



MEMORANDUM

TO: ASAHP Members

DATE: February 6, 2018

**RE: U.S. Senate Committee on Health, Education, Labor, & Pensions Committee Hearing
“Improving College Affordability”**

February 6, 2018, 10:00 AM, 430 Dirksen

[\[HEARING LINK\]](#)

Overview:

The Committee on Health, Education, Labor & Pensions discussed barriers to college affordability along with the possible solutions to combat the rising cost of higher education. The rate of student loan defaults, particularly with African American students, was an area of concern along with the decrease of state higher education funding. There were questions about how the market could influence the cost of higher education and whether various policies/programs could influence that market. Increasing the amount of Pell grants or the number of recipients of Pell grants were discussed; however, the conversation flowed back to the ability or willingness of the federal or state governments to further invest in higher education.

Opening Statements:

Committee Chairman Lamar Alexander (R-TN) [\[Opening statement link\]](#)

The Appropriations Committee will consider whether Congress should appropriate more taxpayer dollars for student aid, but in the meantime, Congress can also help students afford college by better spending the \$28 billion in grants and \$92 billion in loans we spend annually. This would mean simplifying student aid, redirecting existing dollars for more Pell grants, helping students complete their degrees more rapidly, and making colleges more accountable for students repaying loans.

The committee has held 22 hearings, including today’s hearing, over the last four and a half years including five this year in preparation for reauthorizing the Higher Education Act. I hope to reach a bipartisan result by early spring that we can recommend to the full Senate.

While it is never easy to pay for college, it is easier than many think, and it is unfair and untrue to suggest that for most students college is out of reach financially. The average tuition at a two year community college is about \$3,600 this year – so a maximum Pell grant would more than cover tuition. In 2015, Tennessee became the first state to offer two years of tuition-free education at community colleges and technical institutes to every high school graduate through Tennessee Promise. The average tuition at a four-year public college is just under \$10,000 – so a maximum Pell grant would cover about 60 percent of tuition.

I would suggest we consider what is known as the ‘Bennett hypothesis’ – offered by then Education Secretary Bill Bennett, who argued that rising federal student aid has an impact on rising college tuition.

Despite this, there is no doubt college costs are rising and that a growing number of students are having trouble paying back their debt. These include ideas to: First, simplifying the FAFSA — the burdensome Free Application for Federal Student Aid that 20 million families struggle to fill out each year – to remove it as a barrier to college and help students better understand the range of schools they can afford; Second, simplify the existing two grant programs, five loan programs, and nine repayment programs and redirect some of those dollars to higher priorities, such as creating

additional Pell grants; Third, more competency based education would allow students to more rapidly complete degrees based on knowledge and learning, not time in the classroom, therefore saving the student money; and fourth, it makes no sense to spend taxpayer dollars helping students earn degrees that are not worth their time and money, so schools should be held accountable for their students' ability to repay their loans.

Ranking Member Patty Murray (D-WA): [[Opening statement link](#)]

As we now wrap up our first round of hearings, these conversations have made it clear, we have to address all student challenges. We have to increase access for underrepresented students, hold colleges accountable, and ensure that every student can learn in a safe environment. Last week, the Democratic caucus released its [Higher Education Act Reauthorization Principles](#).

There is a continuous growth of college costs - \$1.5 trillion in student debt. Since 2007, one year before the reauthorization of the Higher Education Act, student debt has tripled. There are 28 million to 44 million students in debt. Every second, student debt grows by \$3,000. In a new study, up to 40% of students may default on loans. African American students with Bachelor's degrees are 5x more likely to default than their white peers. Many students are choosing to not even apply to college or they drop out before they can finish. Students are going hungry or have no safe place to sleep. The way we finance education by asking students to take on debt sends a message that college is for the wealthy.

We must keep college in reach for all students. These are my reasons why college has become less affordable:

1. Colleges aren't doing enough to help students, who burden the debt.
2. States are investing less and less in higher education, which is bad for students and states.
3. Federal student aid doesn't go as far as it used to. Pell Grants are not nearly enough to cover the total price they have to pay.

Chairman Alexander, the reauthorization of the Higher Education Act needs to be student focused. Before students enroll, federal investments need to go further. Students need to be able to cover the full cost of college: child care, food, housing, etc. The cost of college shouldn't increase unexpectedly during a student's time in college. Borrowers should be able to refinance their student loans. There should be loan forgiveness and a cap on the number of years students have to pay debt back.

One question should guide us: It's not easing regulations – not reducing the role of the federal government – the question is “will this reauthorization of the Higher Education Act leave students better off?” I'm confident we can get to a yes answer.

Sen. Todd Young (R-IN): It's my pleasure to introduce Dr. Zakiya Smith, the Strategy Director for Finance and Federal Policy at the Lumina Foundation. Dr. Smith previously served as a Senior Advisor at the White House in the Domestic Policy Council. She focused on college access and affordability. Lumina is the largest private foundation focused on student access and success. Dr. Smith's work serves a critical role to further federal policy and attainment on postsecondary finance models.

Witness Testimony:

Dr. Jenna Robinson, President, The James G. Martin Center for Academic Renewal [[Testimony](#)]
Dr. Zakiya Smith, Strategy Director for Finance and Federal Policy, Lumina Foundation [[Testimony](#)]
Dr. Sandy Baum, Senior Fellow, Urban Institute [[Testimony](#)]
Dr. Robert Anderson, President, State Higher Education Executive Officers Association [[Testimony](#)]
Dr. DeRionne Pollard, President, Montgomery College [[Testimony](#)]

Q&A:

Sen. Todd Young (R-IN): College is becoming increasingly unaffordable for far too many Americans. Over the last 7 years, student loan debt has doubled and median household income has decreased. There's no single entity to blame. Income share agreements should be provided to students. Dr. Smith, what role do income share agreements play in college affordability?

Dr. Smith: For students who have maxed out federal student loans, income share agreements could be an alternative. There is a risk for the school to have some skin in the game. Students should use that to offset credit card debt. Income sharing agreements could play a role.

Sen. Young: I have legislation ([S. 268 – Investing in Student Success Act of 2017](#)) to create a framework for these contracts to be legally recognized.

Dr. Smith: We need a framework.

Sen. Young: Dr. Anderson, several institutions in Indiana taking strides for addressing college affordability. What are some successful initiatives for college affordability?

Dr. Anderson: Indiana has gotten the connectivity of completion. Certain reforms that we know are working. One big one, in TN and GA, is developmental education reform – a student not seen as prepared to go to credit bearing classes, they have to pass one or two preparation classes before going on. You, Sen. Young, hit on degree maps.

Sen. Young: Is this to compensate for lack of preparation?

Dr. Anderson: That's the concept. We've seen better alignment between K-12 and colleges. Some students are not college ready. We've seen students with 12, 13, 14 ACT scores have been successful if you provide the right supports. These developmental education reforms have to be scaled nationwide.

Sen. Young: I think it's lamentable that students who may go to college are not prepared for basics.

Ranking Member Murray: We have to increase investments and access for students. Dr. Smith, I want to talk about student loan debt burden. We have millions of workers who scramble to pay back their loans. How important is it that reauthorization of the HEA takes steps to help reduce their student debt?

Dr. Smith: We have a clear problem with low income students who rely on debt. A quarter of black bachelor's degree students have defaulted on loans. We have to make sure there are great repayment options. Default is the worst possible outcome. Students may be making payments but who knows what other sacrifices they are making. We must have something that debt is truly affordable and that students don't have to take on as much debt.

Ranking Member Murray: You talked about Pell Grants being more affordable. Not everyone has access to that aid. Some students face challenges in keeping their grants. Increasing the maximum Pell award – policy changes that you would recommend for federal grants to help more students afford grants?

Dr. Smith: One thing – Pell grant program is access and entitlement but is funded as a discretionary program. It would be great to see if we could get mandatory Pell back. Pell doesn't have inflation or cost of living increase. We should be expanding Pell to students that don't get it now, but there's always the drug question. We work a lot at Lumina with formerly incarcerated individuals and even if they don't meet definition of not being eligible, it deters them.

Ranking Member Murray: College degree and credentials is necessary to compete. For low income individuals, it's a path to middle class. Dr. Pollard, what are some ways we can address those challenges?

Dr. Pollard: We have to talk about impact on not being educated in today's economy. 60% of all jobs in the future will require some form of postsecondary education. Our economy demands postsecondary education. College and job training is a must. That's something we specialize in in community colleges.

Sen. Bill Cassidy (R-LA): We have the College Transparency Act, which creates student level data networks and streamlines reporting requirements for colleges. We need students to have info for their return on investment. Dr. Baum, you've spoken on federalization of how we pay for colleges. More student loan dollars, the less states putting out towards college. How do we get states to put up

money as they previously have, so it doesn't fall on students or federal aid programs? If the money is going to students, how do you get maintenance of effort from state as state is bystander?

Dr. Anderson: When I spoke about federal-state partnership, this is what I had in mind. Way for federal government to provide better state participation in completion, accountability, and transparency. I mention 41 states have attainment goals. We need to drill down on completion goals.

Sen. Cassidy: Unless you have a hook like state you get or you don't get unless you keep putting state general fund money towards universities...

Dr. Anderson: Provide a program similar to LEAP ([Leveraging Educational Assistance Program](#)) – focused funding on low income students. LEAP focused on community service type of projects.

Dr. Smith: You have to create a new program. To leverage state spending, you have to create a new paradigm. You need to have a substantial amount of new funding. We're not leveraging any federal money at all right now.

Sen. Elizabeth Warren (D-MA): I want to zoom in that almost half of all black students who took out loans in 2003-2004 have defaulted. Dr. Baum, you've argued that the student debt problem really isn't a problem for most people. Do you believe student debt has reached a crisis for African Americans?

Dr. Baum: It has reached a problem for many subsets. We clearly need to focus on circumstances focusing on these students, older students, and for-profit institution students.

Sen. Warren: What I want to think about is how we solve that problem. Dr. Smith, do you think more financial aid counseling alone will fix the problem? FAFSA simplification? Risk sharing or accreditation reform? College deregulation?

Dr. Smith: No, good but won't fix.

Sen. Warren: Can we solve this problem without investing more money?

Dr. Smith: It's difficult. People don't understand the rhetoric that there's not money to better themselves for education but there are for the tax cuts.

Sen. Johnny Isakson (R-GA): I want to say 2 things: I watched CNN and heard the testimony of 2 people who used their company bonuses to pay for college for their children. Economic policy does make a difference. On the statement on African American students – Georgia State University has done a remarkable job in a) meeting needs of African American community and b) providing access to financing that is affordable and repayable. So good that now GSU graduates the highest number of Baccalaureate degrees of African American of any university in the US. They track students from when they started at the university, and brought in [Panther grants](#) (micro loans). It is our responsibility that we can move everyone towards the best education they can afford and achieve.

Sen. Tim Kaine (D-VA): I am interested, Dr. Robinson, on the Bennett effect. You have a recommendation on capping tuition fees on public colleges and universities, but if this effect is more marked for for-profit institutions, do you have thoughts on what we do with for-profit institutions?

Dr. Robinson: For-profit institutions is a difficult one. They rely on tuition more. A tuition dependent institution is going to see stronger effects in increases on aid.

Sen. Kaine: Another recommendation is to make private student loan debt subject to bankruptcy laws. Why is that a good idea?

Dr. Robinson: All of the recommendations stem from the idea that we have to affect demand for higher education. We have to end artificial demand and in particular artificial demand for loans. Students will not demand loans if they are less available. Idea behind making private student loan subject to bankruptcy is because every other loan is. It will incentivize lenders to lend more wisely and lend less.

Chairman Alexander: Dr. Baum, we normally have a price problem in this committee. There should be more competition in to lower prices – often it does. You look at the higher education market for something so involved with government – about 6,000 institutions and vouchers for 20 million students to choose among those colleges. Why doesn't the market lower prices more? Over 30

years, we don't have twice as many students yet we're spending 7x as much on Pell and 8x as much on student loans.

Dr. Baum: On aggregate spending, it may be misleading. Federal student aid is supposed to increase demand for education.

Chairman Alexander: Why don't more people look at this market – here's high quality, lower priced degree and you don't have to borrow?

Dr. Baum: One problem is high correlation to cost and quality. If you add resources to public or private institutions, they do better at educating students.

Chairman Alexander: Assuming we were to spend more taxpayer dollars, where would you put it? Lowering rates for loans? Forgiving more loans? Larger Pell grants? More Pell grants?

Dr. Baum: More money into low income students through Pell and into institutions in which they enroll. Raise Pell grant limits to the neediest students and reduce number of students who receive Pell grants. Loan program needs to be better structured. Interest rate in income driven repayment plans rates matter less and will affect how long it takes to pay them back, not monthly payment.

Chairman Alexander: You favor "pay loan back but based on income automatically taken from your salary"

Dr. Baum: Yes.

Sen. Maggie Hassan (D-NH): Dr. Anderson, like many states NH investment in higher education has declined during the recession and has struggled to get back where it was. What is clear is the far reaching return on investment when we support higher education. When I was NH Governor, I froze tuition for 2 years at the university system to lower the cost at community college. I've seen how important TAACCCT (Trade Adjustment Assistance Community College and Career Training) grants and federal aid are in community colleges system. Can you talk more about how could we develop federal-state partnerships to incentivize states to invest more in higher education?

Dr. Anderson: Increased Pell amount will help fund students more in need. I referenced a study in my comments about 10% investment up front into these community colleges and 2 year programs resulting in, within a year, a 10% increase in Associate degrees and 26% for certificate programs. Research discovered that increased money is put into academic and student supports.

Sen. Hassan: Dr. Smith, institutions and systems are implementing programs, such as free tuition for 4 years for Pell grantees. How do you think states and institutions should be using the affordability goal to inform their policies?

Dr. Smith: More states need an affordability goal. Having goals that are complementary to completion. You have to make sure you're helping them through.

Sen. Christopher Murphy (D-CT): We spend so much time and money regulating colleges that has nothing to do with accountability/affordability. I want to present an out of box way to think about this. When thinking about the way government spends money, we set expectations for quality and then we look to cost; we look to buy the cheapest product for the specs we set out. Why don't we look at higher education in a similar way? What should we build in an accountability system for affordability?

Dr. Smith: That would revolutionize the way we spend federal aid and we should do it.

Dr. Baum: It's reasonable to put a floor on quality but to suggest beyond that, it doesn't matter. People are willing to pay more for different education and different quality. We need to look at what the federal government is willing to subsidize and where the federal government can provide more opportunities.

Dr. Robinson: The easiest way for the federal government is to change the aid eligibility formula. Right now, you fill out FAFSA, and the federal government uses cost of attendance at each institution. When you get loan info back from them, you will get more to go to Duke compared to UNC. It stops students from having an incentive to going to a cheaper school. We should use median cost of college. You then incentivize colleges to compete more on price.

Ranking Member Murray: Dr. Pollard, I want to ask about community colleges because they have unique challenges. Community college is more affordable or even free for some students. Data

shows that students are borrowing or paying more than \$7,000 a year out of pocket for community colleges in MD even after grants and scholarships. It's clear we need to redefine the total cost of college. What additional costs should be considered when we look at making college affordable for all of our students?

Dr. Pollard: Our students in community college are low income and adverse. Idea of looking at total cost of education becomes the barriers: childcare, health care, etc. If you have to make a choice providing for your children versus education, even if you know long-term implications are better to go to school, you will invest in your children or look at social services. Critical issues for the students I work with.

Chairman Alexander: Any comments on Dr. Robinson's point on using median cost of college?

Dr. Baum: I agree that giving students more federal aid is problematic. The current loan limits for dependent students are not high enough for this issue to solve many of these problems. There aren't many people whose amount of loan is affected by anything that Duke might do to change its price. Certainly true, like for grad students, we give them as much money as needed for cost of attendance. We should not do that.

Dr. Smith: I concur with most of what Dr. Baum said. Vanderbilt gives generous financial aid. Current loan limits don't bump up against what the tuition and fees are. In theory, it makes sense. In practice, college prices outstrip federal aid that's available.

Chairman Alexander: Our conversation about simplifying FAFSA. You'd fill it out in first semester of senior year. Given these things and simplified FAFSA, you could figure out as a freshman in high school how much federal aid you're planning to get. You can plan ahead about what you can afford. Explore this problem of state support for higher education. Most money to supplement Medicaid (used to be 8% but now more than 30%) has come out of higher education. How do you get back into more state support for higher education? One way might be, as in TN, in recognizing that Pell grant pays for most of tuition of community college and then TN will pay the rest of tuition along with mentoring services and community service. Does growing interest in tuition free for 2 years of postsecondary education present an opportunity for states to renew their funding support for higher education? If so, how can the federal government encourage that without a bunch of federal mandates that will boomerang?

Dr. Baum: I wrote a paper about the federal role in free community college programs should be. Consensus of diverse group of experts is that fed government should continue to use student aid programs to target low income students. Real concern about state programs are last dollar programs.

Chairman Alexander: Maybe states don't think it's their primary goal, and that it's the fed government's goal of equity.

Dr. Pollard: Issue stems from lack of investment of states in public education, particularly in community college level. In MD, master plan had been 1/3 state, 1/3 local, and 1/3 student. Now it's 50% of my budget comes from county, student 33%, state 15-16%. That number has not changed in the last decade. I think it's essential to have that public-federal-state collaboration.