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ACCESS AND AFFORDABILITY: HOW EXPANDING PELL GRANTS WILL OFFER HIGHER EDUCATION TO MORE AMERICANS

FIELD HEARING

OF THE

COMMITTEE ON HEALTH, EDUCATION, LABOR, AND PENSIONS

UNITED STATES SENATE

ONE HUNDRED ELEVENTH CONGRESS

FIRST SESSION

ON

EXAMINING ACCESS AND AFFORDABILITY, FOCUSING ON HOW EXPANDING PELL GRANTS WILL OFFER HIGHER EDUCATION TO MORE AMERICANS

OCTOBER 5, 2009 (PHILADELPHIA, PA)

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C O N T E N T S

STATEMENTS

MONDAY ,OCTOBER 5, 2009

ADDITIONAL MATERIAL

ACCESS AND AFFORDABILITY: HOW EXPANDING PELL GRANTS WILL OFFER HIGHER EDUCATION TO MORE AMERICANS

MONDAY, OCTOBER 5, 2009

U.S. SENATE,
COMMITTEE ON HEALTH, EDUCATION, LABOR, AND PENSIONS,
Philadelphia, PA.

The committee met, pursuant to notice, at 1:00 p.m. in Sullivan Hall, Temple University, 1330 West Berks Street, Hon. Robert P. Casey, Jr., presiding.

Present: Senator Casey.

OPENING STATEMENT OF SENATOR CASEY

Senator CASEY. Good morning.

We are here today to talk about access to higher education and affordability as well.

The principal concern that so many of us have in the next couple of months, in the next several years is to do everything possible to make sure that every American who wants to go to college can do so in a way that is affordable. That is a major challenge. To a certain extent, we have been able to meet that challenge in the past, but for far too many students today it is not the case. And that is what brings us together today.

I do want to thank especially so many people here at Temple who made this hearing possible. We are grateful for the planning that went into this and the use of the facilities here at Temple.

I also do want to thank the new chairman of our committee, Senator Tom Harkin of Iowa, who is now the chairman of the Health, Education, Labor, and Pensions Committee after Senator Kennedy's death just recently. And we are grateful that he allows hearings like this to take place in the field back in various States around the country.

I come before you today like many of us wearing different hats. I come before you as the U.S. Senator from Pennsylvania but also as a parent with two daughters—two out of four daughters—in college and also as someone who had loans when I went to college and to law school. I have some sense of what many of our families are challenged by but probably not nearly with the same sense of difficulty and burden that a lot of families are living through today. But, I do come before you as someone who was the beneficiary of loans from the Pennsylvania Higher Education Assistance Agency in particular.

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We have today an opportunity to explore many of the challenges that our students and our families and our communities face when it comes to financing higher education.

I had the opportunity after college to be part of the Jesuit Volunteer Corps and I taught at the Jesuit school not too far from here and lived further in from Broad Street in north Philadelphia, 23d and Tioga. In that year, I became familiar with north Philadelphia as both a resident and as a teacher. A lot of the students that I taught in that fifth grade classroom had all of the talent and ability to continue their education, but many of them did not. Part of the reason for that is access to higher education is hampered—and there are impediments created—by the cost of higher education.

It has been often said over the years that education is a great equalizer, that no matter who you are, if you have an opportunity and you can finance higher education, you can achieve whatever you want in America. But, we cannot say that higher education or any degree of education becomes the great equalizer, equalizing those from different backgrounds if more of our students don't have access, especially students who are low-income and even middle-income students as well.

President Obama was also a beneficiary of student loans to finance his education over the years. President Obama has made this issue a major priority in his presidency from the very opening days and weeks of his presidency. He has spoken consistently and with an awful lot of commitment to making sure that we are not just creating opportunities for higher education, but that we are focused on at least two elements, persistence and completion, to make sure that we are doing everything possible to make opportunities available for people to finance higher education and to complete that education.

As many of you know, the Federal Pell Grant program is the largest source of grant aid for post-secondary education that is financed by the Federal Government. The average grant today, unfortunately, covers less than half of tuition at a 4-year public institution.

Just a couple of brief numbers. We will hear a lot of numbers today, but some stand out more than others.

According to recent data, only 13.1 percent of Pell Grant recipients who obtained a bachelor's degree graduated without debt. Out of all those individuals getting the benefit of a Pell Grant, only 13.1 percent have graduated without any debt. That is compared with those who have not received a Pell Grant, 49.7 percent of bachelor degree recipients who never received a Pell Grant had debt. Often it is, unfortunately, true, the lower the income, the higher the debt, and that in my judgment is unacceptable.

The Federal student aid system currently expects low-income students with exceptional financial need to assume more debt for their education than their parents earn in a year, so said a recent higher education expert in a paper that he wrote that I will cite a little later. Mark Kantorwitz of financial.org said that.

The challenge that we have is making sure that we are doing everything possible to get more and more young people access to financing for higher education. For so many of them, that will mean Pell Grants. We have to get this right and we do not have a lot of time to deliberate about this. We have to move quickly. It is possible that before the end of this year, we will be able to take a step forward on this, and that is why this hearing is so important and so timely.

I will make two more comments before we will go to our witnesses.

First of all, the period within which we are living right now is a time of horrible economic reality for so many families. We are living through a terrible recession, the worst economy in more than 50 years. There are a lot of indicators of that, a lot of manifestations of that. It is not just a very high unemployment rate, inching up near 10 percent nationally, high foreclosure rates, higher number of bankruptcies, health care costs out of control for too many families and small businesses. But in the midst of all that, we also have a challenge with regard to higher education. And if there was ever a time when we have to make sure that we concentrate our efforts and our resources on a problem, it is now because when a family is stressed because of a loss of income, wages that are flat or declining, or some other of these parts of what could only be called, as they used to call it, the "misery index," all those numbers going up that we would hope would be stabilized are going down—in the midst of that, so many families are having trouble financing higher education.

We have a lot of families out there that are already leading lives of struggle and sacrifice, and we have to do everything we can to be responsive to their concerns and to the economic realities that they face.

I was struck by so many feelings and sentiments when I was reading the testimony of our witnesses, but especially the testimony from our students when they spoke of their own challenges or their families' challenges, but also did it in a way which was full of gratitude. So many examples of students and families saying that they are grateful for the help of various loan programs, especially the Federal Pell Grant program. Even in the midst of difficulty, they are expressing gratitude for the help that they get. They also feel a tremendous sense of gratitude and responsibility for what their families do, how their families help them finance their education, how their families help them get through those difficult years of higher education. They also feel a compelling obligation to their families who have helped them finance education, helped them get through those challenging years.

And finally, let me say if there is a Pennsylvanian out there who thinks that, "well, this does not involve me, no one in my family is currently seeking higher education" and if there is a Pennsylvanian who says, "well, I did not have to struggle too much, I had enough resources, I did not have debt or no one in my family had debt"—there are few Pennsylvanians who can say that, but if they do say that, they also should be very interested in this issue because when we talk about higher education, we are not just talking about the career of one person or the life of one person or an impact on a particular family. We are literally talking about the economic destiny of Pennsylvania and America. How we do on these issues, how we confront these issues of getting more and more of our young people, especially low-income Pennsylvanians, more and more of them having access to higher education, will determine our economic destiny because the skills of our workforce in a world economy is directly linked or inextricably interconnected with how we deal with this terribly difficult challenge. Our workforce in the future and our future economy here in the State is directly impacted by how we will resolve these issues.

I am grateful that we have had an opportunity to bring together a number of students, first of all. On my left, we have three. I will introduce them, and then we will introduce the other members of our panel after that.

First of all, Jessica Taylor Piotrowski. Jessica is a doctoral candidate at the Annenberg School of Communication at the University of Pennsylvania. She completed her bachelor's and master's degrees at Penn. She grew up in northeast Philadelphia. And I understand her parents are here today. I would like to extend a warm welcome to her parents as well, if they can raise their hands. In the back. Thank you very much.

Second, Adalena Baxter is a senior at Cheyney University of Pennsylvania here in southeastern Pennsylvania. She is a first-generation college student. In addition to maintaining a 3.2 GPA as a full-time student, she has worked over 40 hours a week while attending school.

Third, D.J. Ryan, a junior at Penn State University, grew up in West Mifflin, PA in Allegheny County. He is studying communication arts and sciences with a minor in civic and community engagement and is also involved in student government.

I will introduce our other witnesses when they appear before you.

We will start with Jessica and then we will just go to your left.

STATEMENT OF JESSICA TAYLOR PIOTROWSKI, DOCTORAL CANDIDATE, ANNENBERG SCHOOL FOR COMMUNICATION, UNIVERSITY OF PENNSYLVANIA, PHILADELPHIA, PA

Ms. PIOTROWSKI. Good afternoon, and thank you, Senator Casey, for allowing me to tell my story today.

My name is Jessica Taylor Piotrowski, and I am currently a doctoral candidate at the Annenberg School for Communication at the University of Pennsylvania. I am scheduled to graduate in May. In addition to my doctoral degree, I have also completed my bachelor's and master's degrees at Penn. In other words, Penn has been my home away from home for some time now. Thanks to generous financial aid, all of those degrees have been paid for.

I have been invited here today to speak about my experiences with paying for college, and I can tell you wholeheartedly that I would not have been able to pursue higher education without the generous financial aid that I received from the University of Pennsylvania, the city of Philadelphia, the State of Pennsylvania, and the Federal Government.

To help highlight the enormous role that financial aid has played in my life, I would like to first describe a bit of my back story. I grew up in northeast Philadelphia, the oldest of six children. My upbringing was typical of a working class family. My father worked a full-time job as a carpet installer while my mother worked two part-time jobs, one as a crossing guard and the other as front-end manager in the evenings at a supermarket. Money was in short supply in our house. Each month, there was an effort for my parents to make sure that all of our bills were paid, that the children were fed and clothed, and that all other necessities were met.

Looking back, I can clearly see the many different ways my mother tried to shield her children from the financial concerns of the household, whether it be wrapping six pairs of socks separately so it looked like we had more presents on our birthday, to creating movie nights in our house with microwave popcorn, to using layaways at local stores for school supply shopping, or by shopping at the local secondhand shop for her own clothing and other household necessities. She worked very hard to ensure that her children did not feel as though they went without.

Education was always held in the highest regard in my family. Neither of my parents hold a college degree. Yet, from my earliest days, I can remember my parents telling me that I was going to college. In fact, I can remember showing my father a test in which I scored 100 and him telling me that I need to keep studying just like that if I wanted to get into a good college some day. My parents were the same with all of my siblings. I grew up in a household where high school was not viewed as an ending point, but merely a stepping stone toward bigger things. My parents would consistently tell all of us children that they did not want us to end up like them. They wanted more for us and college was how to get there.

When the time came for me to apply to colleges, I had already figured out where I wanted to go, the University of Pennsylvania. I remember telling my parents this and I remember seeing the color drain from their faces. They were barely making ends meet at the time and I was choosing to apply to an Ivy League University. The idea of how to afford college was new to all of us, but I kept telling them I would figure out a way. I spent time working with my high school physics teacher, as well as my guidance counselor, and they helped me figure out how to navigate the often complex world of financial aid applications.

So, I began applying. While I nervously waited to find out whether or not Penn would accept me, I gathered papers and forms and I read and read. My parents and I sat at the kitchen table pouring over tax documents, paper FAFSA forms, and more. We called help lines numerous times as we tried to figure out how to handle my father's self-employment status, and we wrote letters explaining our family situation.

And then it happened. I remember the day so well that it brings tears to my eyes as I think about it. I met the mailman outside of my house and I saw the thick package he had in his hand. I knew it was for me. I tore it open and read the first line, "Congratulations!" And that was it. I was accepted to one of the best schools in the country. My parents were screaming. I was screaming and then the moment of reality hit. Money. How were we going to pay for it?

There in black and white was a letter saying that all of my financial needs had been met. With thanks from Federal grants, State grants, and a city scholarship, I would be able to attend Penn. I think it was at that point when my mom just started crying. At that time, at that young age, excitement was my main emotion. I only now realize just how important that financial aid package was for me. If it was not for the financial aid I was awarded, there would have been no way I could have attended the university. I would have missed out on an incredible education, an education that fueled my desire to pursue graduate school. I would not be who I am today, a young woman pursuing a doctoral degree at one of the top communication schools in our country.

Of course, after me, there were a lot of other children still coming, and the same financial concerns arose with each one. Of my five siblings, four have elected to pursue higher education at local universities, Penn, Holy Family, Temple, and Manor, while the other sibling elected to pursue vocational training. In each case, for each year there are many financial aid applications. This past year, I helped my parents complete four FAFSA applications, and all of my siblings are benefiting from the aid.

While not all of them have received as generous of a financial aid package as I did, all of them received some type of Federal and State aid to help them pursue their study of choice. In order to maximize financial aid, they all elected to attend schools in the Philadelphia area. Thankfully, we live in an area where so many incredible schools are right in our own back yard.

My sister will be graduating from Holy Family University this year with a degree in education. If you met my sister, you would quickly realize that education is the perfect field for her. Her personality, her patience, her overall demeanor—it just fits. And it is only through financial aid packages that she is able to make her dreams a reality.

I grew up in a modest home with modest surroundings, but with a family full of love and with parents who had a belief that education is the only way to achieve your dreams. If they could have afforded higher education for my siblings and I, they would have. But that simply was not a reality for them. As I know they are, I am so thankful that there were financial aid resources available that have allowed me and my siblings to reach for our dreams.

Congress is considering increasing Federal grant aid. I am wholeheartedly in support of that plan. First, more grant aid will inspire confidence in students from modest means that there is a way to pay for college. And second, more grant aid will mean that these students will not have to pay for school on credit, which is costly to repay and risky for students who have little financial safety net if they cannot repay for any reason. I strongly support any initiatives that will help others do the same because like my parents, I truly agree that higher education is the key to incredible achievements.

Thank you. I would be happy to answer any questions.

Senator CASEY. Thanks, Jessica.

[Applause.]

Next, Adalena.

STATEMENT OF ADALENA BAXTER, STUDENT, CHEYNEY UNIVERSITY, PHILADELPHIA, PA

Ms. BAXTER. Good afternoon, Senator Casey, distinguished guests, and fellow students. Hello. My name is Adalena Baxter and I am a senior at Cheyney University pursuing a psychology degree.

As a first-generation college student, I must say that I am proud to have come this far, especially with the adversity that I faced along the way. Before entering college, my main concern was finding enough financial support to attend the college of my choice. Thankfully, I was able to receive Pell and PHEAA grants and take out loans to cover the remaining balance.

While I am extremely grateful to have access to those funding sources, I am concerned that the funding will not be enough to compete with the rising cost of tuition and other expenses that have come with being a hard-working college student.

Currently I am a work-study student at Cheyney University in the Office of the President, but I have often held two jobs to help keep up with the rising costs of education. I have found it difficult to maintain a 3.2 GPA as a full-time student while working over 40 hours a week with two jobs just to buy books and other necessary related school expenses.

Unfortunately, prices rarely go down and stay down, especially not higher education. In particular, the rising cost of tuition and books alone—it would only seem logical that Pell Grants would increase as well to accommodate these rising costs.

In the country that we live in, gas prices and the cost of living are constantly on the rise, and to accommodate those increases over the years, wages and even minimum wage have risen to meet these needs.

Having access to financial aid has allowed me to attend college and continue education in hopes of bettering myself and eventually giving back to my community. However, I believe that it is imperative to raise the Pell Grant level to allow students to remain in school and to match the rising cost of education.

Thank you very much for your time.

[Applause.]

Senator CASEY. Thank you, Adalena.

D.J. Ryan is next.

STATEMENT OF D.J. RYAN, STUDENT, PENNSYLVANIA STATE UNIVERSITY, STATE COLLEGE, PENNSYLVANIA

Mr. RYAN. Good afternoon, everyone. Thank you for inviting me to testify here today and share my story. I commend Senator Casey for recognizing the importance of college access and affordability and the necessity of expanding the Pell Grant program.

My name is D.J. Ryan and I am a 20-year-old junior at Pennsylvania State University. I am a resident of West Mifflin, PA in Allegheny County. My mother works as a secretary at Jefferson Regional Medical Center, and my father has not been able to work for some time due to his health. I have an older half-sister who attended some college, but I will be the first in my extended family to obtain a bachelor's degree.

I am currently studying communication arts and sciences with a minor in civic and community engagement. I am also involved in student government and currently hold a position as the Governmental Affairs Director for the Pennsylvania State University Council of Commonwealth Student Governments, an organization representing over 33,000 students at Penn State's 19 commonwealth campuses.

My parents always had the intention of sending me to college. I had a college fund set up several times, only to see it used on several different occasions to keep my family financially afloat. The first time my college fund was used up was when my father injured his back and required two surgeries to fix it. The second time was when he developed heart problems which required even more medical care and surgery. My mother's salary was not enough to cover our living expenses, let alone sending me to college.

My family made a decision to open our own business, a take-out restaurant, in the fall of 2007. My mother works her day job and then goes to our shop to work during the night. I spend the time coordinating the marketing and advertising from my apartment in State College, and my father helps out when his health allows, doing administrative work. Since I started attending school, it has been an increasingly difficult task to keep things moving. My family has been struggling with the business and financing my education, and I fear we will soon be forced to choose between the two.

During my freshman year, I attended Penn State's Altoona campus where I received a small number of academic scholarships, additional funds from State grants, and even more aid in the form of Federal Pell Grants. This aid was a phenomenal form of assistance, and it is the primary reason I was able to attend school. However, with the increasingly high cost of college, I took out both subsidized and unsubsidized Federal loans. My parents took out personal loans as well.

I changed campuses to Penn State Greater Allegheny in McKeesport, PA during my sophomore year in order to be able to commute from home and save money. Although I did enjoy Penn State-Altoona and the thought of living on my own, the burden on both my family's finances and mine was too much to bear.

While at Greater Allegheny, I received an academic scholarship to continue my education. This, combined with my Federal Pell Grants, was enough to cover school for my sophomore year. I consider myself very lucky because scholarships are very hard to come by, especially in times where everyone has an extra financial burden on their shoulders.

The biggest problem for me has not even been with the actual payment of tuition, but with the other costs associated with college. On-campus living is high demand at Penn State and is considerably expensive. I chose to live off campus in an apartment I share with three friends. I must worry about paying the rent, nearly $5,000 for the year. Also, meal plans are not a reasonable idea unless one lives on campus. I have to buy food, put gas in my car, and deal with all the other day-to-day living expenses that any person living on their own would have.

I think the biggest problem with college costs is that many times people do not realize how many extra expenses there are when sending a child to college. It is not just tuition and books. To cover these extra costs, I obtained a job through the Federal work-study program. I work nearly the maximum of 20 hours each week in addition to my full-time school schedule and extracurricular activities. All these things put together with out out-of-class studying time required of a student means that I have little to no free time to do anything on my own. But I have been able to manage so far, even though many other students I know have not been able to juggle everything they need in order to pay for school.

After I complete my degree, I want to pursue a career in college student affairs working specifically with extracurricular activities. For most positions in that field, a master's degree is mandatory. Then the cycle begins all over again. More FAFSA applications will need to be filled out to obtain more State and Federal grants, and then more student loans will be applied for. At the end of what will be at least 6 years of college, I will have taken out student loans in excess of $20,000, not including the loans my parents have taken out. I will begin repaying these after graduate school, about the same time I should be saving to start my life. The starting salary for the position I want is not high, and I clearly cannot rely on a family safety net in the event that I will not be able to repay my loans later on.

The scenario I will face is simply unfair. Coming from the background that I come from, I would have liked to have avoided loans altogether. And as an aspiring college administrator, I would love to see college students spend their time worrying about the hard classes and not worrying about how hard it is to pay for it.

I want to take a moment to reemphasize the significant contribution that Federal Pell Grants have made on my educational career. So far, I have received $9,671 in Pell Grants during my 3 years of college. Receiving the Pell Grant has been one of the main factors in allowing me to continue my college education on to graduation. If I had even more grant aid, I would be graduating with even less debt. I cannot think of a better vote of confidence that the Federal Government can give to aspiring students everywhere than to boost scholarship aid.

Thank you for the opportunity. I will be glad to answer any questions.

Senator CASEY. Thanks so much, D.J.

[Applause.]

Just a few questions and one observation first. What is striking about your testimony, all three of you, when I read it and when I heard it again, was a couple of problems we highlighted earlier: lots of work hours. I mean, 40 hours and going to school cannot be easy. That is a difficult assignment.

Second, one question that keeps coming up in these contexts is out-of-pocket costs. By one measurement, out-of-pocket, meaning the net between—after you subtract the grant dollars—out-of-pocket costs represent—this is a national number for those families that have someone financing higher education. Out-of-pocket costs represent 61.3 percent of total income for low-income families earning less than $50,000 a year. If you go up a little bit higher on the income scale between $50,000 and $100,000 in income for those families financing higher education, just a little less than 23 percent of total income. You can see just by that data how difficult it is for low-income families to afford not just the tuition at a school but also the out-of-pocket costs that go with it.

Any of the three of you want to comment on out-of-pocket costs or anything else about something you did not cover or we did not cover earlier?

Ms. PIOTROWSKI. I could speak a little bit to out-of-pocket costs. What is great about the university that I attended is that they actually did factor in some out-of-pocket costs in your overall package. That being said, the amount of money we spend between books—books each semester alone—I do not think anyone is aware of how much college students spend for books.

Senator CASEY. I am a little bit familiar.

[Laughter.]

Ms. PIOTROWSKI. It is unbelievable.

The other area is—I can tell you personally—I obtained a residential advisor position on campus so I could live on campus for free in the dorm because of the costs associated with living in a dorm. And that package also allowed me to have a free dining plan on campus. That is the only reason that was possible for me.

One of my sisters is actually a student here at Temple now, and I know how much out-of-pocket we are paying so that she can live here because it is easier for her to attend classes. Then you factor the cost of living on campus, books, eating on campus, and then students have other smaller expenses that do add up, and when you are talking about coming from a low-income family, where you have been responsible for those expenses all along as a high schooler, they do add up as well. Sometimes it is easy to look at the tuition amount and say that is how much it costs for school, but that is not true. It costs a lot more to attend college than people sometimes think.

Senator CASEY. Thank you, Jessica.

D.J., do you have something?

Mr. RYAN. I think that is a very accurate assessment of the situation that I am facing as well. I mean, the nice thing about being able to receive aid is the fact that I take out a very high amount of loan dollars, and that money goes toward the general living expenses, my books, and things like that. Now that that loan money is dwindling because my expenses increased, I am having a little more trouble, but when I first move in, the purchase of books and all the supplies that you need to have in your own apartment—this is the first time in a while I have lived away from home—those expenses are covered by loan dollars, but I still have to pay those back when I am done with school. It is just money now that I have to give back later.

Senator CASEY. And Adalena?

Ms. BAXTER. I would just like to also add that with the high cost of books, there are also papers that you have to write, and when you want good research literature, it costs. Working to buy those books and other necessary expenses that you absolutely need as a college student, gas prices, they are always fluctuating but they are high. And when you are trying to, I guess, accommodate those costs, I guess it can be a bit overwhelming with other just miscellaneous expenses.

Ms. PIOTROWSKI. One brief story, if you do not mind, that I would like to highlight——

Senator CASEY. Sure.

Ms. PIOTROWSKI [continuing]. To give you an example of some of the frustrations.

My youngest sister is, as I mentioned, a student here at Temple, and she is a freshman. She called me a couple weeks ago. She is having a very hard time in her one history course. It is a very tough course. I had asked her how she was studying. She said that because she is trying to make sure she can sell back her textbooks, she does not want to highlight in them or take notes in the books. And I said to her that is not a choice you need to make. I said to her I will help you anyway I can. My husband will help you anyway he can. You highlight in that book. You take notes in that book. You do whatever you can to learn the content. That sort of choice that a student has to make, saying "I need to sell back the book, should I take notes in it," is an unfair choice for an undergraduate to have to make.

Senator CASEY. That is a good observation. It is hard to learn it if you cannot provide that kind of note-taking and those opportunities.

Well, we are going to try to move because we have other panelists, but you are welcome to stay as long as you can. Jessica, I know you said you might have to leave early, but you can stay for as long as you can or want. We are grateful for your testimony because you are giving us an insight into what it is to be a college student today who is trying to finance their education and has had to work a lot of hours just to make ends meet. We are grateful for your testimony.

We will move to our second panel. We have four more individuals and we will try to do a little shift right now.

As they are transitioning, let me make a note that we have a representative from Congressman Brady's office. He was here. Thank you very much. I appreciate your being here.

We will do a quick transition here. I do not have any commercials, so we will do it as quickly as we can.

I will begin to introduce. I know we have three more individuals after Clarita. Clarita Anderman Krall is an administrative assistant at the Eastern Pennsylvania Conference of the United Methodist Church and resides in Philadelphia. Her husband is a member of the clergy, and she has five children. The oldest began college 15 years ago and her youngest started his third year of college this fall.

Ms. KRALL. And he is here.

Senator CASEY. He is here. Can you point him out?

Ms. KRALL. There he is.

Senator CASEY. OK. He is in the back.

Well, you must be happy, Clarita, that you are getting to the end of that educational road.

Ms. KRALL. Yes, I am.

Senator CASEY. I cannot even imagine because I am not quite at the midpoint of that as a parent.

We are grateful you are here and look forward to your testimony.

STATEMENT OF CLARITA ANDERMAN KRALL, PARENT AND ADMINISTRATIVE ASSISTANT, EASTERN PENNSYLVANIA CONFERENCE OF THE UNITED METHODIST CHURCH, PHILADELPHIA, PA

Ms. KRALL. I am glad to be here.

I am honored to be able to share with you today some highlights from the written testimony that I submitted regarding how my family has been able to see our five children through college.

To give some context, my testimony begins with a description of my family as being middle class and as valuing higher education. It shows our income levels in 1995 when our oldest began college and we were a family of seven and last year's when our youngest finished his first year of college and started his second and we had become a family of three.

My husband and I both hold undergraduate degrees and my husband holds a master's. We began our marriage 39 years ago with our own student debt. Since my husband's graduation from seminary in 1976, he has served in full-time appointments as a pastor in the United Methodist Churches. For these past 33 years, we have lived in church-owned residences and have not had the encumbrance of a mortgage. By the same token, we do not now have any equity in a home.

Our oldest child graduated from a public university. Her education was financed with grants from PHEAA, financial aid, scholarships, student loans, and her work as a resident assistant. During her first year, we made payments in the amount of $500 per month on an installment plan offered by the university. We did not have to take out any parent loans.

Our second child attended a State university and financed his education through PHEAA grants, student loans, and his savings from summer work. We did not have to take out any parent loans.

When our third child transferred from a public university in Pennsylvania to a State college in a non-bordering State for his sophomore year, we took out a parent loan for $4,000. That year his PHEAA grant dropped to an amount that was barely enough to buy a textbook per semester. Still, this was not unmanageable.

Our fourth child decided to attend a small private college in Pennsylvania. With contributions from PHEAA, scholarship assistance, and student loans, we took a parent loan for $4,000 to make final payments on her freshman year. When she was unable to secure a resident assistant position, she transferred to a less expensive public university. Not wanting to saddle us with further parent loans, she took a full-time job at a movie theater and worked nights while she carried a full load of courses during the day until she graduated in 2008.

Our youngest, who is here, who is currently in his third post-high school year, enrolled first in a private university in a bordering State. There was no PHEAA assistance with his bill. After some financial aid, scholarship assistance, and the maximum student loans available to him, we borrowed almost $16,000 to pay for his first year. For his second year, he transferred back to Pennsylvania to a public university, for which we borrowed another almost $7,000. This year, with taking the maximum student loans and paying one-third of the bill from his own earnings at a part-time job, we are paying the remaining two-thirds of the bill, with the final payment of $3,000 due tomorrow.

This student's transfer cost him almost a full year of credits, and he will need to pay for a fifth year of tuition in order to receive a 4-year degree.

Within 2 years or so, my husband will probably retire at age 66. We are now facing the situation of having to find affordable housing for our retirement years and to be approved for a first-time mortgage late in life.

In conclusion, while we feel very good about having been able to see these offspring through their college years, from a realistic point of view, we do not believe that it would have been a prudent decision for any of our five children to choose a 4-year undergraduate education at a private college or university. Though two of our five children tried to, neither continued past their first year. Had each of them on their own not chosen to leave the private setting, we as parents would be facing a considerably larger debt than we have now.

I am ready for your questions.

[The prepared statement of Ms. Krall follows:]

PREPARED STATEMENT OF CLARITA ANDERMAN KRALL

To give my story a context, I would introduce my family as being of middle-class status. My husband is a clergyman. He holds a Bachelor of Arts degree from Lycoming College in Williamsport, PA and a Master of Divinity from the School of Theology at Boston University. For the past 33 years of my husband's working life in the ministry of The United Methodist Church, we have lived in church-owned residences. I am employed in an administrative assistant position for a non-profit. I also hold a Bachelor of Arts degree from Lycoming College. After working on and off at part-time jobs when our oldest children were young, I went back to work full-time in 1994. That is the year that our oldest started college. In 1995, our joint income for our family of seven was $49,140. Last year, our joint income for our family of three was $70,637.

This year, our baby, Child #5, started his third year of college. Unfortunately for us, as each child has "flown the coop," the evaluation by financial aid assessors has deemed that the family contribution should increase.

Fifteen years ago, when our oldest began college, with a Pennsylvania Higher Education Assistance Agency (PHEAA) grant and other financial aid, scholarships, grants and student loans she received from various sources, our parent contribution was approximately $500 per month, and we paid that on a payment plan offered by the university. While she, herself, did borrow the maximum amount available to her as a student, we, as parents, did not have to take out a parent loan. Her tuition costs were manageable because she attended a public university. Her second year was easier for us as she served as a Resident Assistant, thus cutting the cost of her housing which was included as part of her remuneration.

As Child #1 began her senior year, our second child enrolled in a Pennsylvania State university. Again, with two in college and three still at home, Child #2's financial aid package, including student-assumed loans, was significant enough that, added to his own personal savings from a lucrative summer job in a union warehouse, we were spared from having to take out a parent loan. We got through the second child's 4-year education with no parent loans.

Child #3 chose to enroll in a public university. A PHEAA grant, plus the university's financial aid was sufficient, with student-assumed loans, to prevent us, as parents from having to take parent loans. That was a pretty good situation, but it was soon to change for us when he decided to transfer to a State college in a non-bordering State for his second year, and the expected contribution for our family, now a family of 5 rather than 7 (as the oldest two had by now received their undergraduate degrees), was now increased. For his second year of studies, the financial award received by #3 from PHEAA was reduced to an amount for each semester that was not enough to cover the cost of one textbook. Now we were looking at not only student loans, but parent loans. Still, the parent loans we incurred were modest at a total of $4,000 by the time he received his degree from an out-of-state State college.

Child #4 started her college career the year that #3 started his 4th year. She decided to attend a small, private college in Pennsylvania. With contributions from PHEAA, financial aid and scholarship assistance from the college, and a student loan, we parents still had to take out a parent loan in the amount of $4,000. When Child #4 was not selected for a Resident Advisor position, she decided to transfer to a less expensive public university so that neither she nor us, her parents, would be strapped with more loans than absolutely necessary. In order to finish her degree and to keep us, "the old folks," from incurring more debt, this child worked a full-time job while carrying a full-time academic course load. Her college experience was not what you think of as being typical. It was not very much of a social experience at all, and she may very well be the better for it. Her social life was made up more of friends she had from her job than from friends she made at college. She did manage to do a study abroad semester in Rome which was probably closer to being the typical college life experience than the semesters when she was working full-time.

Child #5 began his first year of college as #4 began her fourth year. No. 5 decided to go to a private university in a bordering State. There was no PHEAA grant at all to assist with his costs. To pay for his first year, he received some financial aid and scholarship from the university, took out the maximum student loan allowable, and we, his parents, borrowed the remainder—$15,678—for 1 year. At the end of a successful academic first year, he made the practical decision to transfer to a public Pennsylvania university to lessen the cost of his education.

Back in Pennsylvania for his second year of college, a much more affordable year than his first, his bill was paid with very minimal financial assistance, none of which was received from PHEAA, with the maximum student loan and with a parent loan of $6,717—less than half the loan amount of the previous year.

This year, so far, with his taking the maximum student loan, we are assisting him in paying the balance owed. He is paying approximately one-third using money he earns as a server at a popular restaurant and we are paying the remaining two-thirds. The final payment of $3,038 is due tomorrow.

This situation will probably continue for another 2½ years as Child #5 lost a good number of credits which were not transferable when he left the first, very costly, out-of-state university to continue his education at a Pennsylvania institution. His 4-year degree program is going to take 5 years to complete, costing a year's worth of tuition more than what it should.

My testimony is not meant to complain, but is meant simply to share my family's experience. We feel very fortunate to have seen these 5 offspring through their years of undergraduate work. The oldest two have since completed Master's degrees at their own expense. No. 3 is working on his, No. 4 is planning for hers, and No. 5 takes his plans to complete his master's degree for granted.

However, now that we have accomplished, for the most part, our children's educations, my husband and I are facing his probable retirement at age 66 in about 2 years. We have reached this stage in our lives, having assisted in seeing our children through their educations, but without having equity in a home of our own. We have been fortunate, on one hand, to have had our housing provided as part of my husband's compensation package, but the drawback is that we have not been able to build up any equity in a home. We are now facing the situation of having to be approved for a mortgage late in life, to then find affordable housing for retirement years, and to continue to work at paying off the educational debt we have incurred.

In conclusion, though both my husband and I had the privilege to receive our own undergraduate educations in a small, private Pennsylvania college, and know that experience to be unique in its own way, from a realistic point of view, taking into consideration our family's financial situation, we do not believe that it would have been a prudent decision for any of our five children to choose a 4-year undergraduate education at a private college or university. Though two of our five children tried to, neither continued past their first year. Truthfully, had each of them, on their own, not chosen to leave the private setting, we, the parents, would be facing a considerably larger debt than we have. Private education did not seem to us to be a choice our family could afford to make.

Senator CASEY. Clarita, thanks very much. You give real meaning, by way of your testimony, to what it means to have the challenge of paying for higher education in the context of a family where it involves not just the student but also the entire family. Your testimony reminds us of that today.

In particular, over those years, what was the biggest challenge? Just being to make ends meet with every child?

Ms. KRALL. Just being able to sleep at night thinking that somehow it will get all paid back.

Senator CASEY. And you were talking about how—in your testimony, the early part of it, you make reference that your joint income in 1995 for a family of seven was $49,000.

Ms. KRALL. Correct.

Senator CASEY. Now you have a higher income, but I am not sure it has increased at the rate of incomes across the board, just a little more than $70,000. And you are on your fifth child with education?

Ms. KRALL. Yes, that is right.

Senator CASEY. Anything else that you want to tell us about how you think Federal policy or State policy should change to help a family like yours if they're facing similar circumstances? You are an expert now. It is not an expertise I know you wanted.

Ms. KRALL. I do not really know what to add. I feel very grateful for what we have, and I know somehow we are going to be OK. I do not feel that it has been as hard for us as it may have been for people with less income or more children. I feel grateful for what we have been able to use in terms of loans that have been subsidized with interest rates that do not move around and that kind of thing.

Senator CASEY. So when your son finishes college, it will be time for celebration.

Ms. KRALL. It will be.

Senator CASEY. Thanks so much for your testimony.

Ms. KRALL. Thank you.

Senator CASEY. Appreciate it.

Now we will move to our final three witnesses, and I will begin to introduce them as they take their seats. Dr. Laura Perna will start us off. She is an Associate Professor at the University of Pennsylvania where she received an undergraduate degree in psychology, as well as an economics degree from the Wharton School. She completed her master's in public policy and a Ph.D. in education at the University of Michigan. Dr. Perna, thank you for being here.

Dr. Andrew Gillen is the Research Director for the Center for College Affordability and Productivity in Washington. He received his bachelor's degree from Ohio University and his Ph.D. in economics from Florida State University. Doctor, thank you for being with us today.

And finally, Anthony E. Wagner. I know him, so I can call him Tony. Tony is the Senior Vice President and Chief Financial Officer and Treasurer here at Temple University. We are grateful to Temple again for hosting us here. Tony is a native of Chambersburg, PA, graduated from Penn State after serving his country in the U.S. Navy. He has a distinguished career in government, including serving as Deputy State Treasurer for Investments and Programs in the Pennsylvania Treasury Department. That is where we worked together, in the interest of full disclosure, as they say. He has been at Temple since 2007. Tony, we are grateful you are here, and thanks for having us here today.

Mr. WAGNER. Thank you, Senator.

Senator CASEY. Doctor, you may start.

STATEMENT OF LAURA W. PERNA, Ph.D., ASSOCIATE PROFESSOR, UNIVERSITY OF PENNSYLVANIA, GRADUATE SCHOOL OF EDUCATION

Ms. PERNA. Thank you. Thank you very much for having me here today, Senator.

Senator CASEY. Sure.

Ms. PERNA. I am really pleased to have the opportunity to talk on this really critically important topic. I commend your efforts to raise the maximum Pell Grant, ensure future growth in the maximum Pell Grant, and fully fund the Pell Grant.

In my remarks, I would also like to urge you to support efforts to simplify the process for receiving financial aid and also to increase knowledge about the availability of aid.

I am going to speak from the point of the data and the research, and these data largely contextualize the stories that we have heard so far.

As you articulated, Senator, post-secondary education is increasingly important to the well-being of individuals and society. As we shift from an industrial economy to an information- and knowledge-driven economy, we need to have higher levels of education. If we look at demographic trends, we also see the increasing need for more people to have higher levels of education.

Although increasingly important, the United States is losing ground in its educational attainment compared to that of other nations. President Obama has recognized the importance to do better with regard to educational attainment. Nonetheless, achieving the required levels of education require a whole lot of effort. We not only need to increase the overall levels of educational attainment, but we also need to reduce the substantial gaps that exist across groups in educational attainment. These gaps exist largely on family income, race/ethnicity, and other demographic factors.

Clearly, insufficient financial resources limit educational attainment for a substantial number of individuals. Money clearly matters. Research consistently shows a positive relationship between family income and a whole host of college-related outcomes.

Known as the foundation of our Nation's student financial aid system, Pell Grants have long played a critical role in addressing the financial barriers that limit educational attainment for students from low- and moderate-income families.

Research also documents the importance of need-based grants like Pell Grants to promoting college enrollment, and this research shows that these grants are particularly effective in helping to reduce the gaps in college attainment for low-income families and African-American families.

Nonetheless, as you mentioned, the effectiveness of the Pell Grant has been diminished over time because of the decline in the purchasing power.

Both the availability of Pell Grants and the emphasis of Pell Grants on awarding aid based on financial need is also increasingly important, given trends in the criteria for receiving other financial aid. For example, the share of State grant money that is available nationwide that is being awarded based on criteria other than financial need, namely academic criteria, has been increasing substantially over the past 2 decades. Awarding financial aid based on academic merit raises troubling questions for equity as we know these traditional measures of academic attainment positively correlate with family income. In other words, students who are disproportionately low-income, black, and Hispanic are less likely to receive these nonneed-based forms of aid.

Although research shows the importance of grant aid to students' college enrollment, as we heard already, available aid is now typically insufficient to meet 100 percent of students' financial needs. As a result, more and more students are borrowing and working to pay college costs. Borrowing certainly pays off for most students, especially those who are able to complete their degrees and obtain jobs that allow them to repay their loans.

Nonetheless, the need to borrow to pay college prices has important negative consequences for a number of students. For example, the emphasis of the U.S. financial aid system on loans limits college opportunity for those who are unwilling or unable to take on debt. Blacks and Hispanics have been found to be less willing to borrow than whites, and students from low-income families are less willing to borrow than higher-income families.

A second worry with regard to loans pertains to the negative consequences of borrowing when you do not finish your educational programs. So again, most people are able to borrow successfully, but a substantial share of students who borrow do not complete their programs but they still have their educational debt to repay.

In addition, as we heard, more and more students are working to pay college prices. Nationwide about 1 in 10 undergraduates who are under the age of 25 and enrolled full-time is working at least 35 hours per week. Research consistently shows that working off campus and working more than 15 hours per week, as substantial percentages of students are now doing, reduces the likelihood of persisting to degree completion. Moreover, working off campus and more than 15 hours per week also increases the length of time to a degree and consequently increases both the direct costs and the opportunity costs of attaining that degree.

In terms of recommendations, increasing the maximum Pell Grant and fully funding the Pell Grant will help to ensure that students from low- and moderate-income families have the financial resources that are needed to pay college prices and help to reduce the potential negative consequences of borrowing and working.

In addition, I would like to urge you to support efforts to simplify the process for applying for Federal aid. A substantial number of students who are eligible for Pell Grants, for example, fail to complete the FAFSA thereby foregoing need-based aid for which they are eligible.

I also urge you to support efforts to improve knowledge and information about the availability of Pell Grants and other financial aid. Currently students do not learn about the amount of need-based aid that they will receive until they have taken a number of steps, including applying for admission as a student, submitting a financial aid application, and receiving a response from a college or university. Increasing knowledge and information about available aid may improve educational attainment directly by ensuring that more eligible students apply for the available aid and receive that aid. In addition, these efforts may improve educational attainment indirectly. For example, when high school students know that financial aid and other resources are available to help pay for college, they will be more likely to engage in the types of behaviors that we know are required to enroll and succeed in college, including having high aspirations for high levels of education and becoming adequately academically prepared.

Thank you.

[The prepared statement of Ms. Perna follows:]

PREPARED STATEMENT OF LAURA W. PERNA, PH.D.

THE IMPORTANCE OF PELL GRANTS TO IMPROVING HIGHER EDUCATION ATTAINMENT

Thank you for the opportunity to offer testimony on the role of Pell grants in promoting higher education attainment. Pell grants clearly play a critical role in promoting educational attainment. Therefore, I urge you to support efforts to raise the maximum Pell grant, ensure future growth in the maximum Pell grant over time, and ensure full funding for Pell grants. I also urge you to support efforts to simplify the process for receiving this aid and increase knowledge of the availability of this aid.

THE UNITED STATES MUST RAISE EDUCATIONAL ATTAINMENT

Postsecondary education is increasingly important to the Nation's, and Pennsylvania's, continued economic prosperity and global competitiveness, given the shift from an industrial economy to an information and technology-driven economy (Advisory Committee on Student Financial Assistance, 2006; Carnevale & Desrochers, 2003). New jobs increasingly require at least some post-secondary education and the educational requirements of all jobs, including those that once required no more than a high school education, have been rising (Carnevale & Desrochers, 2003).

Projected demographic trends suggest that the demand for college-educated workers will continue to increase in the near future. Over the next 20 years, babyboomers will retire from the labor force, resulting in a substantial shortage of workers, especially workers with the most education and experience (Carnevale & Desrochers, 2003). Although the total number of high school graduates nationwide is projected to increase between 2001–2002 and 2018–2019 (Western Interstate Commission for Higher Education, 2008), this growth will likely be insufficient to meet labor market demands. Carnevale and Desrochers (2003) estimate that, in 2020, the demand will exceed the supply by 20 million for workers overall, and by 14 million for workers with at least some college education.

Although increasingly important, the United States is losing ground in the educational attainment of its population (Baum & Ma, 2007; National Center for Public Policy and Higher Education, 2008a). The educational attainment of the U.S.-adult population has increased over time, as 28 percent of adults age 25 and older in the United States held at least a bachelor's degree in 2006, up from 26 percent in 2000 and 21 percent in 1990 (Baum & Ma, 2007). But, other nations are increasing the educational attainment of their populations at a faster rate (National Center for Public Policy and Higher Education, 2006). The share of the 25- to 34-year old population that has completed at least an associate's degree is now lower in the United States than in a number of other developed nations, including Canada, Japan, Korea, New Zealand, Ireland, Belgium, Norway, France, and Denmark (National Center for Public Policy and Higher Education, 2008a). In Pennsylvania, the percentage of adults age 25- to 34- who hold at least an associate's degree is lower than in Canada, Japan, Korea, and New Zealand (National Center for Public Policy and Higher Education, 2008b).

Recognizing these trends, President Barack Obama has articulated an ambitious but critical goal: "By 2020, America will once again have the highest proportion of college graduates in the world." Achieving this goal will require not only raising the overall educational attainment of the U.S. population but also reducing persisting gaps in educational attainment based on family income, race/ethnicity, and other demographic characteristics.

Since the mid-1980s, college enrollment rates have been between 25 and 30 percentage points lower for high school graduates in the lowest family income quintile than for those in the highest (Baum & Ma, 2007). Even after controlling for academic ability, educational attainment rates continue to be substantially lower for students with the lowest than highest socioeconomic status (Baum & Ma, 2007). Only 29 percent of 1992 high school graduates with the lowest socioeconomic status and highest test scores had attained at least a bachelor's degree by 2000, compared with 74 percent of those with the highest SES and highest test scores (Baum & Ma, 2007).

Mirroring national patterns, Pennsylvania also suffers from persisting gaps in measures of college preparation, participation, and degree completion based on race/ethnicity, family income, and other demographic characteristics. For example, in Pennsylvania, only 13 percent of Hispanics and 15 percent of Blacks between the ages of 25 and 64 have earned at least a bachelor's degree, compared with 30 percent of Whites (National Center for Public Policy and Higher Education, 2008b).

INSUFFICIENT FINANCIAL RESOURCES LIMIT EDUCATIONAL ATTAINMENT

Although other forces also play a role (Perna, 2006), insufficient financial resources continue to limit educational attainment for a substantial number of individuals. The Advisory Committee on Student Financial Assistance (2006) estimates that, between 2000 and 2010, 1.4 million to 2.4 million students from low- and middle-income families will be academically qualified for college but will not complete a bachelor's degree because of financial barriers. Money clearly matters, as research consistently shows a positive relationship between family income and such outcomes as number of college applications submitted, enrollment in a 2-year or 4-year institution, and a number of years of schooling completed (Ellwood & Kane, 2000; Hofferth, Boisjoly, & Duncan, 1998; Kane, 1999; Perna, 2000).

Known as the "foundation" of our Nation's student financial aid system (College Board, 2008), Pell grants have played a critical role in addressing the financial barriers that limit educational attainment for students from low- and moderate-income families. Over the past decade, the number of Pell recipients rose by 46 percent, increasing from 3.7 million in 1997–1998 to 5.4 million in 2007–2008 (College Board, 2008). Reflecting the emphasis of Pell eligibility criteria on financial need, two-thirds of all dependent students who received Pell grants in 2007–2008 came from families with incomes below $30,000 (College Board, 2008). Research consistently shows that need-based grants—like Pell grants—promote college enrollment, particularly for students from low-income families and Black students (Kane, 1999; Perna & Titus, 2004; St. John ET al., 2004).

Nonetheless, the effectiveness of the Pell grant has been diminished by the decline in its purchasing power. Although Federal spending on Pell grants increased in constant dollars by 75 percent over the past decade (from $8.2 billion in 1997–1998 to $14.4 billion in 2007), so too have college prices. The maximum Pell Grant covered only 32 percent of average total tuition and fees at public 4-year colleges and universities nationwide in 2007–2008, down from 50 percent in 1987–1988 (College Board, 2008).

The emphasis of Pell on awarding aid based on students' financial need is increasingly important, given trends in criteria for other types of aid. The share of State financial aid awarded based on criteria other than financial need increased substantially over the past two decades, rising from 17 percent in 1987–1988 to 28 percent in 2006–2007 (College Board, 2008). Looked at another way, between 1996–1997 and 2006–2007, the amount of non-need-based State grant aid awarded to undergraduates increased in constant dollars by 250 percent, while the amount of need-based State grant aid increased by only 58 percent (NASSGAP, 2008). Awarding financial aid based on academic merit raises troubling questions for equity, as, by definition, students with lower average levels of academic achievement, i.e., students who are disproportionately from low-income families, Black, and Hispanic) are less likely than other students to receive merit-based aid (Heller & Marin, 2002). Moreover, research shows that grant aid that is awarded based on financial need has a larger positive effect than grant aid that is awarded based on non-need criteria (St. John ET al., 2004).

INCREASED FUNDING FOR PELL GRANTS HAS MANY BENEFITS TO EDUCATIONAL ATTAINMENT

Although research shows the importance of grant aid to students' college enrollment, available aid is now typically insufficient to meet 100 percent of financial need for all students (Choy & Berker, 2003). In 1999–2000, about half of all full-time, full-year dependent undergraduates nationwide had some amount of unmet financial need (defined as a student's expected family contribution less all financial aid, including grants and loans), regardless of the type of institution attended (Choy & Berker, 2003). Moreover, unmet financial need is especially common among undergraduates from lower and lower middle-income families (Choy & Berker, 2003).

Most students, especially those from low- and middle-income families, are not able to cover their unmet financial need from current income or savings. As a result, when funding from Pell grants and other grants is insufficient, students typically use two mechanisms to pay these costs: loans and employment. Numerous indicators describe the pervasiveness of loans. For example, between 1997–1998 and 2007–2008, total education loans (including subsidized and unsubsidized Federal Stafford loans, PLUS loans, and non-Federal loans) increased by more than 100 percent in constant 2007 dollars, increasing from $41 billion in 1997–1998 to $85 billion in 2007–2008 (College Board, 2008). Bachelor's degree recipients averaged $12,400 in debt in 2006–2007, up from $10,600 in 2000–2001 (College Board, 2008).

Borrowing "pays off" for many students, especially those who successfully complete their degree programs and obtain jobs that enable them to repay their loans (Gladieux & Perna, 2005). Nonetheless, the need to borrow to pay college prices has several negative consequences. First, although the use of loans to finance post-secondary educational expenses seems commonplace, the emphasis of the U.S. financial aid system on loans limits college opportunity for individuals who are unwilling or unable to incur this type of debt (Perna, 2008). Willingness to borrow is positively related to college enrollment (Callender & Jackson, 2005). Willingness to borrow appears to vary across groups, as Blacks and Hispanics have been found to be less willing than Whites, and students from low-income families have been found to be less willing than higher income students, to borrow to pay college prices (Callender & Jackson, 2005; ECMC Group Foundation, 2003; Linsenmeier, Rosen, & Rouse, 2006).

A second caution about the reliance on loans pertains to potential negative consequences of borrowing for students who do not complete their educational programs. Most students who borrow complete their degree programs, obtain jobs, and receive sufficient salaries to repay their loans. A substantial share of students who borrow to pay post-secondary educational expenses "drop out" before completing their educational programs (Gladieux & Perna, 2005). About one-fifth of first-time undergraduates nationwide in 1995–1996 who borrowed to help pay college prices were not enrolled and did not complete a degree within 6 years but still had an educational debt to repay (Gladieux & Perna, 2005).

A third worry about the heavy reliance on loans to pay college prices pertains to potential negative consequences of borrowing for students' persistence and degree attainment. Research suggests that, although unrelated to degree attainment, receiving a loan may reduce the likelihood of persisting from year-to-year at both community colleges (Dowd & Coury, 2006) and 4-year institutions (DesJardins, Ahlburg, & McCall, 2002). Moreover, the negative consequences of loans for educational attainment appear greater for Blacks than for Whites and for low-income than high-income students (Kim, 2007).

In addition to borrowing, students are also working more hours while enrolled in order to pay college expenses that are not covered by financial aid (Perna, in press). In 2003–2004, about 75 percent of dependent undergraduates and 80 percent of independent undergraduates worked while enrolled (Perna, Cooper & Li, 2007). Working dependent undergraduates averaged 24 hours of employment per week while enrolled, while working independent undergraduates averaged 34.5 hours per week (Perna, Cooper & Li, 2007). In 2006, nearly 1 in 10 (8 percent) undergraduates under the age of 25 and enrolled full-time was employed at least 35 hours per week (U.S. Department of Education, 2008).

Much about the effects of working on students' educational outcomes is unknown. Nonetheless, research consistently suggests working off-campus and more than 15 hours per week—as substantial percentages of students are now doing—reduces the likelihood of persisting to degree completion (Perna, Cooper & Li, 2007). Moreover, working off-campus and more than 15 hours per week also increases the length of time to degree, and consequently increases the direct costs and opportunity costs of attaining that degree (Perna, Cooper & Li, 2007).

RECOMMENDATIONS

With the emphasis on awarding grant aid based on students' financial need, Pell grants play a critical role in reducing the financial barriers to college enrollment and degree attainment, especially for students from low- and moderate-income families. Increasing the maximum Pell grant, and fully funding the Pell grant, will help ensure that students from low- and moderate-income families have the financial resources needed to pay college prices and will help reduce potential negative consequences associated with borrowing and working.

In addition to increasing the maximum Pell grant and fully funding the Pell grant program, I also urge you to support efforts to simplify the process for applying for Federal aid. A substantial number of students now fail to complete the FAFSA, thereby forgoing need-based aid for which they are eligible. In 1999–2000, 1.7 million low- and moderate-income undergraduates who were enrolled for credit at higher education institutions nationwide did not complete the FAFSA (King, 2004). About one-half of these individuals were estimated to be eligible to receive a Federal Pell grant. Research suggests that using existing data from the Internal Revenue Service to populate the FAFSA increases the likelihood of applying for and receiving aid, as well as the amount of aid received (Bettinger, Long, & Orepoulos, 2009).

I also urge you to support efforts to improve knowledge and information about the availability of Pell grants and other aid for low- and moderate-income students. Currently, students do not learn about the amount of need-based aid that they will receive until after they have completed a number of steps, including applying for admission to college, submitting a financial aid application, and receiving a response from a college or university (Kane, 1999). Increasing knowledge and information about available aid may improve educational attainment directly by ensuring that more eligible students apply for and receive the aid (Bettinger ET al., 2009). These efforts may also improve educational attainment indirectly. High school students who are aware of the availability of financial resources to pay for college are more likely to engage in the types of behaviors that are required to enroll and succeed in college, including aspiring to high levels of education and becoming adequately academically prepared (Perna & Steele, in press).

Thank you for your consideration of these remarks. I welcome your comments and questions.

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Senator CASEY. Thank you very much.

Dr. Gillen.

STATEMENT OF ANDREW GILLEN, Ph.D. CENTER FOR AFFORDABILITY AND PRODUCTIVITY, WASHINGTON, DC

Mr. GILLEN. I would like to thank Senator Casey for holding this hearing and inviting me to talk today. This hearing is drawing attention to the depressing trends in college affordability, a topic whose importance grows every year, as we have heard from the previous panelists.

As most of you are aware, we have been experiencing an alarming increase in tuition rates in recent years. Over the past 3 decades, tuition has increased at an average rate of about 3 percent a year after adjusting for inflation. Over the same period, median household income has increased by an average of just .3 percent. As a result, college affordability has declined in every sector. Tuition as a percentage of median household income more than doubled at all types of 4-year colleges, increasing to about 12 percent at public schools and about 43 percent at private colleges. Community colleges did not go up quite so much, less than double, but they are not at 4.1 percent. Even when focusing on net tuition, we still see a massive increase in the financial burden on students and families.

Tuition continually rises because college's expenditures continually rise, and Bowen's Revenue Theory of Cost gives the best explanation of why expenditures keep going up. It essentially holds that institutions of higher education strive for excellence and have an insatiable appetite for money in their pursuit of that excellence and that, therefore, whenever their revenues rise, costs will increase as well. It should, therefore, come as no surprise that former Harvard President Derek Bok compares universities to "compulsive gamblers," and higher education scholar Ronald Ehrenberg describes them as "cookie monsters" devouring any resources they can get their hands on.

The effect of this ravenous spending on the pocketbooks of students, parents, and taxpayers is striking. Unfortunately, we cannot even be sure that all of this extra spending is leading to better educational outcomes. As a matter of fact, much of the spending does not even go toward things that could conceivably improve education. For instance, from 1995 to 2006, total operating expenditures per student increased by $3,600 at public research universities. Yet, spending per student on instruction increased by just $750, and tuition increased by $2,200. In other words, while tuition rose dramatically throughout those years, close to 80 percent of the additional spending went to things other than instruction.

Seeking to combat these trends, the Government has devised a number of programs to provide financial aid to students, of which the Pell Grant is the crown jewel. Because they are well targeted, Pell Grants do not provide fuel for the academic arms race to the extent that other programs do. The fact that the percent of the tuition that the average award covers has been steadily declining and is now just 45 percent at public 4-year schools has given rise to calls to make the Pell Grant an entitlement and have it increase at the rate of inflation plus 1.

In my opinion, I think this is somewhat misguided. The biggest issue with the Pell Grant right now is not that the maximum authorized award is not high enough because most students do not get that anyway. The actual maximum is much lower than the authorized maximum anyway. Moreover, the average award is quite tiny, as Senator Casey mentioned in his opening remarks. In the 2007–2008 school year, close to 40 percent of students at or below the poverty line did not receive a Pell Grant, and part of this was due to the complexity of applying for financial aid that we have heard several times. And of those that did—remember that these are still people under the poverty line—the average award was just

$3,000. I think that addressing these issues should be of the highest priority.

Having said that, I think the Pell Grant program is currently the best method of providing financial aid to students and that increased funding of the program is certainly to be applauded. And Senator Casey's efforts in that direction are certainly welcome.

[The prepared statement of Mr. Gillen follows:]

PREPARED STATEMENT OF ANDREW GILLEN, PH.D.

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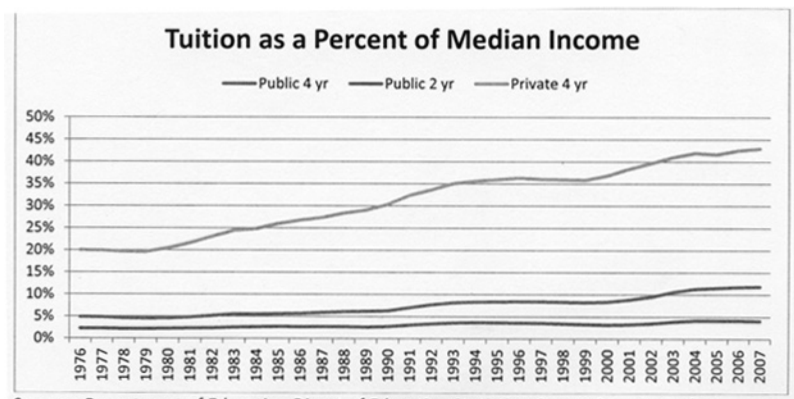


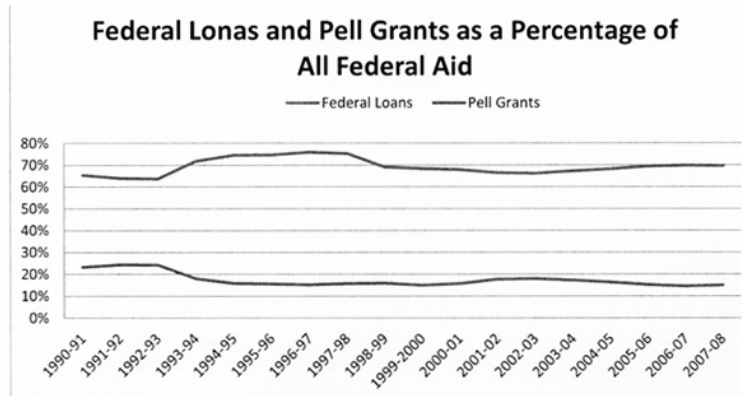
Sources: Department of Education Digest of Education Statistics, Census Bureau, author calculations

Tuition continually rises because college's expenditures continually rise, and Bowen's Revenue Theory of Cost gives the best explanation of why expenditures keep going up. It essentially holds that institutions of higher education strive for excellence, have an insatiable appetite for money in their pursuit of excellence, and that therefore, whenever revenues increase, costs will increase as well. It should therefore come as no surprise that former Harvard president Derek Bok compares universities to "compulsive gamblers" and higher education scholar Ronald Ehrenberg describes them as "cookie monsters" devouring any resources they can get their hands on.

The effect of this ravenous spending on the pocketbooks of students, parents, and taxpayers is striking. Unfortunately, we cannot even be sure that all this extra spending is leading to better educational outcomes. As a matter of fact, much of the spending does not even go towards things that could convincingly improve education. For instance, from 1995 to 2006 total operating expenditures per student increased by $3,600 at public research universities, yet spending per student on instruction increased by just $750, and tuition increased by $2,200. In other words, while tuition rose dramatically, close to 80 percent of the additional spending went to things other than instruction.

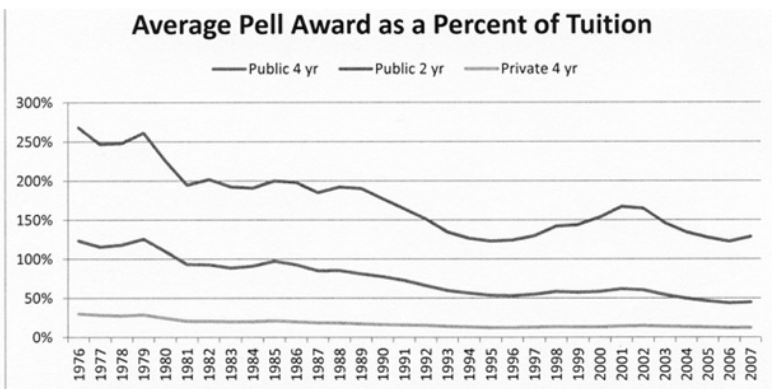
Seeking to combat these trends, the government has devised a number of programs to provide financial aid to students, of which the Pell grant is the crown jewel. There are some problems however.

First, Pell grants account for only 15 percent of all Federal aid, while loans account for 70 percent. Loans not only must be repaid by students, but they also contribute to the explosion in college expenditures by providing fuel for the academic arms race.



Sources: College Board Trends in Aid, author calculations

Second, the average grant awarded does not go as far as it used to. When the program was first started, the real average award was more than enough to cover tuition, but this is no longer the case, with the average Pell covering just 45 percent of tuition at public 4-year schools.



Sources: Department of Education Digest of Education Statistics, College Board Trends in Aid, author calculations

Third, the authorized maximum award is largely meaningless. The actual maximum is typically between two thirds and three quarters of the authorized maximum, and the average real award is smaller still, having not exceeded 50 percent of the authorized maximum since 1990.

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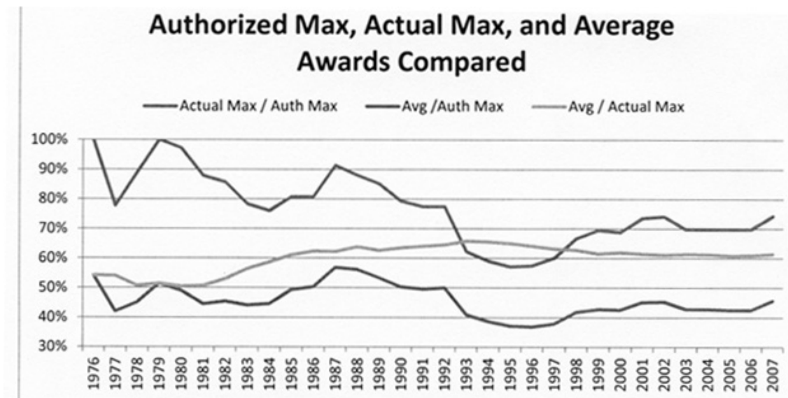


Sources: College Board Trends in Aid, author calculations.

Fourth, the awards for the very poorest should be larger. Currently, those at or below the poverty line get an average award that is less than $600 more than those who are up to twice the poverty line.

Fifth, many eligible students do not even receive a Pell grant.

These five points shed some light on the proposal to make the Pell grant an entitlement and increase it at the rate of inflation plus one. The first two constitute the main argument in support of the proposal. The last three indicate that this would have little effect, and point to even more urgent problems in need of attention.

Thus, in my opinion, it would be a mistake to make the Pell grant an entitlement that increases at the rate of inflation plus one. The biggest issue with Pell grants right now is not that the maximum award isn't high enough, but that many eligible students do not receive a grant, and even when they do, it is not for the maximum amount. In the 2007–2008 school year, close to 40 percent of students at or below the poverty line did not receive a Pell grant, and of those that did, the average award was just $3,000. Addressing these issues should take precedence over tinkering with a "maximum" that has little impact on the overwhelming majority of students.

Having said that, the Pell grant program is currently the best method of providing financial aid to students, and increased funding of the program is certainly to be applauded.

Senator CASEY. Thank you, Doctor.

Tony Wagner.

STATEMENT OF ANTHONY E. WAGNER, SENIOR VICE PRESIDENT, CFO AND TREASURER, TEMPLE UNIVERSITY, PHILADELPHIA, PA

Mr. WAGNER. Senator Casey, thank you very much for the opportunity to testify.

Just a few highlights from the written testimony that I provided. Temple University is like a lot of universities, public universities, around the country, and this is especially true in Pennsylvania. The burden of funding the cost of the university has shifted dramatically over the last 30 years from the State to the student. In 1972, Temple received approximately 60 percent of its operating funds from State appropriations. That number today is about 20 percent.

As that burden has shifted to our students, so has the debt that our students have to incur to fund their education gone up. Our undergraduate students that incur debt incur an average of about $30,000 worth of debt to complete their undergraduate degree. Of the $525 million of tuition that Temple received last year, about half of that came through loans that our students are receiving from a variety of sources, and some of those loans are not subsidized loans, but they are alternative loans.

About 70 percent of all of our students come from families that have family incomes that are lower than $100,000 a year. With all of the other things—especially in this region of the State—that families face, the cost of housing and all of the other things they face, the cost of higher education on top of that is a significant amount of money.

One of the things that really needs to be focused upon in the area of public policy is what is going on with the funding of public higher education in the United States today. One of the things that does not come out in the health care debate that is going on in Washington is really the direct connection between the defunding of public higher education and what has been happening with the health care funding in the United States. It is not a coincidence that since the inception of the big Federal entitlement programs, especially Medicaid and Medicare, that really since that time, State budgets have essentially been restructured to meet the Federal entitlement programs. Just really about every State across the country is spending less on funding public higher education and more on meeting their requirements under the matching of the Federal Medicaid program.

Temple has been very responsive. I do not know about the higher education arms race that might be going on with some of the elite private institutions, but at Temple last year, we cut our operating budget by $40 million. We restructured the way we allocate some of our expenses so that we were able to increase our student financial aid budget by $7 million this year. That is for grants. We take 12.5 percent of all of our tuition revenue and use it for financial aid, and we were able to increase that by $7 million this year, which is a financial aid budget for grants that is just a little bit above $70 million a year. It is a significant commitment by the university.

One of the key issues that we face as a nation is solving the health care issues that we face because until States are able to figure out how to control their share of Medicaid funding, what is happening to public higher education in this country is going to continue to happen, and that is, we are going to continue to have to shift the burden more toward students and less from the State.

Thank you.

[The prepared statement of Mr. Wagner follows:]

PREPARED STATEMENT OF ANTHONY E. WAGNER

INTRODUCTION

Mr. Chairman and members of the committee, thank you for the opportunity to present this testimony. I am Anthony Wagner, Senior Vice President, Chief Financial Officer and Treasurer at Temple University, the Nation's 29th largest university.

Temple University has provided educational opportunities in north Philadelphia and beyond to students without regard for their station or status in life for 125 years.

Enrollment has grown steadily with more than 37,000 students enrolled at the start of the academic year. These figures represent the highest enrollment in nearly three decades. Temple's enrollment includes more than 8,000 graduate and professional students, making us the fifth largest provider of professional education in the Nation with programs in medicine, pharmacy, podiatry, law, dentistry and health professions.

Our student population is rooted in Pennsylvania and accounts for more than 78 percent of the Temple's 7,104 freshmen and transfer students. This academic year Temple's new student population includes 20.7 percent from the city of Philadelphia, 39.1 percent from its nearby suburban counties and 16.8 percent from across the State. The top feeder schools for Temple freshmen continue to be Philadelphia area high schools. Although the majority of our student population is representative of Pennsylvania, we are increasingly global, with students from 49 States and 118 nations.

More than half of Temple's 243,200 alumni live and work in the Greater Philadelphia area and nearly 60 percent live in Pennsylvania. Approximately one out of every eight college-educated residents in the Philadelphia metropolitan region holds a Temple degree. In addition to the brain power that Temple infuses into the region, the university generates billions for the economies of Philadelphia, the Greater Philadelphia area and the Commonwealth of Pennsylvania. Annual direct expenditure provides $3.2 billion to the Commonwealth and generates 33,000 jobs including 18,500 in Philadelphia alone.

Temple is committed to putting the opportunity of a great education within reach of students at every income level. The university focuses on maintaining affordability and containing tuition increases, and dedicates substantial funding to financial aid each year. However, Temple serves a population in which an exceptional number of families demonstrate financial need.

Although Temple has significantly increased its efforts toward affordability, we are still not currently meeting our students' full demonstrated need. In the past 5 years, the total number of awards has increased 8.7 percent and the total amount of aid awarded has increased 26 percent to $438,982,947. Although loans continue to comprise a large percentage of total aid, Temple has worked hard to increase the number of grants and scholarships to students. Over the past 5 years, Temple grants and scholarships have increased by 43 percent, the highest percentage increase of any aid source over those years.

I have included charts at the end of my testimony that provide further information about our students and their needs that I would like to go over briefly.

One of the key factors to Temple's affordability is its appropriation from the Commonwealth. In the past, this funding has helped close the gap between the true cost of a Temple education and the price students are asked to pay. This Commonwealth appropriation has been cut in 5 of the last 10 years. In 1972, 60 percent of our education and general budget came from the Commonwealth appropriation and 25 percent from tuition. Today, 70 percent comes from tuition and 23 percent from the Commonwealth. In advance of the current economic crisis, Temple has been actively working to diversify our revenue streams through grants and partnerships, cut costs without sacrificing the quality of programs and increase private fund-raising to meet our students' needs.

When the first signs of the economic crisis became evident, Dr. Hart and the Board of Trustees took immediate steps to address the impact on the university and our students. The university initiated a hiring freeze, suspended all non-essential out-of-state travel, cancelled a 2-percent inflationary increase for noncompensation-related costs and reduced spending throughout the university. These measures resulted in savings of $11.6 million in the current fiscal year to meet Commonwealth rescissions.

Dr. Hart directed administrative leadership to prepare a budget for the fiscal year 2009–2010 reducing recurring operating expenses by 5 percent, for a total reduction of approximately $40 million. The priorities were to minimize a tuition increase, significantly increase financial aid and limit the adverse effect on our employees.

Work-force efficiencies were realized primarily through the elimination of vacant positions, reorganizations and attrition. There were also faculty workload adjustments, strategic reorganizations and a more efficient use of operating resources.

This budget which was adopted early by the Board of Trustees will add $21 million over the next 3 years to the financial aid budget. This is the largest increase in Temple's history. The budget also included a historically low tuition increase of 2.9 percent. This budget was passed 2 months early in an effort to facilitate the financial commitment of our students and their families for the upcoming academic year.

Temple's commitment to provide quality and affordability in education started with Temple's founder, Russell Conwell in 1884, when he offered to teach one student and seven eager students appeared for class. Since that time, Temple has been providing access to excellence for students in the Commonwealth of Pennsylvania.

We look forward to working with the Commonwealth to ensure that there are ample educational opportunities for all Pennsylvania citizens.

Thank you again for this opportunity and I am happy to take any questions.

TEMPLE STUDENT FINANCIAL PROFILE*

More than 70 percent of Temple undergraduates come from families with annual family income under $100,000.

- National average is 63 percent in public doctorate-granting universities.

74 percent of Temple undergraduates receive financial aid.

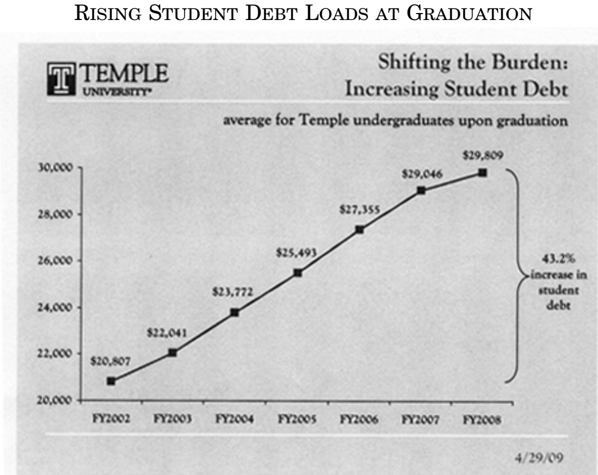
- National average is 71 percent in public doctorate-granting universities.

75 percent of Temple undergraduates have outstanding educational loans upon graduation (includes Federal, State and private loans).

50 percent of tuition paid to Temple comes from loans.

- More than **70** percent of undergraduates come from families with annual family income under $100,000.
- National average is **63** percent for students attending public doctorate-granting universities.*
- **74** percent of our undergraduates receive financial aid (scholarships and grants).
- National average is **71** percent for students attending public doctorate-granting universities.*
- **75** percent of undergraduates have outstanding educational loans upon graduation (includes debt from Federal, State and private loans).
- National average is **47** percent for students attending public doctorate-granting universities for students receiving loans from State and/or Federal loan programs, but this figure *does not* include private loan debt holders.
- **50** percent of the tuition Temple collects comes from loans.

RISING STUDENT DEBT LOADS AT GRADUATION



- Statistics depicted here are for **undergraduate** students.
- 90 percent of professional degree students have outstanding educational debt upon graduation, with the average debt load ranging from $73,000 for law to $173,000 for dentistry.

Senator CASEY. Thanks very much.

A couple questions for each of you. Dr. Perna, I wanted to start with you with regard to some of the numbers that you had cited and some I may be drawing from your testimony.

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*Source: 2007–2008 National Post-Secondary Student Aid Study, National Center for Educational Statistics, Institute of Educational Sciences, U.S. Department of Education.

Just so you know and just so our other witnesses know, any testimony submitted that you were not able to cover completely will be made part of the record of this hearing for the Health, Education, Labor, and Pensions Committee.

There were a couple numbers in here I wanted to highlight. Doctor, this is from your testimony, I think, citing the National Center for Public Policy and Higher Education. Twenty-eight percent of adults aged 25 and older in the United States held at least a bachelor's degree in 2006, up from 26 percent in 2000 and 21 percent in 1990. But other nations are increasing the educational attainments at a faster rate. We are at basically aged 25 and older in the United States, a bachelor's degree at least: 21 percent in 1990; 26 percent in 2000; and 28 percent in 2006. Not very high. Some people think those numbers are higher than they are.

Sometimes I have seen data that when you go across Pennsylvania or across almost county by county, the numbers are, depending on what year you are looking at, closer to 25 percent of the population or lower.

Also cited in this section, was the percentage of adults in Pennsylvania—this is just one age group, 25 to 34, who hold at least an associate's degree—is lower than Canada, Japan, Korea, and New Zealand.

Anything you want to add to that in terms of just the numbers?

Ms. PERNA. Just a couple things. I think they are surprisingly low in part because our college enrollment rates are higher. We have to do more with college completion as well. Many who enter are not able to complete a degree because of financial and other types of reasons. So that is one thing to underscore.

The other point to underscore is that these are averages. We do have tremendous variation both within and across States. When we break out those numbers by race/ethnicity and family income, they are a lot lower. This is a really important problem.

Senator CASEY. The other number I was looking at here—this is from a 2007 paper by the College Board and just one or two Pennsylvania numbers here. This is as of 2007.

Thirteen percent of Hispanics and fifteen percent of African-Americans between the ages of 25 and 64, a much broader category than the earlier Pennsylvania number I cited, have at least a bachelor's degree, compared with 40 percent of Pennsylvanians who happen to be white. So 40 percent for whites, 15 percent for African-Americans, 13 percent for Hispanics, which, I think, gives urgency to the question of how we are going to expand the number of Pennsylvanians and Americans that have access to Pell Grants.

Ms. PERNA. Right. Well, we know that income is related to—it is not perfectly related, but it is related to race/ethnicity. So this is one important policy lever. It will not solve the problem completely, but it is an important step.

Senator CASEY. I wanted to highlight this question that we have talked a little bit about today, which is the connection between access to higher education and completion and being able to have more and more of our young people actually complete, not just have access, but to complete their education. Can you talk for a moment about that, about the connection between the access questions, as well as rising rates of completion?

Ms. PERNA. There are a lot of reasons why people are not completing their degrees once they enter. The research shows that income and aid are disproportionately important for low-income students, African-American students, and Hispanic students both entering and completing. For example, we know that loans have a greater negative effect on completion for students of color and low-income students than for other students.

This issue of working while in college—you know, we heard very poignant and amazing stories about the barriers that some students are able to overcome in order to stay on the path to degree completion, but many more students are not able to successfully do that. Certainly colleges and universities have a role in helping to ensure that students successfully complete their degrees, but we also need to be sure that people have the structural support like financial aid. So that is another factor.

There are others, of course, academic readiness for college success.

Senator CASEY. In terms of completion.

Ms. PERNA. Yes, right.

Senator CASEY. You had mentioned some data with regard to the number of hours worked as impacting this question. Can you recite that again, the 15 or more hours a week number?

Ms. PERNA. There is a lot that we do not know about working. Working is now the reality for most college students. So 75 percent of dependent undergraduates, 80 percent of independent undergraduates are working while enrolled. The average number of hours for dependent students is 24 hours per week, while for independent students averaging 34.5 hours per week. These are really high numbers.

Senator CASEY. Say that again. The average—

Ms. PERNA. Dependent undergraduates who are working—they are enrolled part-time and full-time, but among those who are working are averaging 24 hours per week. Independent students, again who are enrolled full-time and part-time, are averaging 34 hours a week of work.

Senator CASEY. We heard today a couple are working 40.

Ms. PERNA. That is right.

We know from research that if you work less than 15 hours per week on campus, that can have some benefits to your integration into the campus community, but clearly most students are not following that recommendation. The research that we have available on this topic shows that those who work more hours off campus are less likely to finish their degree, and those who do, take longer to complete their degree as well, which also increases the costs of attending both in terms of tuition and the direct costs of books and things like that, but also the opportunity costs of being out of the labor market on a more regular type of basis as well.

Senator CASEY. I will try to come back to you, Dr. Perna, but I also wanted to ask Dr. Gillen. In part of your testimony, you talked about the question of costs as it relates to institutions of higher education. You have pointed to a question that a lot of people have asked me over the years. Why do these numbers keep going up? Whether you compare it to wages or other costs, I mean, other than health care, there are very few costs that seem to have gone up as much.

Based upon your research and based upon what you have seen in terms of public policy responses to that, what do you think are some methods to control those costs, if any, if you are able to identify some of those?

Mr. GILLEN. That is a really great question that I am going to spend several years of my life trying to address.

One of the most important things is to kind of clearly define what exactly we want colleges to be doing because right now they try to do everything very well. It is very hard to do one thing very well, let alone everything. It is very easy to spend a lot, almost an obscene amount of money, if you are trying to do everything excellently. Do we want them to be focusing on educating our students, providing public service, doing research? Right now the answer is we want them to be doing all that, and so they are trying to do all that, and they are spending gobs of money doing that. That is a large part of the problem, kind of the unfocused nature of a lot of spending, not necessarily Temple.

[Laughter.]

Senator CASEY. Can you point to, based upon the work you have done, your research, a difference on a couple of these questions between public and private universities?

Mr. GILLEN. Yes. Well, public universities are subject to a lot more constraints whether it be by their State legislature or just the board of trustees tends to be more representative of the community. There are definitely a lot of differences, and the public sector seems to have controlled its spending a bit more, at least at the research universities. But you still see the massive increase in tuition pretty much across the board regardless of the type of school. It is quite depressing.

Senator CASEY. Any ideas that you might have about incentivizing institutions to reduce costs?

Mr. GILLEN. That is a good question.

Right now we are really pushing for a lot of other types of programs to be structured more like the Pell where the money is given directly to the students. We feel that that would provide more of a disciplining incentive for a lot of schools because the students would kind of be actively shopping as opposed to just kind of receiving a basket of money from the schools.

Senator CASEY. I wanted to see if Tony had any response to some of those questions. Tony pointed to the differential in State support over really a generation now, going from, you said, 60 percent down to 20 percent since 1972?

Mr. WAGNER. That is right. There has been a massive shift in the funding of public higher education away from the States and to the students. Temple is a people-intensive enterprise. About 70 percent of our operating budget is spent on salaries and benefits. Temple is also a heavily unionized environment. So we meet agreement with our unions over the collective bargaining table.

Health care costs—for instance, the university spends somewhere in the neighborhood of 15 to 20 percent of our budget providing health care for our employees. Once again, not only is the State's ability to fund Temple because of what Medicaid in particular has done to the State budget—health care impacts the State's ability to fund public higher education. It also impacts the university's operating budget in a very significant way because we provide health care benefits for our employees.

One of the things that I do want to point out, though, is that Temple is a very big recipient of the Pell Grant program because of the nature of the cohort that we serve. Just this year alone, with what you have been able to accomplish in Washington, we will receive about $6 million more in Pell Grants to our students, and we will be able to increase the number of our students that receive Pell Grants from about 8,000 students to about 9,000 students. I did want to make——

Senator CASEY. From year to year?

Mr. WAGNER. Yes, from year to year, from last year to this year because of the stimulus funding.

The one thing that is clear, across all the sectors in higher education, public and private, is that we exist in a marketplace. Temple students volunteer to come here. They do not have to come here. We are very cognizant of that. It is the reason why we were able to reduce our budget last year on the administrative side, shift resources to financial aid, and hold a tuition increase last year to 2.9 percent, which was the lowest it has been in a while. We are very cognizant of the fact that an education is difficult to finance and that we want our students to understand that the university is committed to trying to do everything we can on our side to hold the costs down.

There are some big public policy questions that you are aware of, and they will not be solved by the university. They will be solved in Harrisburg and at the Federal level.

Senator CASEY. That connection between the costs of running Temple or any other institution of higher education, as well as you could apply this to businesses, especially smaller businesses—the connection between that challenge and health care costs is so readily apparent now, giving more reason and more urgency for us to get a bill passed.

Tony, you mentioned Temple health care costs between 15 and 20 percent of the overall budget.

Mr. WAGNER. That is our total benefits budget and the biggest chunk of that is health care costs.

Senator CASEY. And that, I guess, has gone up in the last couple years.

Mr. WAGNER. Yes. There is just tremendous upward pressure on health care costs, and it is driven by a lot of factors. One of the things that, as you know, we have experienced in this region of Pennsylvania was a fairly significant medical malpractice issue over the last, say, 5 or 6 years. Temple as a university has a health system. Last year we spent $60 million on medical malpractice insurance in our health system, and that is common for what academic medical centers experience, particularly in this region of Pennsylvania. There are just a lot of factors on the health care side.

When people ask me what is the single biggest issue that will help universities be able to manage this issue of affordability, it is health care. It is health care on a number of different levels.

Senator CASEY. On Pell Grants, you said the number of Temple students that will have access to Pell Grants will go from, did you say, 8,000 to 9,000?

Mr. WAGNER. Yes, from approximately 8,000 to 9,000. And it is about $6 million. It is a really significant increase.

Senator CASEY. That is through the recovery bill.

Mr. WAGNER. That is through the recovery bill. The total this year will be about $33 million in Pell Grants that will be part of that $525 million in tuition that we will collect.

Senator CASEY. I guess back to Dr. Perna. I wanted to ask you as well on the question of Pell Grants. What is your sense in some of the research you have done other than the obvious question or the obvious challenge of having access to enough sources to fund a higher education? What other lessons can we draw from your research as it relates to Pell Grants?

Ms. PERNA. I guess a couple of things. One, Pell Grants are a critical source of need-based aid. The targeting of low-income students is really quite unique among the available sources of aid, especially when you consider all sources, State government sources, institutional aid, and things like that. So that is on the positive side.

On the negative side is just the complexity. Trying to understand in advance how much you might be able to anticipate in Pell Grant funding is a challenge, and that lack of understanding that there may be need-based financial aid out there—I think it is hard to establish this conclusively through the research, but intuitively if students are not aware in high school that there may be this need-based aid of some amount based on some level of qualification that is hard to understand until you actually apply for admission and complete the FAFSA, I think it limits college opportunity for students. If there were a way to communicate more clearly and make it more obvious that there is this need-based aid available, there would be that motivation to engage in more behaviors that promote college success—like taking the right courses during high school, things like that.

Senator CASEY. In terms of the knowledge or the availability of information, is that a question of how we are disseminating or communicating the information or the timing? In other words, are students and families getting information or concentrating on this question too late in their high school career or is it just the way that we are providing information, or is it both? Maybe they are not exposed to it early enough and we are not communicating that well.

Ms. PERNA. I think it is both. With need-based financial aid, there is not any reason to go through any procedures to learn about whether you will get it until you are actually at the point of enrollment. For some students that may be too late if you have not done what you need to do in order to ensure that you are academically qualified to enroll and succeed. It is too late to get that information at that point. So that is one aspect.

The second aspect is what happens in high school. The students who most need to have the information and the guarantee that need-based financial aid is available tend to have parents who have not gone to college or are not in communities where college-going is the norm. Nationwide the average ratio of students to high school counselors is quite high. It is remarkable how few counselors there are. In the high schools where students most need to have college-related help from their counselors, those counselors are focusing on things other than college counseling, ensuring that students are in school and they are safe and they are taking the State-mandated tests and things that are not related to college-going.

Then coupled with that is just the complexity of it. It is not easy for high school teachers and counselors to easily tell a student if your family income is this and there are this many people in your family, then you can count on getting this amount of aid.

Senator CASEY. I wanted to ask you about that simplification question.

Ms. PERNA. We need to go in that direction. There is an interesting study by Eric Bettinger and Bridget Terry Long that was released about using H&R Block to—having people who use H&R Block have their FAFSA form populated by that data that they need to complete anyhow for the IRS. Their study shows that when that process happens, students are more likely to apply for aid, they are more likely to receive aid, they receive higher amounts of aid. So, there may be some lessons there. We are collecting a lot of data from students and their families about their financial well-being. Why can we not coordinate that so students do not have to report information twice?

Senator CASEY. I guess if you are faced with the complexity of a lot of other systems, this becomes an added burden of paperwork and detail. It becomes a nightmare. And I guess with more and more families having two incomes and people working longer and longer hours and a longer week, they do not get to the paperwork as readily as they might. It is complicated.

Ms. PERNA. Right. And certainly from a policy perspective, we want to ensure that those who are most needy or most deserving are getting the resources, but on the other hand, these are the populations that we are often over-burdening in all kinds of other ways to prove that they are poor or moderate income and they have a need for resources. There are some important questions there about how that works.

Senator CASEY. Dr. Gillen or Tony, do you want to add anything to that?

Mr. GILLEN. Yes. I would just like to second what she said. Simplifying the FAFSA is probably one of the highest priority things that the Government could be doing right now. Whether it is partnering with H&R Block or just having the IRS provide the data to the Department of Education so that the students do not have to, that would lift a significant paperwork burden off of the students. It is probably silly for us to pretend like this paperwork burden is small because just ask them. They had to fill out five, was it, applications in 1 year. This is written in arcane Government language. It is impossible to decipher.

Senator CASEY. They are all shaking their heads.

[Laughter.]

Mr. GILLEN. That would be helpful.

Senator CASEY. I know those Government forms get complicated. Tony, anything you wanted to add to that?

Mr. WAGNER. No. I agree. The relationship that higher education has with the Federal Government is so important. It was great news this year with what happened in the Recovery Act with Pell Grants, and hopefully that is a harbinger for the future. But with just the enormity of some of these public policy issues, especially with respect to health care, That is kind of the logjam, getting health care solved. That will go a long way toward helping the State and the universities to help themselves.

Senator CASEY. When you consider some of the costs, I mean, just getting the Pell Grant numbers up—I was looking at some data here. If you look at the maximum appropriated Pell Grants, when you add up both the appropriations and the add-ons for economic year 2007–2008, 4,310; 2008–2009, 4,731; and 2009–2010, 5,350. We are trying to keep that number going up, but it still leaves some gaps, some big gaps for some families.

Doctor, do you have anything more to add?

Ms. PERNA. Thank you for your efforts. This is really important.

Senator CASEY. We have got a long way to go, but this hearing helps.

Dr. Gillen, thank you, and Tony. We are grateful for so many people being here, and I know we have been here about 90 minutes. We will wrap up and we can stay around for a little while to take questions, or if anyone wants to add anything, if our students want to say anything—nothing to add? This is your chance. You have a microphone.

[Laughter.]

We are so grateful for all of our students who are here, as well as the information we received from those who happen to be in this field, Dr. Gillen, Dr. Perna, and Tony Wagner. Clarita, thank you for being here and sharing your own family's story.

I wanted to also make a note for other Senators who are on our committee, if they wanted to add to the record, this record will be open for other Senators to submit questions, which some of you may have an opportunity to answer. Of course, you will not have to appear somewhere. You can actually answer them in writing. That record will be open for about a week for the Health, Education, Labor, and Pensions Committee.

Anyone else, if you wanted to submit something that you wanted to make part of the record, certainly the record will be open for that information.

With that, we will stand adjourned. I want to thank you for this opportunity and thank Temple University.

[Additional material follows.]

ADDITIONAL MATERIAL

RESPONSE TO QUESTION OF SENATOR COBURN BY ANDREW GILLEN, PH.D.

U.S. SENATE,
OCTOBER 19, 2009.

Dr. ANDREW GILLEN,
Research Director,
The Center for College Affordability and Productivity,
1150 17th Street NW, Suite 910,
Washington, DC 20036.

DEAR DR. GILLEN: Thank you for your testimony before the Committee on Health, Education, Labor, and Pensions at the hearing entitled, "Access and Affordability: How Expanding Pell Grants Will Offer Higher Education to More Americans" on Monday, October 5, 2009 in Philadelphia.

In followup to your testimony, Senator Tom Coburn, a member of the committee has requested that you respond to the following question for the hearing record:

Currently in Congress, there are legislative proposals that seek to index the Pell Grant maximum to inflation, plus 1 percent. However, tuition costs, as well as the costs of textbook and supplies, continue to outstrip inflation (tuition and child care rose 5.4 percent in the past year while textbooks and supplies rose 6.8 percent). In your expert opinion, will these proposals do anything to meaningfully address the underlying college cost issue at institutions across the country? Please explain.

Please submit your written response to the committee at the following address:

Committee on Health, Education, Labor, and Pensions,
SD–428 Dirksen Senate Office Building,
Washington, DC 20510.

Attn: Lory Yudin, Chief Clerk.

If you have any questions, please call Bryn McDonough on my staff at (202) 228-5024. Thank you again for your testimony and response. Your assistance to the HELP Committee is greatly appreciated.

Sincerely,

ROBERT P. CASEY, JR.,
U.S. Senator.

THE CENTER FOR COLLEGE AFFORDABILITY
& PRODUCTIVITY,
OCTOBER 30, 2009.

To: Senators Coburn, Casey, and members of the Senate HELP Committee

From: Dr. Andrew Gillen, Research Director, Center for College Affordability and Productivity

Re: Response to follow-up question

SENATOR COBURN: Thank you for your thoughtful question concerning whether proposals to have the Pell grant increase at the rate of inflation plus 1 percent would meaningfully address college costs in light of their rapid historical increase.

My short answer to the question is somewhat mixed. At the individual level, larger Pell grants will certainly help recipients pay for college. At the aggregate level however, we should take into consideration any affect the program might have on the escalation of college costs. The Pell grant program as currently structured, and as it would operate for a short time after adoption of the proposal, would not adversely affect the cost escalation problem within higher education. After a time, there is reason to believe that this proposal could actually exacerbate the problem, leading to higher costs.

To explain, let me first reiterate that for the low-income students that receive them, it is undeniable that Pell grants help cover the cost of college. However, the cost of college keeps going up, indicating that trying to use Pell grants to solve the affordability issue is at best an uphill battle. As long as the costs of colleges continue to increase, we should expect for the cost for the students attending them to increase as well. Thus, to ultimately address the issue of college affordability, we must address the phenomenon of continually higher costs for colleges.

This leads to the question of what's driving costs higher for these institutions. The best explanation begins by noting that it is in the colleges' best interests to spend as much as possible in the "*pursuit of excellence*."[1] While excellence is certainly desirable, there is a problem in defining it. Since we don't measure learning outcomes in a value-added sense, colleges cannot demonstrate their excellence by showing that students will learn more than they would at another college. When measures of outputs are unavailable as they are in higher education, it seems reasonable to focus on inputs, on the grounds that higher quality inputs will lead to higher quality outputs. This is precisely what we observe in higher education, as colleges engage in an arms race for inputs (Nobel worthy faculty, bigger stadiums, more luxurious libraries and dorms, etc.). Because schools can only demonstrate their "excellence" (more accurately, the perception of excellence) by buying costly inputs, it is always in their interests to spend more money. Thus, anything that results in higher revenues per student will lead to higher costs per student as the money is spent. This is known as Bowen's revenue theory of cost.[2]

One unfortunate implication of this theory is that financial aid programs designed to ease the financial burden on families can actually make matters worse. As I explain in detail in a recent study,[3] when aid is given to relatively well off students, colleges can (and have an incentive to) raise their tuition to "harvest" the aid, leaving the financial burden on families unchanged while increasing the financial burden on taxpayers. For the college, this increases their revenues, and therefore their expenditures. At this higher spending level, even more aid is needed. This could lead to a spiral[4] of an increase in aid money leading to higher revenues, leading to higher costs, leading to calls for yet more aid. In fact, that scenario bears an eerie resemblance to what we've observed over the years.

Federal financial aid is structured in such a way that some programs are more likely than others to contribute to the problem. For instance, programs that are restricted to relatively low-income students and give modest amounts of money, such as the Pell grant program, are unlikely to lead to higher costs. On the other hand, programs that are not restricted to low-income students and/or provide too much money most likely contribute to the academic arms race, driving up costs. For instance, the Department of Education reports that more than one-third of dependent students from families making $100,000 or more received a Stafford loan,[5] and the Government Accountability Office reports that just under a third of all unsubsidized Stafford loan dollars went to these families.[6] Thus, the design of financial aid programs is of the utmost importance.

Fortunately, the Pell grant program, as currently implemented does not lead to higher costs. But the proposal to have it increase at the rate of inflation plus 1 percent threatens to change that.

To see why, consider where we would be today if that had been the law from the beginning of the program in 1973. By 2008, the maximum award would have been more than $46,000, and the average award would have exceeded $20,000. Not only would the Federal Government have needed to come up with almost $100 billion more in 2008, but with those award levels, it is hard to imagine that tuition wouldn't have skyrocketed to absorb the $46,000 checks students were bringing to campus.

To sum up, the Pell grant is currently a great program that helps low-income students attend college, and doesn't contribute to the arms race in spending among colleges. As such, more funding for the program is highly desirable. But, as is often the case, too much of a good thing can be bad. Proposals to make the Pell grant an entitlement set to increase at the rate of inflation plus one will lead to highly undesirable consequences that render the proposal ill-advised in spite of its good intentions.

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[1] Clotfelter, Charles T. (1996) "Buying the Best: Cost Escalation in Elite Higher Education." Princeton: Princeton University Press.

[2] Bowen, Howard R. (1981) "The Costs of Higher Education: How Much Do Colleges and Universities Spend Per Student and How Much Should They Spend?" The Carnegie Council Series.

[3] Gillen, Andrew. (2009) "Financial Aid in Theory and Practice: Why It Is Ineffective and What Can Be Done About It." Center for College Affordability and Productivity.

[4] Martin, Robert. (2009) "The Revenue to Cost Spiral in Higher Education." The John William Pope Center.

[5] Wie, Christina Chang; Berkner, Lutz; He, Shirley; and Lew, Stephen. (2009) "2007–2008 National Post-Secondary Student Aid Study (NPSAS:08)." Department of Education, National Center for Education Statistics.

[6] Government Accountability Office. (2006) "Multiple Tax Preferences and Title IV Student Aid Programs Create a Complex Education Financing Environment." Testimony before the Committee on Finance, U.S. Senate.

Thank you for the opportunity to be of service, and please note that I would be happy to answer any other questions you may have.

ANDREW GILLEN.

[Whereupon, at 2:28 p.m., the hearing was adjourned.]

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