetlar: The way to help is to make sure grants and loans are available and can be easily attained. We subsidize so in-state students pay \$500/semester and \$2,500 for out-of-state/semester. We have a 18% cap on number of out of state students we can take into NC. 50% of out of state student end up staying in NC.

Rep. Rick Allen (R-GA): Everywhere I go people need people. The pay gap between college graduates and technical, skilled workers is getting narrower. Dr. Aker, you discuss bringing the private market into student lending? We were told the student loan rate is 7-8%, but business loans interest rates were less. I had an amendment on the past markup to put financial education in the student loan program.

Dr. Aker: To think of private capital in higher education finance is in income shared agreements. Rather than a loan, a borrower takes cash for a promise to pay a fraction of their income over a set period of time.

Rep. Suzanne Bonamici (D-OR): Federal work study program allows students to get experience and financial aid. I introduced the [Opportunities for Success Act](#) to modernize the funding formula for work study and make

sure jobs align with their career goals. I plan to reintroduce the [SIMPLE Act](#) to keep students in income driven repayment.

Rep. Lloyd Smucker (R-PA): Can you speak on your transfer program? How did you determine high demand jobs? How does the federal government constrain what higher education can innovate?

Dr. Morrison-Shetlar: We do surveys to know what jobs are needed. Healthcare is a big industry with a large need, and we make sure students have the necessary education, skills, and experience. We made sure we have curriculum alignment with community colleges if students transfer. This is where [NC Promise](#) has been wonderful, where a public institution cost can be similar to a community college cost.

Dr. Aker: For a new institution to come into existence, they need to find and retain students. They have to compete with institutions that have generous aid through Pell and subsidized student loans. A way for the federal government to allow new institutions access to federal student aid is through the [Experimental Sites Program](#) and the [EQUIP Program](#).

Rep. Mark Takano (D-CA): I have a letter from Chancellor Oakley from the California Community Colleges that describes how the CA community colleges have been hit hard by the for-profit closures. One for-profit closes; the community colleges which are already under resourced then mobilize to provide support for students. The ability of community colleges to help these students is hampered by the poor education quality from the for-profit and the debt load students carry from there. Almost none of their credits can transfer to community college and they're nearing the maximum loan limit. What can the federal government do for better up-front accountability? I see ISA as another way to get the private market into loans.

Dr. Kvaal: Some types of accountability: gainful employment rule that graduates can repay their loans; borrowers defense rule; incentive compensation rule; and the 90-10 rule for 10% students to pay for education out of their own pocket. ISA's are not transparent and have potential to have a higher cost.

Rep. Steve Watkins (R-KS): What federal regulations are burdensome to institutions?

Dr. Morrison-Shetlar: Compliance regulations are high cost. We have to hire people to help us with that rather than investing in students.

Rep. Alma Adams (D-NC): I'm concerned about the cost that colleges would incur with NC Promise.

Dr. Morrison-Shetlar: NC has stepped forward and put \$51 million towards this program. Universities are subsidized to make sure there is no impact on the quality of education.

Rep. Ron Wright (R-TX): UT Arlington partners with community colleges. President of the university, president of the community colleges, and school superintendents came together to lower the tuition cost. High schoolers can go to the community college to get college credit and credits are then recognized by UT Arlington.

Ranking Member Virginia Foxx (R-NC): You discuss noncompletion as the biggest risk associated with going to college. Are you familiar with revenue theory where institutions are spending on faculty prestige rather than student programs? The economic return is unequal – how can we restore the return on investment to higher education and make the prospect of college less risky?

Dr. Webber: Mixed evidence of impact of highly priced educational programs. There are impacts of increased college quality with high income.

Rep. Dan Meuser (R-PA): We have a skills gap. What are some programs to help?

Dr. Webber: Temple University – [Fly in 4](#) to keep students on track to graduate on a reasonable timeframe. Colleges should invest in internship programs and the returns on internships are very large. There is a strong push for partnerships with local businesses.

Rep. Lucy McBath (D-GA): It's important for us to invest in Pell Grants, in GA's 6th district over 6,000 students received Pell grants for 18-19 school year totaling nearly \$30 million. For GA, more than 230,000 Pell grants were awarded over \$900 million total. GSU is one of the many institutions to make great strides to lower the funding gap for low-income and first generation students. 51% receive Pell. For first generation students, they had to navigate financial burdens but they also faced a culture shift from neighborhoods to environments where students may not look like them or come from the same socioeconomic class. What happens with

mental health programs, free or reduced lunch after K-12? It's one thing to get students to college and another to get them through college.

Rep. Russ Fulcher (R-ID): We have community college close to our largest university. Since it was put in place, the student growth has exploded and prevailing increase rate of 4-year university greatly slowed down. Implementation of dual credit – I was a proponent on the state level. Does dual credit help reduce the cost of college?

Dr. Webber: Yes, FL has a robust dual credit system. Cost of college in FL is one of the lowest – there are other reasons but I think one effect is the dual credit system.

Ranking Member Virginia Foxx (R-NC): You hit on an issue and I'm pleased. There's an article from Feb. 10 that says "Students that take at least one dual credit course in high school is 3x likely to graduate from college compared from those not taking dual credit."

Rep. Kim Schrier (D-WA): We have the [Running Start Program](#) in WA, but isn't as available in rural areas unfortunately. Dr. Kvaal, you mentioned doubling Pell grants – at University of Washington we have 80% graduation rate for Pell recipients. Why not do that now?

Dr. Kvaal: Studies show Pell investments pay for themselves in terms of increased economic growth.

Chairman Bobby Scott (D-VA): Income shared agreement plan – how does that work and why would someone prefer that over IDR?

Dr. Kvaal: There's little reason for a student to prefer private over federal student loan, especially with IDR. Oftentimes, you have to pay back several times more than the value of your education with the private loans.

Vice Chair Andy Levin (D-MI): We must invest in higher education so students aren't buried in debt when they graduate. I strongly believe in loan forgiveness for those in public service, such as teachers, firefighters, public defenders, nurses, or members of the military. PSLF created with bipartisan support in 2007 offers loan forgiveness after public service careers for 10 years. Program was designed so talented individuals can pursue careers in public service even if they take out loans to obtain their degree. What would eliminating PSLF do to the diversity of public sector workforce – would it make it harder for underrepresented groups (students of color or low income) to pursue these careers?

Dr. Kvaal: It would make those career choices more challenging for them. Student debt is an obstacle. Students with debt are less likely to choose lower income careers, like those in public service.

Ms. Parker: I found housing through advising and they directed me to [Scholar House](#), a community of student parents. They provide programming for mentoring, financial literacy, and programming that's a requirement. It's a partnership between the Housing Authority and Community Properties of Ohio, Section VIII voucher.

Vice Chair Andy Levin (D-MI): The Administration recommends eliminating subsidized undergraduate student loans. Republicans also proposed eliminating subsidized loans. Currently undergraduate loans can receive subsidized loans based on financial need that do not accrue interest while in school. How would eliminating this affect students? Are debt loads from rising prices or insufficient debt aids?

Dr. Kvaal: President's proposal would use those funds to reduce deficit and would raise cost of college.

Dr. Webber: It's both.

Rep. David Trone (D-MD): Should we do a PreK-14 that's 100% free and covers wraparound costs? What state has best practice? What safe guards do we need to help people pursue workforce programs – can people use federal financial aid?

Dr. Kvaal: [Kresge Foundation](#) in Detroit is combining K-12 schools with 4 year local colleges. Also students can choose degree or certificates from community college. To get a Pell, you have to attend a length of traditional academic semester of 15 weeks. There are proposals for short term Pell.

Ranking Member Virginia Foxx (R-NC): PSLF – you mention that it's estimated to cost \$24 billion over the next 10 years. Can you give examples of how PSLF is inequitable?

Dr. Akers: The student lending program is the wrong place to provide subsidies. Subsidies should be delivered in a tax credits rather than just those who have spent large sums on their education.

Ranking Member Virginia Foxx (R-NC): Tax payers are subsidizing students who are going to college for vacation rather than taking it seriously. Talking about Carolina Promise and your programs where students can

transfer from community college to their degree programs. I think NC is doing a lot with dual enrollment, and that is the whole state. Improving the economic mobility of your students – can you share what you're doing on campus to work with businesses and industries to make transition from college graduate to employee seamless for your students?

Dr. Morrison-Shetlar: We have a robust career center for our students and can connect students to industries before they even graduate. A large majority of the students who do the internships end up getting hired and stay in the community.

Rep. Lori Trahan (D-MA): Has the quality of education and job readiness risen as a result of these tuition hikes?

Dr. Kvaal: Many of our colleges are chasing prestige. We don't value community colleges and regional universities that are inclusive, affordable, and higher in quality.

Rep. Pramila Jayapal (D-WA): I have championed [a proposal](#) to invest in a federal-state partnership to make public college (4 year and 2 year) tuition and fee free. Federal government would cover 2/3 cost of eliminated tuition and fees and states would cover 1/3.

Chairman Bobby Scott (D-VA): PSLF – is the problem administrative or legislative?

Dr. Kvaal: Both, I think it would help to simplify the types of repayment, types of employment clarified by the Department or Congress where people think they're in working a job that would apply for PSLF but they're not.

Chairman Bobby Scott (D-VA): How much did financial assistance contribute to increased graduation rate? Has NC Promise had adverse enrollment at other colleges?

Dr. Morrison-Shetlar: We are early on in NC Promise. Our 6-year graduation at Western over the last year went from 50% to 60%. Any enrolled students at the 3 institutions are eligible for NC Promise. The institutions that claim they have adverse enrollment don't have numbers that don't add up.

Closing Statements

Ranking Member Virginia Foxx (R-NC): I want to commend you, Mr. Chairman, for having this hearing and appreciate the opportunity to collaborate with you on it. There is a void in our focus today – that's the issue of the responsibility of the institutions and the states. We see over and over that the issue is completion. I'm looking forward to some of the other hearings in this series that will help us focus more on why so few students are completing and why so many students are not seeking the educational program that best suits their interest. What is the responsibility of the institutions, the student, and the state?

I'm flabbergasted about what we heard from Ms. Parker about the lack of concern from the University of Toledo. That points out a lot of problems at the state level. I want to believe that no student going to an institution in NC would have faced that total lack of concern. We've had a lot hearings on postsecondary education over the years and as time goes on, statistics add up. It's becoming clear that none of the issues stand alone. Mr. Chairman, you and I share a love for methodical processes and a topical approach makes sense to many. Our witnesses have shown us that each topic leads to another. This Committee must focus on the following touchstones for reform: strengthening innovation and completion, modernizing federal student aid, and promoting student opportunities.

We haven't even touched on the newer elements within the context of postsecondary education. I read how population challenges are beginning to impact small liberal arts colleges. According to a new study by economist Nathan Grawe, there will be 450,000 fewer students entering post system in 2020s because there are fewer people being born in this country. Without the tuition revenue supported by the students, colleges are going to need to find a way to adapt and it's imperative for our country's workforce that the system supports students in completing an affordable postsecondary education of some kind. Mr. Chairman, you and I share a passion for seeing skills and education play a big role but we cannot forget about small institutions and the role of the liberal arts. Students must have options.

Chairman Bobby Scott (D-VA): We want to make sure that we don't leave out access to liberal arts education. Many people want to have a formula where you can monetize your education the day after you get your degree. It's not always possible with a liberal arts degree, but the long-term benefits in terms of

transformation of the student is extremely important. We don't want to limit that choice to those who can write big tuition checks. We've heard that a quality education is out of reach for too many of our students. We've heard how federal and state disinvestment in public higher education has hindered and under resourced the schools' ability to reach all of our students. We've heard how the weakening of federal grant programs and supportive services have made it difficult for students to access higher education. We have an obligation, particularly with the state disinvestment. We heard Pell used to cover 75% but is now down to 25% and that triples the cost to the student.