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KEEPING COLLEGE WITHIN REACH: DISCUSSING WAYS INSTITUTIONS CAN STREAMLINE COSTS AND REDUCE TUITION

HEARING

BEFORE THE

SUBCOMMITTEE ON HIGHER EDUCATION AND WORKFORCE TRAINING

COMMITTEE ON EDUCATION AND THE WORKFORCE

U.S. HOUSE OF REPRESENTATIVES

ONE HUNDRED TWELFTH CONGRESS

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C O N T E N T S

	Page
Hearing held on November 30, 2011	1
Statement of Members:	
Foxx, Hon. Virginia, Chairwoman, Subcommittee on Higher Education and Workforce Training	1
Prepared statement of	3
Hinojosa, Hon. Rubén, ranking minority member, Subcommittee on Higher Education and Workforce Training	4
Prepared statement of	5
Statement of Witnesses:	
Foster, Tim, president, Colorado Mesa University	33
Prepared statement of	35
Manahan, Ronald, president, Grace College	23
Prepared statement of	24
Merisotis, Jamie P., president, Lumina Foundation	28
Prepared statement of	30
Wellman, Jane V., executive director, Delta Project on Postsecondary Costs, Productivity, and Accountability	13
Prepared statement of	16
Additional Submissions:	
Altmire, Hon. Jason, a Representative in Congress from the State of Pennsylvania:	
Prepared statement of the Pennsylvania Association of Private School Administrators (PAPSA)	8
Mrs. Foxx:	
Prepared statement of the Education Finance Council (EFC)	7

KEEPING COLLEGE WITHIN REACH: DISCUSSING WAYS INSTITUTIONS CAN STREAMLINE COSTS AND REDUCE TUITION

Wednesday, November 30, 2011
U.S. House of Representatives
Subcommittee on Higher Education and Workforce Training
Committee on Education and the Workforce
Washington, DC

The subcommittee met, pursuant to call, at 10:02 a.m., in room 2261, Rayburn House Office Building, Hon. Virginia Foxx [chairwoman of the subcommittee] presiding.

Present: Representatives Foxx, Petri, McKeon, Biggert, Roe, Thompson, Bucshon, Heck, Hinojosa, Tierney, Bishop, Andrews, Davis, Grijalva, and Loebsack.

Staff Present: Jennifer Allen, Press Secretary; Heather Couri, Deputy Director of Education and Human Services Policy; Daniela Garcia, Professional Staff Member; Amy Raaf Jones, Education Policy Counsel and Senior Advisor; Brian Melnyk, Legislative Assistant; Krisann Pearce, General Counsel; Mandy Schaumburg, Education and Human Services Oversight Counsel; Linda Stevens, Chief Clerk/Assistant to the General Counsel; Alissa Strawcutter, Deputy Clerk; Aaron Albright, Minority Communications Director for Labor; Daniel Brown, Minority Junior Legislative Assistant; Jody Calemine, Minority Staff Director; John D'Elia, Minority Staff Assistant; Brian Levin, Minority New Media Press Assistant; and Michael Zola, Minority Senior Counsel.

Chairwoman FOXX. Good morning, everyone.

This is a fairly small room, and we are all going to be very friendly today because we are in tight quarters. And it may get a little warm in here. But I want to welcome everybody to this hearing.

A quorum being present, the subcommittee will come to order.

I would like to thank the witnesses for joining us today. We appreciate the opportunity to hear your thoughts on the growing cost of higher education in America.

Over the past decade, the cost of attending college has increased dramatically. According to the College Board, in-State tuition and fees at public 4-year colleges and universities have increased approximately 72 percent since 2001. In my home State of North Carolina, the sticker price for 4-year public colleges has jumped 25 percent in the past 2 years alone.

This troubling trend of higher prices has several causes, including weak local economies, increased spending on student services and academic support, and State budget crises. States facing deficits and persistently high unemployment have been forced to cut spending across the board. As a result, public colleges and universities can no longer rely upon the same level of State financial support and must make tough decisions to help make ends meet, including cutting services or raising student fees.

Leaders in Washington have long recognized the value of higher education in preparing students to compete in the global workforce. In 1965, Congress created the Higher Education Act to help low-income students pursue a college degree. As a result, last year more than $169 billion in federal financial aid was disbursed to undergraduate and graduate students, up 81 percent since 2005.

However, as our nation struggles with trillion-dollar budget deficits and unprecedented national debt, continuing to increase federal subsidies to supplement the growing cost of college is simply unsustainable.

In the last school year, the federal government provided roughly three-quarters of all student aid. Despite this tremendous taxpayer investment, millions of students are still struggling with significant student loan debt burdens.

Clearly, the rise in the cost of higher education in the United States is a problem, but the answer cannot be found in loan-forgiveness gimmicks or federal takeover of the student loan industry. As we continue to rethink our role in education, we should use our influence to encourage accountability and transparency. Our end goal should be for the States, postsecondary institutions, and students to determine the best path forward.

Higher education has remained fundamentally unchanged since its inception, with most universities and college relying on professors lecturing to a classroom of 18- to 22-year-old students who live on or nearby the campus, adding significantly to their cost of attending college. To help reduce tuition and fees, institutions of higher education should be looking for innovative ways to incorporate new technology and better address student needs.

Under the current system, there is little incentive for schools to enact lasting changes or accountability measures for the billions of taxpayer dollars spent each year. States, students, and parents must demand accountability for the investment, not depending solely on the federal government.

In fact, in some instances, the federal government has done more harm than good. For example, we have seen this administration restrict academic freedom and tamp down on innovations through inappropriate regulatory policies.

Prospective students and their parents must make it a priority to educate themselves about the true cost of attending college. Meanwhile, colleges and universities must do their part to streamline costs and lessen the burden for students whenever possible.

Fortunately, some innovative institutions have already taken it upon themselves to do just that. Many colleges and universities have dramatically reduced administrative costs by eliminating or consolidating duplicative services. Others have found ways to make

use of empty classroom space, offering courses late at night and on weekends to help working students pursue a degree.

The University of Washington and some campuses in the University of Wisconsin system recently implemented accelerated degree programs. These programs help the institution save on operating costs and pricey student services while also allowing students to reduce their debt load by graduating in a shorter period of time.

As The Chronicle of Higher Education recently noted, Cabrini College in Pennsylvania is working to cut tuition and fees by more than 12 percent without lowering merit scholarships for incoming freshmen. Indiana's Grace College and Colorado Mesa University are also working to reduce costs, and we look forward to learning more about their initiatives during today's hearing.

Each of these initiatives helps ensure a more affordable college education remains available for students across America. We should continue to share best practices like these while also encouraging increased transparency in the reporting of annual college costs. By making the most up-to-date information on tuition and fees available to the public, students and their families can better understand the cost, any loan commitment they will make, and develop a plan for managing any resultant debt before stepping foot on campus.

I look forward to a productive discussion with my colleagues and our witnesses on how we can work together to help keep college attendance within reach for students nationwide.

I would now like to recognize the ranking member, Rubén Hinojosa, for his opening remarks.

[The statement of Chairwoman Foxx follows:]

Prepared Statement of Hon. Virginia Foxx, Chairwoman, Subcommittee on Higher Education and Workforce Training

Good morning, and welcome to today's subcommittee hearing. I'd like to thank our witnesses for joining us today. We appreciate the opportunity to hear your thoughts on the growing cost of higher education in America.

Over the past decade, the cost of attending college has increased dramatically. According to the College Board, in-state tuition and fees at public four-year colleges and universities have increased approximately 72 percent since 2001. In my home state of North Carolina, the sticker price for four-year public colleges has jumped 25 percent in the past two years alone.

This troubling trend of higher prices has several causes, including weak local economies, increased spending on student services and academic support, and state budget crises. States facing deficits and persistently high unemployment have been forced to cut spending across the board. As a result, public colleges and universities can no longer rely upon the same level of state financial support, and must make tough decisions to help make ends meet, including cutting services or raising student fees.

Leaders in Washington have long recognized the value of higher education in preparing students to compete in the global workforce. In 1965, Congress created the Higher Education Act to help low-income students pursue a college degree. As a result, last year more than $169 billion in federal financial aid was disbursed to undergraduate and graduate students, up 81 percent since 2005.

However, as our nation struggles with trillion dollar budget deficits and unprecedented national debt, continuing to increase federal subsidies to supplement the growing cost of college is simply unsustainable. In the last school year, the federal government provided roughly three-quarters of all student aid. Despite this tremendous taxpayer investment, millions of Americans are still struggling with significant student loan debt burdens.

Clearly, the rise in the cost of higher education in the United States is a problem—but the answer cannot be found in loan forgiveness gimmicks or a federal takeover of the student loan industry. As we continue to re-think our role in edu-

cation, we should use our influence to encourage accountability and transparency. Our end goal should be for states, postsecondary institutions, and students to determine the best path forward.

Higher education has remained fundamentally unchanged since its inception with most universities and colleges relying on professors lecturing to a classroom of 18-22 year old students who live on or nearby the campus, adding significantly to their cost of attending college. To help reduce tuition and fees, institutions of higher education should be looking for innovative ways to incorporate new technology and better address student needs. Under the current system, there is little incentive for schools to enact lasting changes or accountability measures for the billions of taxpayer dollars spent each year. States, students and parents must demand accountability for the investment, not depending solely on the federal government.

In fact, in some instances, the federal government has done more harm than good. For example, we have seen this administration restrict academic freedom and tamp down on innovations through inappropriate regulatory policies.

Prospective students and their parents must make it a priority to educate themselves about the true costs of attending college. Meanwhile, colleges and universities must do their part to streamline costs and lessen the burden for students whenever possible. Fortunately, some innovative institutions have already taken it upon themselves to do just that.

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I look forward to a productive discussion with my colleagues and our witnesses on how we can work together to help keep college attendance within reach for students nationwide. I now recognize the ranking member, Rubén Hinojosa, for his opening remarks.

Mr. HINOJOSA. Thank you, Chairwoman Foxx.

I would like to welcome and thank our distinguished witnesses for joining us today.

This hearing is an opportunity for this committee to reaffirm its commitment to affordability, accessibility, equity, and student success in higher education. As we look for innovative strategies to reduce college costs and bolster college completion, it is vitally important that we do not create new obstacles for low-income, first-generation college and nontraditional and minority students. These populations are entering our colleges and universities in record numbers and must have the opportunity to go on and succeed.

As ranking member of this subcommittee, I am deeply concerned that college costs have risen dramatically in the last decade. According to the College Board, between the school years 2010 to 2012, in-State tuition at public 4-year institutions rose by 8.3 percent and the 2-year institutions experienced a sharp increase of 8.7 percent.

In a recent national, bipartisan poll conducted by the Young Invincibles, The Institute for College Access and Success, known as TICAS, and the Demos, 84 percent of the young adults surveyed said that making college more affordable should be a priority for U.S. Congress.

Today, thousands of students find themselves incurring an inordinate amount of debt to finance their education. College seniors who graduated in the year 2010, for example, have an average of $25,250 in student loan debt, according to TICAS. These trends are especially troubling given that the jobs of tomorrow will require students to have at least 2 years of postsecondary education and most States are slashing their education budgets.

In the past several years, Democrats have taken historic steps to make a quality higher education more accessible and affordable for greater numbers of students. The passage of the Student Aid and Fiscal Responsibility Act, known as SAFRA, enacted as part of the Health Care and Education Reconciliation Act of 2010, made the largest investment in student financial aid since the GI Bill.

In the 111th Congress, Democrats ended the taxpayer-subsidized, Federally guaranteed Federal Family Education Loan Program, known as FFELP, and replaced it with the William D. Ford Federal Direct Loan, making federal college loans more stable and efficient at no cost to taxpayers. By transitioning to the Direct Loan Program, Congress was able to reinvest $68 billion in federal student aid.

SAFRA increased the maximum Pell Grant award, enhanced the capacity of minority-serving institutions and community colleges, and strengthened the income-based repayment, and increased investments to other federal programs.

The bipartisan-passed Higher Education and Opportunity Act of 2008 increased transparency and investments in federal student aid. Under HEOA, the U.S. Department of Education is required to collect and publish lists of tuitions and fees at all U.S. postsecondary institutions, holding colleges accountable for rising fees and tuition. Those institutions with the largest percentage increases in prices most submit a detailed description to the Department of Education outlining the reason for the increased costs. HEOA also encourages the use of innovative strategies to reduce costs, such as need-based grant aid incentives.

While Democrats have made great strides in tackling this issue through the federal investments in Pell Grants, direct loans, the American Opportunity Tax Credit, and the enactment of HEOA and SAFRA, I agree with Education Secretary Arne Duncan that we must continue to do more to rein in college costs and reduce individual student debt. I look forward to hearing from today's witnesses on how we can expand the affordability, accessibility, and student success in higher education and reach our Nation's college-completion goals.

Thank you.

[The statement of Mr. Hinojosa follows:]

Prepared Statement of Hon. Rubén Hinojosa, Ranking Minority Member, Subcommittee on Higher Education and Workforce Training

Thank you, Chairwoman Foxx.

I would also like to welcome and thank our distinguished witnesses for joining us today. Today's hearing is an opportunity for this committee to reaffirm its commitment to affordability, accessibility, equity, and student success in higher education.

As we look for innovative strategies to reduce college costs, and bolster college completion, it's vitally important that we do not create new obstacles for low-income, first-generation college, non-traditional, and minority students. These student populations are entering our colleges and universities in record numbers and must have the opportunity to go to college and succeed.

As Ranking member of this subcommittee, I am deeply concerned that college costs have risen dramatically in the last decade. According to the College Board, between the 2010-11 and 2011-2012 school years, in-state tuition at public four-year institutions rose by 8.3 percent, and two-year institutions experienced a sharp increase of 8.7 percent.

In a recent national bi-partisan poll conducted by the Young Invincibles, The Institute for College Access and Success (TICAS), and Demos, 84 percent of the young adults surveyed said that making college more affordable should be a priority for Congress.

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While Democrats have made great strides in tackling this issue through federal investments in Pell Grants, direct loans, the American Opportunity Tax Credit, and the enactment of HEOA, and SAFRA, I agree with Education Secretary Arne Duncan that we must do more to rein in college costs and reduce individual student debt.

With that, I look forward to hearing from our witnesses on how we can continue to address affordability, accessibility and student success and provide all students with a high quality education.

Thank you.

Chairwoman FOXX. Thank you so much, Mr. Hinojosa.

Pursuant to Committee Rule 7(c), all subcommittee members will be permitted to submit written statements to be included in the permanent hearing record. And, without objection, the hearing record will remain open for 14 days to allow statements, questions for the record, and other extraneous material referenced during the hearing to be submitted in the official hearing record.

[An additional submission of Chairwoman Foxx follows:]

Prepared Statement of the Education Finance Council

For nearly 20 years, the Education Finance Council (EFC), the trade association representing nonprofit and state agency student finance organizations, and its members have been working to improve access to and affordability of postsecondary education. EFC members have a deep expertise in postsecondary education financing and a long history of educating students on the range of options to pay for college. EFC and its members understand the financial hardship borne by student borrowers struggling to meet the rising cost of college during an economic recession and distressed job market. However, student loans, when properly understood and managed; provide necessary financing for students that have no other option to fund their postsecondary education. Student outreach; financial literacy education; and responsible borrowing initiatives provided by nonprofit and state agency student finance organizations help to prevent over-borrowing of student loans, which in turn aids in managing the cost of college. These programs allow students to understand their student loan obligations before they borrow and repayment options when they graduate. The innovative college access strategies offered by nonprofit and state agency student loan providers are keeping college within reach for numerous students.

Nonprofit and state agency student finance organizations work closely with secondary and postsecondary institutions, financial aid officers, guidance counselors, and other local educators as well as directly with students to provide vital college access and completion programs. Programs range from financial aid awareness, early awareness, financial literacy, college planning, and training for educators. Nonprofit organizations educate students on postsecondary options, the cost of each option, and funding opportunities. Through one-on-one counseling, these organizations provide in-person guidance to students such as scholarship searches, filling out the FAFSA, completing college entrance applications and essays, and other hands-on activities. Many EFC members offer interactive online portals to promote smart college planning. Interactive portals allow students to align their interests with potential college majors and careers and view education options for each choice, the estimated cost of each choice, and the estimated salary after graduation. Portals include a range of other tools; including lesson plans on personal financing, strategies for higher education funding, details of postsecondary institutions in the student's state, and available scholarships and grants. Oftentimes, nonprofit and state agency student finance organizations serve as the go-to resource in their states for student support. This private-sector collaboration has been a key driver in better preparing students to manage higher education costs.

In today's world, education and training after high school are requirements for earning a middle class income. Students must choose the education or training option that best meets their needs and which will not impose higher costs than they can afford. School counselors spend more and more of their time providing guidance to students on their personal lives and challenges. As a result, counselors have less time to work with students to develop a postsecondary education and training plan. EFC member institutions work with students and families to explore their interests, aptitudes, and career goals to link these interests to the education and training programs required to achieve their goals. Importantly, nonprofit and state agency student finance organizations provide unbiased counseling to help families select education or training options that will meet their needs without forcing them to incur greater debt than makes sense for their anticipated income.

Beyond programs to promote access and affordability, nonprofit and state agency student finance organizations provide a responsible funding option for students to fill the growing higher education financing gap. As tuition continues to rise and financial aid remains stagnant, students must have access to loans with transparent terms and affordable rates in order to attain a postsecondary degree. EFC members provide supplemental student loans with low, fixed-interest rates—most times below the Department of Education's Parent PLUS loan interest rates—and consumer-friendly borrower benefits. All programs require the student to have a qualifying credit score or qualifying cosigner. Nonprofit lenders provide extensive entrance and exit counseling regarding the loan's terms to prevent over-borrowing and ensure each student understands repayment obligations and options. In addition, most EFC members require that schools certify the enrollment of each borrower. School certification acts as a check that the loan is being used for an educational purpose and that the amount borrowed is in-line with the college's costs and the borrower's needs.

Recent government efforts to reduce student debt are inadequate and ineffective in view of the economic burden students face today. In the past, EFC members were able to offer loan forgiveness programs and other borrower benefits. These programs

allowed borrowers to pursue fields such as teaching and nursing they might otherwise not have been able to afford to pursue. With rising tuition and unemployment rates staggeringly high, students need better options to fund their postsecondary education and better guidance on the options that are already available. Congress and the Administration must reengage nonprofit and state agency student finance organizations to utilize proven-effective programs to promote college affordability and success.

[An additional submission of Mr. Altmire follows:]

Prepared Statement of the Pennsylvania Association of Private School Administrators (PAPSA)

The Pennsylvania Association of Private School Administrators represents the more than 300 for-profit career schools, colleges and universities in the Commonwealth.

PAPSA is deeply concerned about student overborrowing. What schools have found is that over borrowing is a big part of the loan debt problem, especially among unsophisticated borrowers. And it is increasing despite aggressive loan counseling.

Schools constantly report stories of students asking for all the financial aid they are entitled to, paying their tuition and then walking away with thousands of dollars which ends up paying for a newer car, Christmas presents, plastic surgery, bail money or big parties which the school usually ends up hearing about. These cash stipends can be, in one case, as high as $24,000 for an associate degree. Despite the best efforts of schools to curb overborrowing, the U.S. Department of Education mandates that schools must disclose to students all the loan money they are entitled to borrow. How can schools be responsible for repayment when the US Department of Education encourages irresponsible overborrowing?

Overborrowing is defined in three ways by our schools:

• Students transfer or move from school to school and continue to mount debt which goes into deferment while they are attending another college or school.

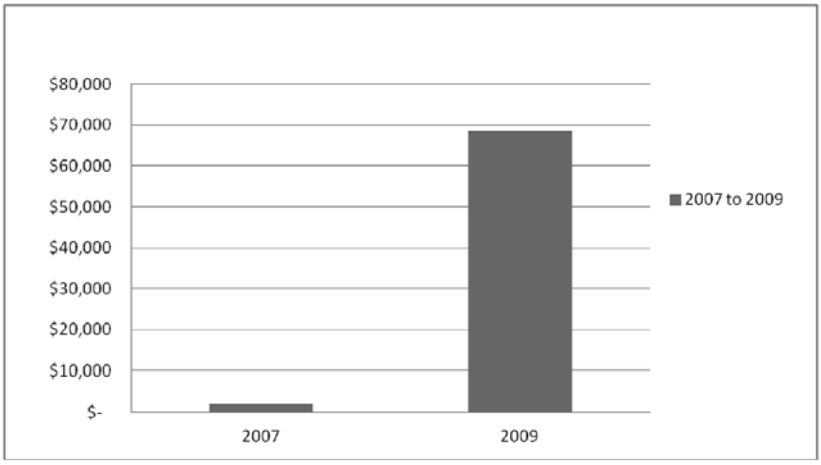
• Commuter students, living at home, borrow available funds in excess of direct school costs (tuition, fees, books) without regard to debt consequences. While these dollars make sense for traditional college students, they are not appropriate for commuter students. Since schools must disclose all the loan money available to these students, they often access these significant additional dollars with no thought to the future.

• Students also overborrow when they receive an unexpected increase in PELL, OVR, state grant, public assistance or WIA funding. As a result, more grant money is received than students originally planned. But when the school counsels and encourages them to return the excess loan money, the students almost always decline the request and keep the extra loan amount.

The following are actual examples of student overborrowing in Pennsylvania:

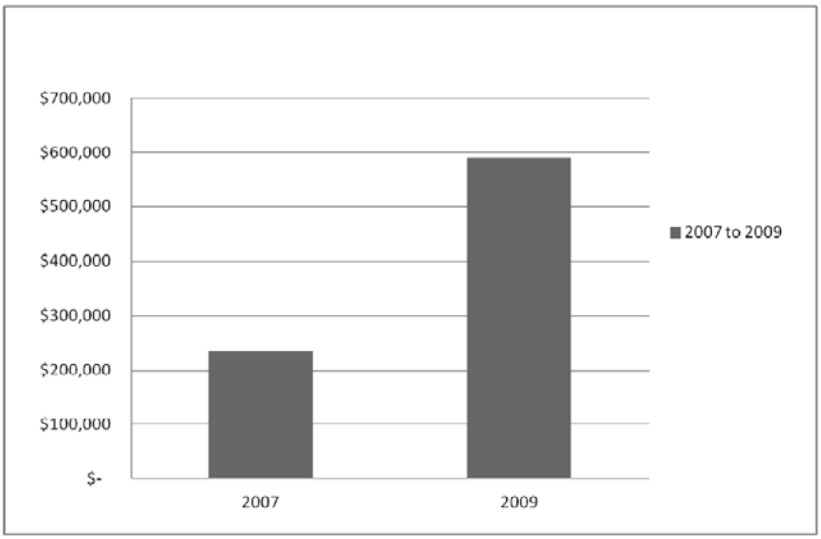
A small cosmetology school in Central Pennsylvania—In 2007-08-09, the school had a zero percent tuition increase and .06 percent enrollment increase, yet overborrowing increased from four to 41 students (a 925 percent increase). Overborrowing loan amounts increased from $2,064 in 2007 to $68,473 in 2009 (over a 3000 percent increase).

CHART 1
OVERBORROWING LOAN AMOUNTS—COSMETOLOGY SCHOOL



Three Business school campuses in Northwestern Pennsylvania—In 2007-08-09 the school averaged a 3.8 percent total tuition increase with a 43 percent enrollment increase, but a 152 percent increase in overborrowing—from $234,000 to $590,000 in two years.

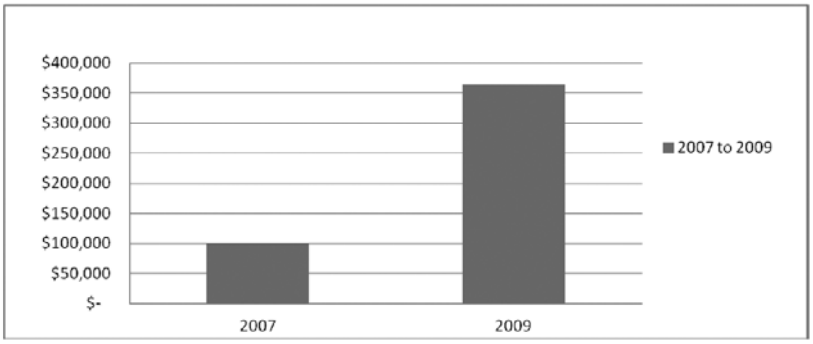
CHART 2
OVERBORROWING LOAN AMOUNTS—THREE BUSINESS SCHOOLS IN NORTHWESTERN PENNSYLVANIA



One business school campus in Central Pennsylvania—Between 2007 and 2009, the school averaged a 1.7 percent tuition increase each year and no increase in enrollments or borrowers. Yet, overborrowing increased by 104 percent (from 36 to 74 students) and overborrowing dollars tripled from $100,193 in 2007 to $363,983 in 2009.

CHART 3

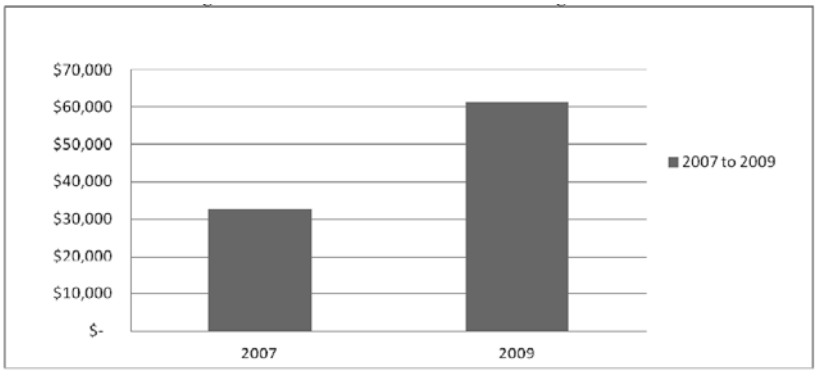
OVERWORKING LOAN AMOUNTS—ONE BUSINESS SCHOOL IN CENTRAL PENNSYLVANIA



Three small Pittsburgh technical schools under one ownership—While the number of students overborrowing remained the same between 2007 and 2009, the total amount of over borrowing increased by 99 percent ($32,651 to $61,316). Although tuition increases averaged 6.2 percent a year and enrollment increased by only 1.2 percent on average over the period, the dollar amount of overborrowing increased as the same number of students chose to increase their overborrowing.

CHART 4

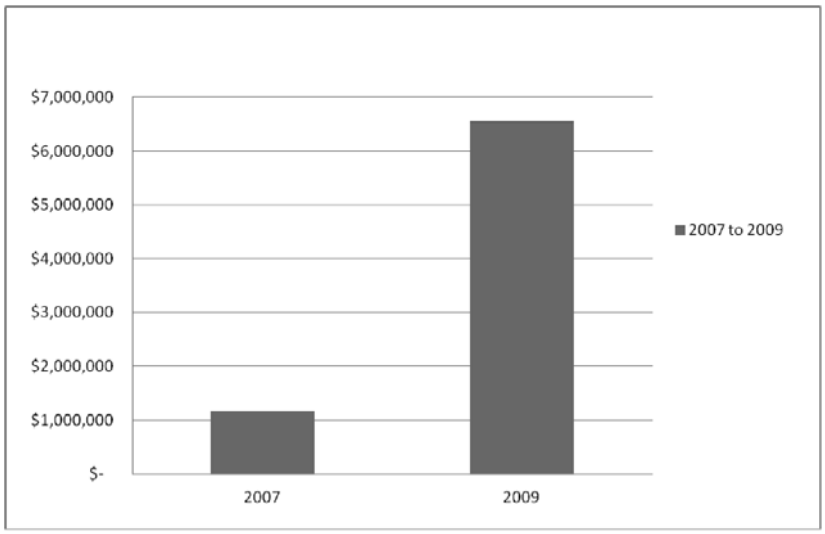
OVERBORROWING LOAN AMOUNTS—THREE SMALL PITTSBURGH TECHNICAL SCHOOLS



Nineteen small cosmetology schools throughout Pennsylvania—Although tuition increases averaged less than one percent per year for 2007 to 2008 to 2009 and the average enrollment increase was 3.8 percent a year, the number of students overborrowing increased from 757 in 2007 to 6,033 in 2009. Actual overborrowing loan dollars increased six-fold, from $1,169,261 to $6,551,978 over the three year period.

CHART 5

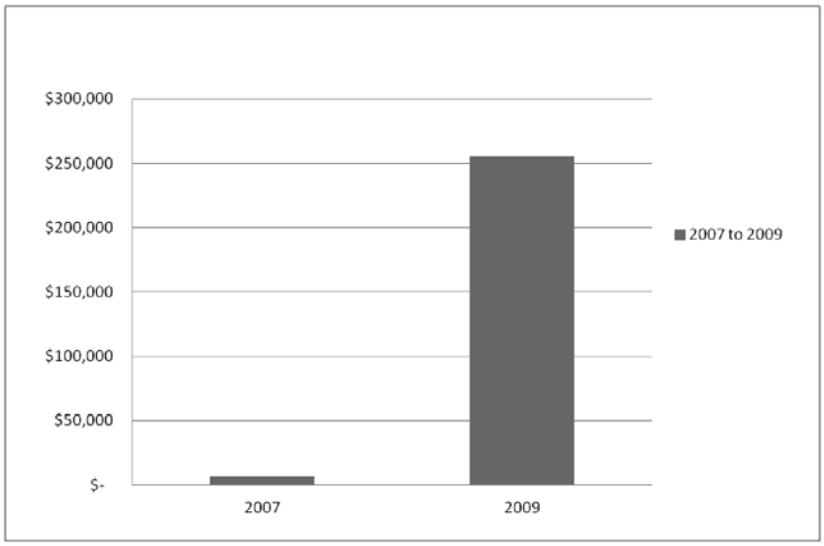
OVERBORROWING LOAN AMOUNTS—NINETEEN SMALL COSMETOLOGY SCHOOLS IN PENNSYLVANIA



A trade/technical school in Northwestern Pennsylvania—Between 2007 and 2009 the school had a five percent total tuition increase; a 42 percent increase in enrollment; and no change in the student demographic. Yet, they experienced a 4,250 percent increase in overborrowing—from $6,496 in 2007 to $255,680 in 2009. The number of students overborrowing increased from ten in 2007 to 180 in 2009.

CHART 6

OVERBORROWING LOAN AMOUNTS—TRADE/TECHNICAL SCHOOL IN NORTHWESTERN PENNSYLVANIA



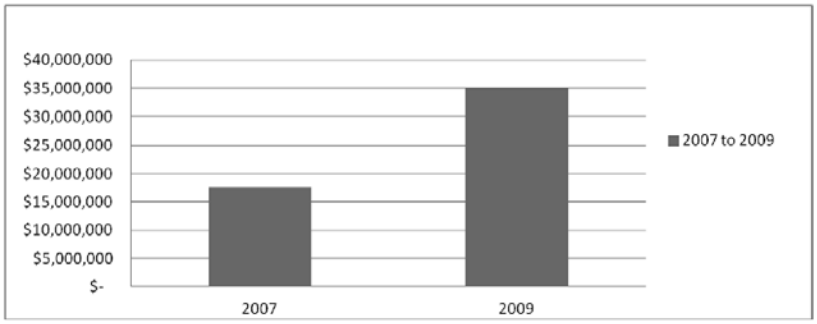
A business school in Northeastern Pennsylvania—Between 2008 and 2010, 65 percent of the students each took more than $1,000 in extra loan stipends, averaging $5,351. Thirty-five percent took less than $1,000. The 65 percent however, represented over 97 percent of the total amount of loan stipends issued, or $1,480,000 of the $1,530,000 in extra stipend money.

The point in this example is the school's concern that 65 percent of the students who borrowed more than $1000 averaged over $5000 in extra stipends. The school felt the students were taking on unnecessary expenses and would have a higher likelihood of default.

A 37 campus private group of schools in Pennsylvania and in other states—Overborrowing increased from $17,601,189 to $34,883,339 a 101 percent increase in the private school group. Over the three year period, there was a 7.6 percent tuition increase and a 41 percent increase in enrollment.

CHART 7

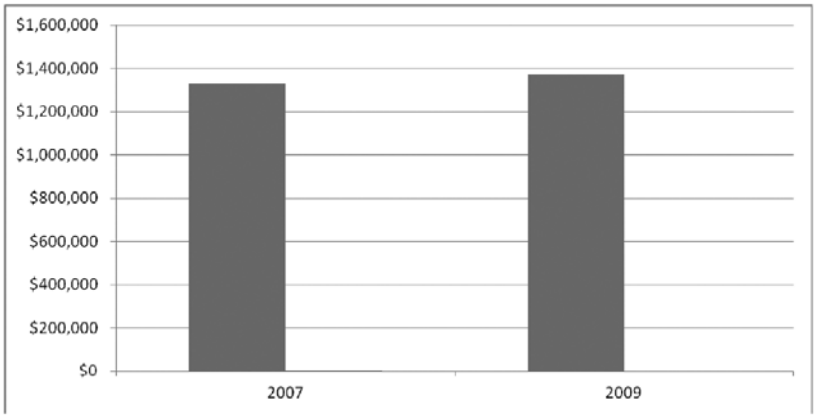
OVERBORROWING LOAN AMOUNTS—A 37 CAMPUS PRIVATE SCHOOL GROUP IN PENNSYLVANIA AND OTHER STATES



Large private college in Western Pennsylvania—Compare the previous data to the data provided by a more expensive two year college in Western Pennsylvania. Student overborrowing increased only slightly from $1,329,854 in 2007 to $1,373,764 in 2009. The tuition increase averaged 3.5 percent a year. Enrollment between 2007 and 2009 increased an average of one percent a year. There was no change in student demographics.

CHART 8

OVERBORROWING LOAN AMOUNTS—LARGE PRIVATE COLLEGE IN WESTERN PENNSYLVANIA



In this instance, tuition was above the state average in 2007 and students were already borrowing larger amounts for all years in question. The conclusion is clear.

More expensive private colleges do not see an increase in over borrowing since their students have traditionally borrowed at higher levels. Relief, however, from mandatory loan disclosure to students is needed at lower tuition institutions.

The three year trend appears clear. While there were minor tuition increases, no change in student demographics, stable or moderate enrollment increases due to some new campuses, only over borrowing, as was defined earlier, increased exponentially. In addition, from all early indications the upward trend toward excess borrowing will continue in 2010 and possibly beyond.

The problems PAPSA sees now with overborrowing will only be exacerbated in the future by the recent gainful employment regulations that the Department of Education has implemented. If career schools are going to be penalized for high debt, (and currently are under cohort default limit requirements) debt problems should be addressed at the front-end of the loan as well by curbing over borrowing and considering other front-end approaches.

PAPSA would like to see Congress or the US Department of Education consider additional methods beyond counseling for limiting student borrowing. We propose Federal changes to allow an institution to use professional judgment to decrease the loan amount approved for a student based on the appropriateness of the budgeted items and Satisfactory Academic Progress (SAP), as long as the loan amount fully covers the cost of attendance (COA), as we understand COA to be defined, and there are no other government programs that contribute to the COA. We would be happy to provide legislative language if requested.

Thank you.

Chairwoman FOXX. It is now my pleasure to introduce our distinguished panel of witnesses.

Jane Wellman is the creator and director of the Delta Project, a research and policy organization that works to improve productivity in higher education through more effective management of resources. Since 1995, she has also been a senior associate with the Institute for Higher Education Policy.

Dr. Ronald Manahan is the fifth president of Grace College and Seminary, having served as president since 1994. Dr. Manahan has also served as the school's professor of biblical studies, vice president of college academic affairs, and provost.

Mr. Jamie Merisotis is the president and CEO of the Lumina Foundation for Education. Before joining the Lumina Foundation in January 2008, he was the founding president of the Institute for Higher Education Policy.

Mr. Tim Foster was appointed as the tenth president of Colorado Mesa University in March 2004. Mr. Foster previously served as the executive director for the Colorado Commission on Higher Education and as head of the Colorado Department of Higher Education.

Before I recognize you to provide your testimony, let me briefly explain our lighting system. You will have 5 minutes to present your testimony. When you begin, the light in front of you will turn green. When 1 minute is left, the lights will turn yellow. And when your time has expired, the light will turn red, at which point I ask that you wrap up your remarks as best you are able.

After you have testified, members will each have 5 minutes to ask questions of the panel.

I now recognize Ms. Wellman for 5 minutes.

STATEMENT OF JANE V. WELLMAN, EXECUTIVE DIRECTOR, DELTA PROJECT ON POSTSECONDARY COSTS, PRODUCTIVITY, AND ACCOUNTABILITY

Ms. WELLMAN. Thank you very much.

Good morning, Madam Chairwoman and members. It is a pleasure to be here speaking about the research done by the Delta Cost Project, a nonprofit, nonpartisan research group focusing on where the money comes from and where the money goes in higher education.

I am going to speak quickly about what we see as some of the major patterns or major trends in the revenue and spending data for higher education. Our data cover public and private nonprofit institutions. I will be focusing on the time period roughly 1999 to 2009. Because we use expenditure data as well as revenue data, there is a bit of a time gap involved. So you can mentally adjust for some of the numbers I am going to be talking about for the last couple of years since 2009 when we know that there have been continued dislocations, particularly in public institutions.

First comment, first pattern. We have some slides but I think they are not going to work, so this will be more Zen than usual. You have little, teeny versions of these in the testimony. So bear with me and I will just get through them quickly.

The first pattern has to do with levels of economic stratification and the real differences between public and private—here we go; we are getting something popping up—between public and nonprofit private institutions over this period.

One of the really big stories over the last decade has been the growing bifurcation between public and private institutions, with the majority of new enrollments, 1.6 million-plus new enrollments, going into public community colleges and an awful lot of increased spending occurring primarily in a relatively small handful of elite institutions with endowments.

You can see on this chart, the way we have organized all of these data are by broad sector, Carnegie categories. On the left, we have private research universities, and on the right, community colleges. The green line here is what has happened in increased spending per student on average in that sector since 2009. The purple line is where the enrollments have gone. So you can see sort of quickly here what the differences have been.

If you will go to the next slide, one of the consequences of this, as you will see, is a real unevenness in access to resources between the relatively small handful of elite institutions and the majority of institutions where students are enrolled, with average spending per student in the elite institutions somewhere around $35,000 per student versus public community colleges where spending is closer to $10,000 per student. So it is a real pattern of differences. And, other than this one, generalizations about finance in higher education are always suspect; there are such differences.

The second major comment has to do with what has been happening to tuition, which I know is of primary interest to this panel. You know the story of rising tuitions, which have been continuing to rise well above inflation for the last 20 years. However, there has been a growing difference between growing prices charged to student and spending per student or cost per student. So the growing price and cost gap is one of the other big patterns we see in higher education.

For the majority of institutions, increased tuition revenues are not translating into greater spending. The reason for this is cost-

shifting. As other revenue sources are evaporating in the institutions, rather than reducing their spending—and some might argue they can't reduce spending that much—but rather than reducing spending, they are shifting the cost on to student tuition.

So costs are here; tuitions are here. And what you see in a year like 2009, a time of recession, what you see is both cost-cutting by the institutions and price increases. And having those two things happening simultaneously is one of the real unsustainable patterns in higher education.

If you look at some of the data here, this figure here shows just a 1-year change, between 2008 and 2009, in what has happened in tuition revenues—how much the institutions are capturing in revenues per student—versus what they are getting in public institutions from State and local resources versus what they are spending on the students. So looking at that gap between tuition and State revenues and spending gives you a pretty good snapshot of what is going on.

Just to read one of them off, in public research universities, tuition revenues, average increase in 1 year of $369, at the same time that the institutions were losing on average $751 per student from State and local appropriations. Despite that, they kept spending about flat, very modest increase, 92 bucks, probably because they were spending down reserves during that period.

If you look at the next chart, you will see a 10-year pattern and the same kinds of numbers. And what you see is that over that 10-year period most of the new spending in higher education is coming in from tuition revenues—the same kind of pattern of a price and cost disconnect over that period.

Third comment—I don't have charts on this one, so let me just speak to it, and it has to do with where the money is going in higher education. One of the patterns we have seen—and it has been commented on widely in higher education—has been a modest erosion, but a consistent erosion, in the amount of money that is going to pay for the direct cost of student instruction and an uptick in spending that is going for administrative activities, academic support, which could be computing, and for other types of functions. So you have seen this winding down, very modest but consistent, in all types of institutions, from the elite Ivies to the community colleges, reduction in spending for instruction and an increase in spending for administration.

What we saw in 2009 was an interesting and we hope welcome slight change in that. In the first year of the great recession, when you see evidence of spending cuts in institutions, this time we saw greater attention—oh, I am sorry, I am red already—to the efforts to control administrative expenses and make the cuts there versus what is going on in spending on instruction. So they are protecting instructional spending.

I am going to jump very quickly to one other major point, and then I will stop. And that is, if you looked for a smoking gun in higher education about where the spending has been going up, the single biggest factor for increased spending is employee benefits and specifically health care, up 5 percent per year consistently over time. So if there is one area where spending has to get cut if we are going to take care of tuition, it is going to be health care.

My apologies for rushing through that. Thank you.
[The statement of Ms. Wellman follows:]

House Subcommittee on Higher Education and Workforce Training Hearing
Keeping College Within Reach
November 30, 2911

Remarks from Jane V. Wellman
Executive Director
Delta Cost Project

- The Delta Cost Project is an independent non-profit policy research organization whose mission is to improve public transparency about higher education finance including comparative data on the ways that institutions spend their resources. Founded in 2006, ours is the only national organization that examines data on revenues and spending for public as well as non-profit private higher education. The IPEDS data on for-profit institutions is not consistent over time, and we haven't yet organized it to be part of our analysis, so I won't be commenting on trends in that sector.

- In my comments today, I will be focusing on what the most recent spending data say about patterns in higher education – particularly changes in where the money comes from, where the money goes, the reasons for continued high rates of tuition increases, and what the data say about where attention should go if we want to reduce pressures on tuition increases.

- Because we look at expenditures as well as revenues, there is a lag in our data, as spending data take a little longer to post than revenues. The patterns I'll describe today rely on data through the 2009 academic year – the first year of the "Great Recession." We know that the revenue situation has continued to deteriorate since then, particularly in the public sector, and if we were able to get current data I'd imagine it would show an additional loss in public and gift revenues in the neighborhood of an additional 5% on average. But the broad patterns behind these numbers – the dynamics between revenues and spending, and the role of the market in cost structures – are pretty consistent, and I think good indicators of the main cost dynamics facing institutions and students in 2011.

Focus on the following 5 points:

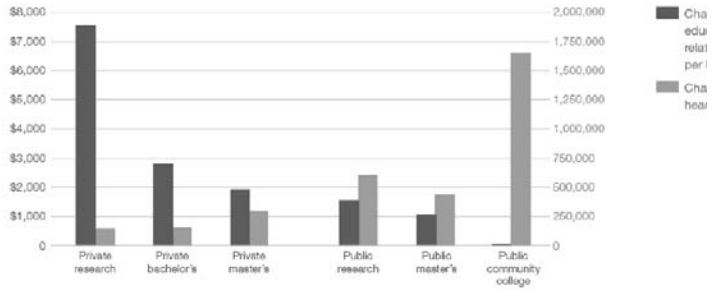
1) *Growing economic stratification between institutions.* One of the stories of the last two decades has been a growing gap between public and private institutions in terms of wealth, and in terms of enrollments. Among a relatively small number of elite private research universities, revenues from endowment earnings have grown far faster than anywhere else in higher education, against modest increases in enrollments. At the other end of the continuum, community colleges enrolled 1.6

million more students in 2009 than in 1999, with no increases in funding. (See figure 1).

Figure 1

New money versus new students—enrollment growth is concentrated in public institutions, which have had less access to new resources

Ten-year change in enrollment versus 10 year change in spending per FTE student, AY1999-2009 (in 2009 dollars)



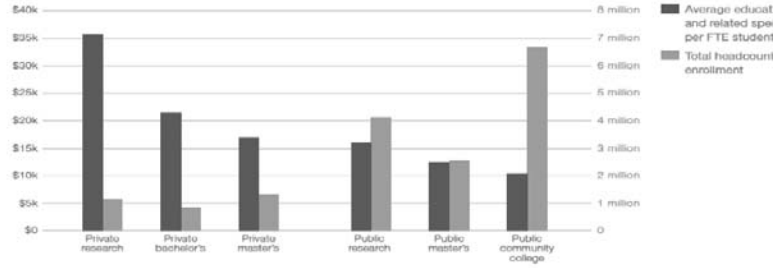
Source: Delta Cost Project IPEDS Database, 1987-2009; spending data from the 11-year matched set; enrollment data from the unmatched set.

The frequent media focus on the wealthiest and most selective institutions tends to skew public perceptions about higher education finance. It is true that the US has some of the very richest institutions in the world –but the large majority of students are being served in institutions about the same amount of spending per year as our K-12 schools.

Figure 2

Institutions enrolling the most students spend the least on their education

Enrollment versus spending per student, AY2009 (in 2009 dollars)



Technical note: Our measure of 'education and related' spending per student by combines spending for instruction, student services, and the educational share of overhead (academic and institutional support and the physical plant). We exclude sponsored research, auxiliary enterprises (hospitals and dormitories) and capital outlay. See "Trends in College Spending, 1999-2009," for more details, available at http://www.deltacostproject.org

2) The second theme is that *tuitions are continuing to rise – but much faster than spending or costs.* The reason is because of cost-shifting – tuitions are going up in part to replace revenues from state/local appropriations or because of declines in gifts or endowment earnings. For the majority of institutions, increases in tuition do not translate into comparable increases in spending. Cost shifting is most dramatic in the public sector, where revenues per student from state and local appropriations have been declining, but it is also evident among the majority of private institutions that are very tuition dependent, and don't have large endowments and rely on private gifts. In times of recession, such as 2009, institutions are both raising tuitions and cutting spending. The price/cost gap – the amount being charged to students versus what institutions are spending on them – has been a problem for years, and something that we think is unsustainable as we go forward. In 2009, among public institutions, tuition increases attempted to compensate for lost revenues from state and local budget reductions, but new revenues from tuition increases covered less than half of the reduction in state and local appropriations. (See figure 3.)

Looking at public research institutions, for example, average net tuition revenue increased by $369 per student between 2008 and 2009, but the loss in state and local appropriations per student was $751, slightly more than twice the amount generated in increased tuition revenues. (Net tuition revenue means that we are only looking at tuition revenue after tuition discounts, which are also going up.) Despite that, institutions were able to maintain education and related spending at roughly the same level as in prior years. To keep spending flat in the face of revenue losses, public institutions were clearly taking measures to reduce spending, as well as pulling from reserves or other revenue sources. We suspect that spending cuts will be larger in 2010 and 2011 when reserves are depleted and the ARRA money runs out.

Among public community colleges, revenues from state and local appropriations declined an average of $488 per student between 2008 and 2009, whereas tuition increases generated new net tuition revenues of only $113 per student. Spending declined overall by -$254/student – an absolute decline of around 2% overall.

The tuition/spending story is somewhat different in the private sector, particularly among the private research sector where some of the institutions with the biggest endowments are lodged. Education and related spending in private research universities increased considerably more than increases in tuition revenue ($907 in spending per student compared to $293 in tuition revenue per student), suggesting that they still had plenty of new revenue in endowments despite suffering heavy paper losses in that year. This was not the case, however, for students in private master's

and bachelor's institutions where tuition revenue increases were larger than spending increases.

Figure 3: 2008 – 2009: One-year change in *revenues* per student from tuition/state appropriations compared to changes in *spending*			
Sector	**One-year change in net tuition revenue per student**	**One-year change in state and local appropriations per student**	**One-year change in education and related spending per student**
Public Research	+$369	-$751	+$92
Public Masters'	+$225	-$590	+$26
Public Community Colleges	+$113	-$488	-$254
Private Research	+$293	NA	+$907
Private Masters'	+$536	NA	+$352
Private Bachelors'	+$381	NA	+$298

If one examines these figures over a ten-year period, one sees an even greater price/spending disconnect, with tuition increases more than replacing state/local appropriations in public institutions, allowing for fairly modest spending increases in the research and masters' institutions (between $100 and $150/student/year, or around 1% per year despite losses in state/local appropriations). Among private institutions, the research sector again is the one area where prices are going up at a slower rate than spending. In this sector, spending increases over the decade were around $700 student on average per year, around 2% per year. (See figure 4.)

Figure 4: Ten year change in *revenues* per student from tuition/state appropriations compared to changes in *spending*			
Sector	**Net tuition revenue per student**	**State and local approps revenue per student**	**education and related spending per student**
Public Research	+2650	-1502	+1566
Public Masters'	+1848	-955	+1058
Public Community Colleges	+811	-346	+38
Private Research	+3538	NA	+7575
Private Masters'	+2969	NA	+1962
Private Bachelors'	+2986	NA	+2804

3) *Spending patterns over time*. We look at spending by broad area, to see what the patterns are in how money gets spent. In 2009, analysis of spending patterns shows that public institutions were cutting spending in administration and plant maintenance, but protecting spending for instruction and student services. This is quite different than what we've seen in other recessions, when spending reductions were more typically across the board. The effect of this over time has been that instructional spending has eroded somewhat relative to increases in academic and

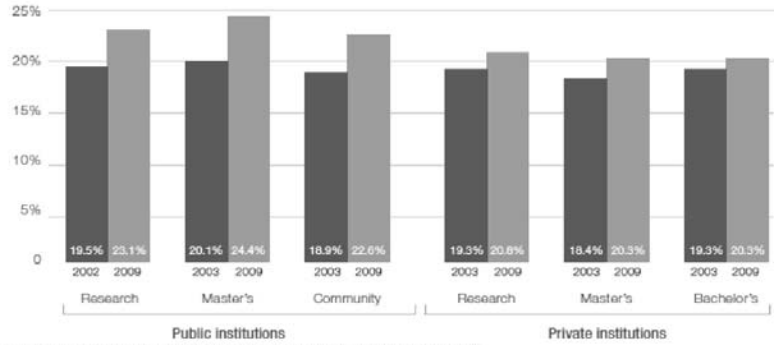
institutional support – because instructional spending is the single biggest area of spending, so cutting across-the-board means that cuts there are greater than in other areas. We think this means that institutions were being more strategic in their approaches to spending in 2009 – probably because they and everybody else knew that this recession was going to be longer and deeper than what they'd seen in the past. Whether they can sustain that in future years remains to be seen. In earlier recessions, institutions have been able to count on revenues returning after one or two years. When revenues returned, spending patterns typically bounced back to where they were before the recession. Most analysts do not predict state and local appropriation revenues to return to pre-recession levels in public institutions for the foreseeable future.

4) *Factors driving up spending.* Looking again at what is driving spending within institutions, the data show that the single biggest area of growth in spending has been for employee benefits. Spending for salaries has been growing less than one percent a year – in part because institutions have been cutting costs by turning to part-time faculty. But even as salary costs are being managed, benefit costs have been growing in the public sector an average of 5% per year. This effectively means that pretty much all of the new money coming in from tuition increases were going out the door to pay for the growing cost of health care. It also means that the single biggest area where cost controls can make a difference in taking pressure off of tuitions is in reductions to costs of health care. There are other ways for institutions to increase efficiencies, through pruning of the academic programs, consolidation of administrative services, and in better use of consortia or cooperatives for both programs and services. But none will yield the immediate savings both in the near and long term as from reductions in health care costs. (See Figure 5)

Figure 5: Changes in Salary/Benefit Cost per employee – 2002-2009

Public institutions	Salary outlay per employee	Benefit cost per full-time employee
Research	0.9%	5.2%
Master's	-0.6%	4.6%
Community colleges	0.7%	5.2%
Private institutions		
Research	-0.3%	1.6%
Master's	-0.8%	2.4%
Bachelor's	-0.5%	1.3%

Figure 6: Benefit share of total compensation costs, AY 2002-2009



Source: Delta Cost Project IPEDS Database, 1987-2008; 11-year matched set.

5) *Signs of increasing instructional productivity.* My last comment will be on a more positive note: The data in 2009 show some promising signs of increases in instructional productivity in public institutions – meaning a slight uptick in the production of degrees relative to student enrollments, as well as an overall decline in the average number of credit hours per graduate. Aggregate degree productivity is measured by comparing overall production of degrees against enrollments. It is not a measure of student cohort graduation rates, but a gross measure showing how enrollments are converted into degrees or certificates. All types of institutions saw increases in degree and certificate productivity between 1999 and 2009, with the greatest gains in public and private masters' institutions. Community colleges also saw gains in completions, in this case, primarily in a great increase in certificates rather than in more degrees.

   Public institutions also increased instructional productivity through reductions in credit hours per completion. Data on credit hour production are newly available beginning in 2002; our analysis of undergraduate credit hours per degree/credential show reductions in average credits/completion of between eight and ten credit hours over this period –translating into a 'savings' of nearly a half a semester's worth of credits. Instructional productivity also increased at the graduate level for both public and private institutions. While the trends suggest credits are being used more efficiently, this metric does not necessarily mean that the average number of credits per *graduate* is also declining. From these data, we do not know if the gains are occurring because of declines in attrition, or reductions in 'excess' credits beyond those required for the degree.

Figure 7: Degrees/Certificates produced per 100 FTE Students Enrolled – 1999-2009			
Sector		Total Degrees per 100 FTE students	Total Certificates and Awards per 100 FTE students
Public Research	1999	23.6	0.3
	2009	24.4	0.5
Public Master's	1999	22.3	0.3
	2009	23.3	0.6
Community Colleges	1999	14.7	8.0
	2009	15.0	10.6
Private Research	1999	30.5	0.4
	2009	31.5	0.9
Private Master's	1999	29.7	0.8
	2009	31.7	1.3
Private Bachelor's	1999	22.1	0.6
	2009	22.9	0.4

Figure 8: Credit Hours per Degree	Undergraduate			Graduate		
	2002	2009	2002-2009 Change	2002	2009	2002-2009 Change
Public research	164	153	-10	77	70	-8
Public master's	169	160	-9	66	59	-7
Public community colleges	173	164	-9	---	---	---
Private research	141	140	-1	71	65	-6
Private master's	134	132	-2	62	58	-3
Private bachelor's	148	152	4	---	---	---

Note: Graduate data excludes first professional; data were winsorized to adjust for outliers.

Source: Delta Cost Project IPEDS Database, 1987-2009; 11-year matched set.

Chairwoman FOXX. Five minutes goes by in a hurry.

Ms. WELLMAN. Well, I didn't even see the—my apologies.

Chairwoman FOXX. You went 2 minutes over.

Ms. WELLMAN. I beg your pardon.

Mr. HINOJOSA. Madam Chair, I ask unanimous consent that we all agree to extending the time of 5 minutes to a minimum of 7,

possibly 8, so that we can really go over these numbers that have been extremely of great concern to many of the members on both sides of the aisle. And I think that it is worth giving them that additional time, if you have no problem with that.

Chairwoman FOXX. Thank you, Mr. Hinojosa. Let's see how our panelists can do within the time frame. And Ms. Wellman has set a pattern here, and we will try to be fair to everyone involved. But we won't set the time at 7 minutes, we will leave it at 5, and try our best to let people finish their thoughts. And we will be fairly lenient in the questions. How is that?

Mr. HINOJOSA. I have no problem with that.

Chairwoman FOXX. Thank you.

Dr. Manahan?

STATEMENT OF RONALD E. MANAHAN, TH.D., PRESIDENT, GRACE COLLEGE AND SEMINARY

Mr. MANAHAN. Thank you, distinguished committee members, for the opportunity to testify this morning. My name is Ron Manahan, president of Grace College and Seminary, an accredited residential Christian institution of arts and sciences in Indiana. Grace offers undergraduate and graduate programs and enrolls over 1,600 students from 36 States and 8 countries.

Thank you for the opportunity to testify and provide you with information regarding our institution's efforts to address the rising cost of college education.

For a number of years, we had been concerned about this issue, but the economic turbulence of 2008 and beyond made even clearer that our campus had to address rising costs with greater urgency and that federal and State support of higher education was challenged. We could not simply stand by and wait for help.

Grace has received the most attention because of its 3-year degree option, but we reviewed many aspects of our college—and we have more to do—to determine where savings and reforms can be made. Specifically, we addressed rising costs in four ways.

In 2007, our strategic plan called for the evaluation of every academic program in terms of data points such as enrollment patterns, staffing, cost-effectiveness, demand among high school students, job-market issues, et cetera. Each program was placed in one of our four categories, listed in my prepared testimony.

The review was completed in 2009. This led to program adjustments in some cases and the teach-out and elimination of six programs. Grace helped students either finish at Grace or transfer to another institution offering the student's program choice. Several programs were added that focused more directly on areas of student program interest and regional needs.

A second way Grace addressed cost was by reviewing institutional operations. For more than 8 years, Grace has taken steps to reduce operational costs by seeking more efficient ways to serve students and employees. After thorough reviews, the campus strategically aligned physical plant operations, food service, publications, marketing, and printing with regional businesses that provide good service. We have been able to contain or reduce cost.

A third way Grace addresses cost was by exploring innovation. We developed a 3-year degree option for every baccalaureate degree

program Grace offers. This innovation required an intense 2-year development and preparation process and had five goals, among which are requiring 120 credit hours for all baccalaureate degrees and achieving increased accountability.

Though the option began just this semester, very, very early results are positive. Forty-eight percent of freshman students indicate they plan to graduate in 3 years. Freshmen are averaging a semester credit-hour load of nearly 17 credit hours. Applications and deposits for next year are up substantially, partly I think because of this new option. The 3-year degree option reduces cost 25 percent compared to the 4-year option.

A second innovation addressing cost is Grace's Weber School. This 2-year degree program is designed to make education affordable in more at-risk areas among individuals much to lose in this economy. Fort Wayne and Indianapolis are our first two locations. We are looking seriously at other Great Lakes cities. This program matches the first 2 years of our on-campus 4-year degree option. The annual cost for a full-time student in this program is only $7,800 before any aid is applied.

A third innovation is Grace's Placement Promise. Students meeting certain criteria may be eligible to earn an additional year of undergraduate education tuition-free if they don't find employment or gain graduate school acceptance within 6 months of graduation.

A fourth way Grace addressed cost was through collaborations and partnerships. For example, Grace collaborated with two 4-year institutions to offer nursing and engineering, and designed and offered the nation's only graduate program in orthopedic regulatory and clinical affairs in order to meet a regional and critical business need.

We realize that our 3-year degree option and our Weber School are not for everyone, but we believe they are right for us. We believe our changes address cost and strengthen education and access, and we have more to do.

Thank you for the opportunity to tell you about our efforts. I am grateful for federal funding to help students, but higher education must be vigilant in controlling cost, ensuring access, and increasing employability. Thank you for your interest in this topic.

[The statement of Mr. Manahan follows:]

Prepared Statement of Ronald Manahan, President, Grace College

Good morning Madam Chair and other Distinguished Committee Members. My name is Dr. Ronald Manahan, President of Grace College and Seminary in Winona Lake, Indiana. Founded in 1937 and located in the northern part of the state, Grace is an independent, regionally accredited institution of higher education offering undergraduate and graduate degrees. Thank you for the opportunity to testify about strategic changes made at Grace College to address the serious matter of rising college cost. I am pleased to provide you with information regarding our institution's intentional efforts to address cost through efficiency, innovation, and collaborations.

Institutional Profile

Grace College and Seminary is comprised of a liberal arts college offering undergraduate and graduate degrees and a graduate seminary. The institution's mission states that Grace is an evangelical Christian community of higher education which applies biblical values in strengthening character, sharpening competence, and preparing for service. Grace has a fall 2011 enrollment of 1,616. The incoming undergraduate class had average standardized test scores of 24 on the ACT and 1055 on the SAT. The average high school grade point average was 3.54 (4.0 scale). Students at Grace this year come from 36 states and 8 countries. Full-time student tuition

is $22,546 (covers up to 18 semester hours each semester) and room and board is $7,214. Approximately half of our students come from Indiana. The incoming students for fall 2011 came from homes with an average adjusted gross income of $66,717. 95% of our students receive financial aid. Our institutional default rate for the three most recent years is 2.9% (2007), 0.8% (2008), and 2.1% (2009). A general overview of institutional grants and federal grants and loans follows.

Financial aid	2009–10	2010–11	2011–12
Grace Institutional Grants (minus grad/non-trad.)	$10,649,409	$10,696,166	$10,170,690
Pell Grants	$1,535,320	$1,808,685	$1,948,386
Perkins Loans	$463,879	$466,801	$512,036
Stafford Subsidized Loans	$3,247,397	$3,535,621	$4,014,510
Stafford Unsubsidized Loans	$2,976,818	$2,856,314	$3,710,399

Background

For a number of years our institution has been concerned about the rising cost of college education and specifically the cost of a Grace College education. We realized we were pricing ourselves out of the very group of students we desired to serve. As a result of this concern we undertook steps to address the cost of our college through review of institutional programs, institutional operations, innovation, and partnerships and collaborations. The economic turbulence of 2008 and beyond made even more clear (a) that our campus had to address rising cost with the greatest urgency, (b) that federal and state support of higher education was challenged, and (c) that we must find ways through our educational mission to contribute to the local and regional health of our economy. We could not simply stand by and wait for others to help us with these concerns.

Addressing Rising Cost through Review of Institutional Programs

In early 2006 our institution approved a five-year strategic plan that included among its goals the review and evaluation of educational programming within the institution.

- Strategic Initiative 3.7: Determine the most efficient and effective academic structure
- Strategic Initiative 3.8: Implement aggressively the College's current policies on the conduct of comprehensive assessments of each academic department
- Strategic Initiative 3.9: Examine the potential for adding new majors

In the case of every program the evaluation included enrollment patterns, staffing, cost effectiveness, demand among high school students, competitive advantages over similar programs at other institutions, and other such data points. Potential outcomes of this thorough review were placing each program into one of four categories and their respective outcomes: (1) Program is strong, nurture its strength; (2) program can be strengthened by selected strategic help; (3) program needs substantive changes that, if not achievable within a couple of years the program will be closed and taught out; and (4) the program must be closed and taught out. The result of that major evaluation was that six programs were taught out and eliminated. In each case the institution helped students either finish at Grace or transfer to another institution offering the student's program of choice. By the end of the 2008-2009 academic year all program reviews were completed. During this same period several programs were added that focused more directly on areas of student program interest and local and regional needs.

Addressing Rising Cost through Review of Institutional Operations

For more than eight years Grace has been taking steps to reduce operational cost by seeking more efficient ways to serve students and employees. As a result of thorough reviews the campus has strategically aligned physical plant operations, institutional food service, publications, marketing, and printing services with regional businesses that provide good and cost-effective service. In these cases we have been able to contain or reduce cost while advancing service to students and employees.

Addressing Rising Cost through Institutional Innovations

(1) Three-Year Degree Option

In 2009 Grace College undertook a thorough study and review of an innovative approach to all of our institution's four-year baccalaureate programs. Our goals for this review were to stay committed to our institutional mission, maintain baccalaureate programming that in every case requires at least 120 semester hours (these hours as defined by regional accreditation and federal requirements) for graduation, increased focus on competence (not simply content), incorporate applied learning ex-

periences as a part of program requirements, increase affordability for students and their families, and make use of in-depth research through a recognized firm.

Grace College took dramatic steps to achieve these goals. The result was development of a three-degree option (the four-year degree option is still available to students selecting that option) for all Grace undergraduate degree programs (approximately 54). The institution still continues the four-year degree option but makes the three-year degree option available in every program. This required a change to the institution's academic calendar and restructuring every course to be taught in the altered academic calendar:

• Each semester was lengthened to include two eight-week sessions. The two sessions in a semester are separated by a brief vacation break.

• Students using the three-year degree option take three three-hour courses each eight weeks, completing a total of eighteen credit hours each semester.

• Students take eighteen hours each of the two semesters of a year and do this for three years totaling 108 semester hours of credit. Of course, students often bring with them credits earned through advanced placement, community college courses, etc.

• Students take six hours on online course work provided by the campus for each of the two summers between the first and second year and between the second and third year totaling 12 semester hours of credit. Because summer work is online, students can live most any place for work or travel and still complete the courses. No tuition is charged for full-time students taking the 12 hours of summer online courses.

• Taking the three-year degree option instead of the four-year option offers a 25% savings to full-time Grace students paying tuition, room, and board, meaning at today's prices a total cost of $89,280 instead of $119,040. These are the costs before any federal, state, institutional, and other student financial aid is applied.

• The average institutional financial aid for Grace freshmen students for the 2011-2012 year is $10,033. At today's prices this further reduces the total cost for a full-time three-year degree option student to $59,181 ($89,280 minus $30,099).

• Grace College's annual pricing increase for the three most recent years averages 3.3%.

• The three-year degree option allows the student to enter the workforce a year earlier than the four-year degree option, meaning the ability to gain up to an additional year of full-time income.

Extensive faculty interaction and training was required to accommodate all these changes. The new three-year degree option was launched with the beginning of the fall 2011 semester. To date we have completed the first eight week session and are half-way through the second session of the fall semester. While the three-year degree was just recently launched, several institutional data points suggest the students' attraction to the three-year degree option.

• Full-time freshman enrollment for fall 2011 was 21% higher than for fall 2010.

• According to the Grace Office of Registrar 47% of first-time students entering fall 2011 indicated at the beginning of the fall semester that they were taking the three-year degree option.

• Halfway through the fall 2011 semester 48% of the entering freshman class indicated they are planning on graduating in three years because of the three-year degree option.

• The average credit hours taken by freshman increased substantially for fall 2011 over the previous four years:

Average Credit Hours Taken	2007–08	2008–09	2009–10	2010–11	2011–12
New Freshmen	15.53	14.86	14.90	14.90	16.95

• Recruitment for fall 2012 year-to-date is running ahead of recruitment for fall 2011 year-to date:

Year-to-Date Recruitment	Fall 2009	Fall 2010	Fall 2011	Fall 2012
Inquiries	11,097	11,488	12,299	14,963
Applications	1,058	1,630	1,983	2,559
Accepts	412	669	967	1,410
Deposits	34	33	34	72

(2) Two-Year Weber School

• The two-year Weber School at Grace College is designed to be offered in multiple urban areas where family incomes make the cost of independent higher education unaffordable. This program was designed after the campus evaluated specific research conducted regarding the need for a cost effective alternative to independent higher education.

• The annual cost for a full-time student in the Weber School is $7,800, a dramatic savings when compared to the average cost of independent higher education in Indiana of $25,547 (tuition only in 2010-11) or of all U. S. independent education of $27,793 (tuition only in 2010-11).

• The program is offered close enough to a student's home that room and board expenses at the Weber School are eliminated.

• In the summer of 2011 Grace received approval from the Higher Learning Commission to offer a two-year associate degree in two urban cities in Indiana, Fort Wayne and Indianapolis.

• All courses in the program are designed and approved by on-campus full-time resident faculty.

• All courses are taught by either full-time or part-time faculty who meet the college's faculty requirements regarding graduate degrees, successful higher education teaching experience, and other such requirements.

• This program, named to honor a faithful supporter of Grace, is designed to be a cost effective alternative for students and their families who cannot afford to attend an independent college such as Grace.

• This two-year program matches the first two years of the on-campus four-year degree option.

• This allows a student completing the associate degree to transition to Grace's Winona Lake, IN, campus to complete the student's four-year baccalaureate degree.

• If preferred, the two-year Weber School graduate can transfer to a baccalaureate program at an institution other than Grace.

Addressing Rising Cost through Institutional Partnerships and Collaborations

Through several means Grace College is addressing the rising cost of higher education through forming institutional partnerships and collaborations with other institutions and organizations.

(1) Articulation Agreements with Regional Two-Year Institutions

Grace has a degree completion program called GOAL (Grace Opportunity for Adult Learners) and has entered into articulation agreements with two regional two-year institutions, Ivy Tech State College and Ancilla College. The GOAL program allows students who have earned an associate degree to complete a baccalaureate degree in sixteen months. Graduates from these two institutions receive a discounted rate which means these students are paying $300 per credit hour.

(2) Collaboration with Four-Year Institutions Offering Nursing and Engineering Programs

Grace has collaborated with two four-year institutions who offer nursing degrees (Bethel College) and engineering programs (Trine University). In both cases Grace students take the nursing and engineering courses on the Grace campus. This arrangement gains efficiencies for Grace, Bethel, and Trine.

(3) Graduate Education Programming Needed by Regional Businesses

Three of the five largest orthopedic companies in the world are located within several miles of the Grace campus. Additionally, two major suppliers and several start-up companies are located in close proximity as well. Grace approached these companies, asking what is the greatest educational need the companies had that, if addressed, would be of great help. All the companies said graduate education in regulatory and clinical affairs. Currently Grace offers a successful masters program in orthopedic regulatory and clinical affairs. The program was designed in collaboration with experts in the field and is the only such program in the country.

(4) Orthopedic Scholar Institute

Since 2003 Grace has offered the Orthopedic Scholar Institute (OSI) to students who are accepted into the program. Those accepted receive strategically designed learning experiences to enhance transferable skills expected by the orthopedic industry. OSI provides students accepted into the program with an opportunity to meld liberal arts learning with marketplace learning and technology. These students are given internship experiences within the industry, and their learning experiences are designed to help give them preferred employment opportunities when they graduate.

(5) Arranging Applied Learning Experiences with Regional Organizations and Businesses

All Grace students are required to take twelve credit hours of applied learning. These experiences, completed under the supervision of faculty, are designed to provide learning opportunities that interface classroom work with real world experiences through internships or other applied projects.

(6) Pursuing Campus Business Incubator Designated as Certified Tech Park by State

During the past many months Grace has been working with our county economic development corporation, state entities, and regional businesses to establish a business incubator on the campus and have this campus facility recognized as a Certified Tech Park. Good progress is being made. The incubator would provide business, engineering, and other students with significant internship opportunities as well as enhance the students' employability. We and others believe this will be a great advantage to our region in terms of developing future jobs.

Conclusion

We at Grace College realize that our three-year degree option is not for everyone, but it is right for us. It has produced encouraging early results. Our applications for fall 2012 are up. We have attracted interest from significant external groups within Indiana. Through our two-year Weber School we have expanded our educational service to Fort Wayne and Indianapolis. And we are looking to expand to other urban areas within the Great Lakes region. Our intention is to reach into more at-risk areas among individuals with much to lose in this economy. We believe the innovative programs and services we developed to address cost and strengthen education and access are the right moves for our time and our campus.

Again, I thank the Committee and express my appreciation for the opportunity to tell you about Grace College and our efforts. Higher education must be vigilant in controlling cost, ensuring access, and increasing employability. I personally appreciate your interest in this subject and stand ready to assist in whatever way I can on this important subject.

Chairwoman FOXX. Thank you, Dr. Manahan.

Mr. Merisotis?

STATEMENT OF JAMIE P. MERISOTIS, PRESIDENT AND CHIEF EXECUTIVE OFFICER, LUMINA FOUNDATION FOR EDUCATION

Mr. MERISOTIS. Good morning. Chairwoman Foxx, Ranking Member Hinojosa, thank you very much for this opportunity to be here. I am Jamie Merisotis. I am president of the Lumina Foundation, the nation's largest private foundation focused exclusively on postsecondary education access and success.

Streamlining costs and reducing tuition in higher education isn't just a good idea, it is essential to our future. Equity of educational opportunity is an American value that gives every person the chance to succeed and contribute. But the most important reason for streamlining costs and reducing tuition in the modern economy is simple: It is jobs.

Recent estimates show that by 2018 more than 60 percent of American jobs will require some form of postsecondary education. Today, only about 40 percent of American adults have an associate or bachelor's degree. For young adults between the ages of 25 and 34, this level is only good enough for the U.S. to rank 15th among developed countries. By comparison, a stunning 63 percent of young adults in South Korea have a college degree.

Lumina believes that 60 percent of Americans will need a high-quality degree or credential by 2025 for the U.S. to remain economically competitive. Much, if not most, of this increase will need to come from low-income, first-generation, minority, and adult pop-

ulations. Unfortunately, we don't have the resources to scale up our current system to the size it needs to be in order to be able to produce the number of graduates our economy needs while maintaining or improving the quality of its graduates.

The best way to increase the number of highly qualified college graduates to the level that we need is for the higher education system to become more productive. To meet the big goal of raising college attainment rates to at least 60 percent, productivity improvements will require a substantial increase in the number of high-quality degrees and certificates produced at a lower cost per degree awarded, while improving access and equity for the least well-served populations.

To this end, Lumina is working with States and institutions throughout the U.S. to redesign higher education to produce more graduates at lower cost, working with our partners to confront the core assumptions of how higher education is structured, funded, and delivered.

Our work on productivity of U.S. higher education is based on four specific strategies. The first is performance funding or targeting incentives for colleges and universities to increase college completion for underserved populations; to shorten time to degree or credential; and to reduce the cost of delivery.

Many States are moving to performance-funding models that base some portion of institutional support on the number of graduates produced rather than just the number of students enrolled. Tennessee is it now distributing 70 percent of its higher education appropriations based on results and quality rather than just enrollment. This concept has spread rapidly, with nearly 20 States already using or developing performance-funding systems.

The second strategy is using student incentives to increase course and degree completion. A good example is found right in my home State of Indiana at Indiana University Kokomo, where students who commit to completing 30 credit hours per year, maintaining continuous enrollment and making satisfactory academic progress, receive 3 successive years of discounted tuition, producing a savings equal to 1 full year's tuition by the end of the program.

The third strategy is to develop and implement new models of delivery. For example, a consortium led by the University of Texas at Austin is working with Carnegie Mellon's Open Learning Initiative to offer redesigned general education courses, which can be completed faster, in some cases twice as fast, than traditional courses, with the same or better student performance and knowledge retention over time.

The fourth strategy for increasing productivity of higher education is to introduce business efficiencies to produce savings that can be used to graduate more students. Much of what needs to happen here is to encourage cooperation and collaboration among institutions to improve quality and reduce costs. Since Ohio began requiring annual efficiency savings, their public colleges report more than $900 million in reduced costs.

Now, in my written testimony I discussed some of the implications of State and institutional efforts to increase productivity related to the critical issues of federal financial aid, data systems, and quality assurance. For now, let me just say that federal stu-

dent aid continues to be the bedrock of support for low-income populations and must be sustained. But innovation and creativity will be required to serve the increasing numbers of college graduates that our Nation needs. In addition, it is urgent that we develop comparable data at the national level on student progression toward degrees, college graduation, and ultimately job placement.

And in terms of quality assurance, we need to realize we are on the cusp of a fundamental change in American higher education, a shift away from a system based on time to one that is based on learning. In a knowledge-based economy, degrees and other credentials must represent real skills and knowledge, not the amount of time a student has spent sitting in a classroom.

Increasing the number of Americans with high-quality postsecondary degrees and credentials is vital to our economic future. These dramatic improvements cannot happen unless we streamline costs and reduce tuition by making the higher education system more productive. As you have heard, Lumina Foundation is working on this issue on many fronts, and we stand ready to share any and all of what we are learning with all of you.

Thank you very much.

[The statement of Mr. Merisotis follows:]

Prepared Statement of Jamie P. Merisotis, President, Lumina Foundation

Chairwoman Foxx and Ranking Member Hinojosa, thank you for the opportunity to testify before the subcommittee on a topic of such critical importance to millions of Americans and the future prosperity of our country.

I am Jamie Merisotis, President of the Lumina Foundation. Lumina is the nation's largest private foundation focused specifically on postsecondary education access and success, and we are based in Indianapolis, Indiana. I also previously founded and served as President of The Institute for Higher Education Policy, a nonpartisan research organization, and as executive director of a bipartisan Congressional commission on student aid that operated in the early 1990s. So the topic of keeping college within reach for all Americans is one that I strongly believe is of great importance to our nation. I also am proud to say that Pell Grants and other Federal, state, institutional, and private aid helped me afford college, so I know first-hand the challenges of paying for the ever-increasing cost of higher education.

Streamlining costs and reducing tuition in higher education is not just a good idea—it is essential to our future. We've known for many years that the benefits of higher education are numerous, with society gaining as much, if not more, than individuals. Equity of educational opportunity is an American value, one which gives every person—irrespective of their financial or family circumstances—the chance to succeed and contribute to our collective well-being. But perhaps the most important reason for streamlining costs and reducing tuition in the modern economy is simple—jobs. Jobs that require skills and knowledge that can only be obtained through postsecondary education are growing much faster than those that don't. Based on an analysis of employment data, the Georgetown University Center on Education and the Workforce has estimated that by 2018 more than 60% of American jobs will require some form of postsecondary education. This trend toward increasing skills is worldwide, and many of our economic competitors are responding by increasing higher education attainment rates to levels well above of ours. Only about 40% of American adults have an associate or bachelor's degree, and the rate doesn't vary much between older Americans—those between the ages of 55 and 64—and younger adults between the ages of 25 and 34. Among those young working adults between 25 and 34, this level is only good enough for the U.S. to rank 15th among developed countries. By comparison, a stunning 63% of young adults in South Korea have a two- or four-year degree.

Lumina believes that 60% of Americans will need a high-quality postsecondary degree or credential by 2025 for the U.S. to remain economically competitive. Many, if not most, of this increasing proportion of Americans who require degrees or credentials will need to come from low-income, first-generation, minority, and adult populations. I mention this to put the issue of streamlining costs and reducing tui-

tion into perspective. We all know that the increasing cost of higher education is placing a burden on families and individual students. But the challenge is far greater than that. Put bluntly, we do not have the resources to scale up our current system to the size it needs to be to produce the numbers of graduates our economy needs, while maintaining or improving the quality of its graduates. That scale of expansion cannot take place solely by increasing the investments made by the Federal government, states, parents and students.

So how do we get there, without increasing costs even more?

The best way to increase the numbers of highly qualified college graduates is for the higher education system to become more productive. In order to meet the Big Goal of raising college attainment rates to at least 60 percent, productivity improvement must not rely on making higher education more selective, or be used as an excuse to serve fewer students. Indeed, real productivity will require a substantial increase in the number of high-quality degrees and certificates produced, at lower costs per degree awarded, while improving access and equity for the least well-served populations.

To this end, Lumina is working with states and institutions throughout the U.S. to redesign higher education to produce more graduates at lower cost. When we began this work a few years ago it was somewhat controversial, in part because budget-cutting in the name of productivity previously had been used to justify serving fewer students. Few had seen the opportunities that real productivity represents to fundamentally rethink how we finance and deliver higher education. Today, however, in the increasingly difficult financial conditions faced by states and higher education institutions, we are finding that more and more state and campus leaders are willing to confront the core assumptions of how higher education is structured, funded, and delivered.

Our work to improve the productivity of U.S. higher education is based on four specific strategies described in Lumina's recent report, Four Steps to Finishing First.

The first is performance funding, or targeting incentives for colleges and universities to graduate more students with quality degrees and credentials. Providing a significant portion of funding in this way gives institutions the means and incentive to invest resources in ways that increase college completion for underserved populations, shorten time to degree or credential, and reduce the cost of delivery. The particular type of performance funding that many states are moving to bases some portion of institutional support on the number of graduates produced rather than just the number of students enrolled. This concept has spread very rapidly, and nearly 20 states already have performance funding plans in place or under development. Tennessee, Ohio, Pennsylvania, and Indiana all have plans that are worth your study. Tennessee is now distributing 70% of its higher education appropriations based on results and quality rather than enrollment. Ohio has a new set of formulas that differentiates completion incentives by institutional mission. The Pennsylvania state colleges have stuck with performance funding for a decade and achieved a 10 percentage point increase in four-year graduation rates, with increases of 6 and 9 percentage points, respectively, for African American and Latino students.

The second strategy for improving productivity is using student incentives to increase course and degree completion, specifically through the strategic use of tuition and financial aid. There is a lot of innovation taking place in states and institutions that use student aid to increase completion and to make the higher education system more cost effective. In my opinion, Federal aid programs could learn much from the lessons of these approaches. A good example is found at Indiana University Kokomo, which is piloting a student success tuition discount program for students who commit to completing 30 credit hours per year, maintain continuous enrollment, and make satisfactory academic progress. These students receive three successive years of incremental discounted tuition beginning at 20 percent, then 30 percent and ending with a 40 percent reduction in the senior year. For students, the overall impact is a tuition discount over four years that is equivalent to one-year's tuition saved.

The third strategy for lowering costs while increasing our capacity to educate students and improving quality is to develop and implement new models of delivery. Too often, our discussions of this issue end up as a debate between the pros and cons of traditional vs. for-profit delivery models, or place-based versus online delivery. The reality on the ground is much more interesting. For example, a Texas consortium of systems and institutions, led by the University of Texas at Austin, is working with Carnegie Mellon University's Open Learning Initiative to offer redesigned general education courses which can be completed faster (sometimes twice as fast) as traditional courses, with the same or better student performance and

knowledge retention over time. Even better, research has found that students are more likely to complete them.

Another example of true innovation is found in Indiana, where Governor Mitch Daniels had the idea to bring Western Governors University to the state and make it a state institution called WGU Indiana. Indiana promotes WGU's accredited, online, competency-based degrees as an affordable way to educate the state's adult population, many of whom previously may have attended college but not received a degree. The state also offers students the opportunity to apply for state need-based financial aid to reduce their WGU tuition, which, by the way, has not increased since 2008. Tuition and fees for a full-time student is $5985, which is 27% less than the average public in-state four-year tuition. WGU Indiana does not receive state support through the higher education funding formula. This model is being replicated in Washington and Texas.

Last but by no means least, the fourth strategy for increasing the productivity of higher education is to introduce business efficiencies to produce savings that can be used to graduate more students. Much of what needs to happen here is to encourage cooperation and collaboration among institutions to improve quality and reduce costs. There are many ways institutions can collaborate. Ohio has formed a statewide shared purchasing consortium and is engaged in cost-saving collaborations across a number of institutions. Since its state system began requiring annual efficiency savings, Ohio public colleges report more than $900 million in reduced costs. Cooperation is even possible across states. One great example is the Midwestern Higher Education Compact, which offers purchasing cooperatives for liability insurance, information technology, and student health insurance which save states and institutions millions of dollars a year.

Do these state and institutional strategies to lower cost and improve completion and quality have any implications for Federal policy? I believe the answer is an emphatic yes.

First is the critical issue of financial aid. Federal aid continues to be the bedrock of support for low-income populations and must be sustained. But the fiscal climate and broader economic challenges means that innovation and creativity will be required to enhance the capacity of the current Federal student aid system to serve the increasing numbers of college graduates our nation needs. One of the most important elements of a reframed student aid system will be to ensure that all Federal aid programs are designed to support student success—as measured by well-designed indicators such as on-time progression, course and program completion, and graduation. This does not mean that access should be any less important in designing a new aid system—quite the contrary. We need to continue to increase access for the nation's fastest growing populations in order to meet our employment and competitiveness goals as a nation. Yet access alone should not be enough. Federal financial aid remains a critical piece of the college success puzzle, and we must ensure that it is structured to meet the nation's growing needs for more graduates with high-quality degrees and credentials. We must have the courage to re-examine the entire system of grants, loans, tax credits, and work study to make sure it all works as effectively and efficiently as possible to support the success of low-income students that desperately need it.

Second, we must deal with the unglamorous but essential area of data. It is impossible to move the entire system of higher education to the levels of efficiency and effectiveness our nation needs without basic information on its outcomes. It is inexcusable that we do not have comparable data at the national level on student progression toward degrees, college graduation and ultimately job placement. In the absence of reliable Federal data, states are developing their own systems to provide these and other critical data. But it is hard for states to solve this problem alone. Often, it is difficult to obtain data about students at private and for-profit institutions, and the interstate mobility of students and graduates poses an additional challenge. It would be far more efficient for the Federal government to step up and provide a genuine service to states and the public through modernizing and improving its higher education data system. At the very least, the Federal government should help to assure that state and institutional data are comparable and can be easily shared to help everyone improve the performance of higher education.

Third, and perhaps most urgent, is the Federal role in quality assurance in higher education. We are on the cusp of a fundamental change in higher education—the shift away from a system based on time to one based on learning. In a knowledge-based economy, degrees and other credentials must represent real skills and knowledge, not the amount of time a student has spent sitting in a classroom. WGU and other competency-based approaches are the harbingers of change, but the full ramifications of this shift affect all aspects of postsecondary education. We must recognize the prior learning of displaced workers, returning veterans, and millions of oth-

ers who want and need to improve their knowledge and skills to advance their career or improve their life. We need transparent credentials based on learning that allow us to seamlessly connect the workforce development system and higher education. I know the subcommittee has taken a particular interest in this topic, and I applaud you for it. Finally, employers, students, and the public should have a clear understanding of what degrees and credentials represent in terms of skills and knowledge learned. Lumina is working with states, institutions, and others to develop the tools that will allow these new approaches to emerge—tools like the Degree Qualifications Profile, which defines common reference points for degrees across disciplines and institutions. These approaches will have significant implications for the way quality assurance is addressed by the Federal government.

Again, thank you for the opportunity to appear before you today. Increasing the number of Americans with high-quality postsecondary degrees and credentials—particularly those populations that are the fastest growing and most vulnerable in our society—is vital to our economic future. Indeed, there is no more important public policy issue facing our nation. These dramatic improvements cannot happen unless we streamline costs and reduce tuition by making the higher education system more productive—substantially increasing the number of high-quality degrees and certificates produced, at lower costs per degree awarded, while improving access and equity. As you have heard, Lumina Foundation is working on this issue on many fronts, and we stand ready to share any and all of what we are learning with you.

Chairwoman FOXX. Thank you very much.

Mr. Foster?

STATEMENT OF TIM FOSTER, PRESIDENT, COLORADO MESA UNIVERSITY

Mr. FOSTER. Thank you, Madam Chair, Ranking Member Hinojosa, and members of the committee. It a pleasure, in fact, to be in front of you. It is actually an honor. And having not been in front of a congressional committee, I am probably a little more nervous than Jamie. We were supposed to be in Denver talking about this very topic but decided to come here instead and testify in front of your committee.

Chairwoman FOXX. Showing good judgment.

Mr. FOSTER. Based on the plane flight, I think it was a bad choice.

Our State is home to one of most efficient, according to the Delta Project, systems of higher ed in the country. I think we are second as you measure baccalaureate degrees, or bachelor's degrees, based on dollars invested. We also rank amongst the top 5 or 10, depending on the year, percentage of our population with a bachelor's degree or higher.

That said, we face the same stresses and strains that institutions in other States face. We took a 30 percent reduction in State support over the last 2 years. The Governor's budget proposes an additional reduction of another 10 percent. And, quite frankly, we anticipate that might increase to 25 percent.

This is not news to anyone. We have been watching the growth primarily in Medicaid, which is driving those kind of cost-shifts in State budgets. And so we have been preparing for this at CMU for the better part of 7 years.

Counterintuitively, what we have done is, on the revenue side, went to a pricing model that charges students for every credit hour that they take. Surprisingly enough, what we saw when students pay for each credit hour, their credit-hour activity actually went up, rather than down. And we think their speed to degree will accelerate.

We also have done a lot of different things in terms of financial aid. And so we do a merit financial aid system, where if you are at 3.75 or above and have one of the other two, either top 5 percent in your graduating class or a 29 ACT, we give you a full tuition and fee scholarship. What we found was that 59 percent of our students who have need also qualified for those merit scholarships. And so what we also found is because we have higher expectations in terms of academic performance, the retention of those students is higher, and we think the graduation rates are going to increase as well.

For middle-income students who get left out of the financial aid conversation, we looked at work study. And work study I think has been one of things sort of ignored at the federal and State level. Because students who are engaged in work study also retained at higher levels. And so we offer up to 20 hours of work-study money to students regardless of need and, again, see a significant increase in the retention. And it is really the connection to the institution and connection to people at the institution which we think is the critical element in that gain.

On the expenditure side, and with some trepidation with Chairman Foxx, we early on decided and looked at our structure, our administrative structure—president, vice president of academic affairs, deans, chairs, faculty, students—and we spent about $1 million 6 years ago on deans. We made a decision on our campus to do away with deans. Clearly, we don't save $1 million; we saved, conservatively we estimate, about a half a million dollars. And while our faculty I think missed that voice in administration, I don't think our students have missed the expenditure of those funds whatsoever.

We also—because of those ongoing budget reductions, it is sort of a continuous budget-cutting exercise. And I say "budget-cutting," and then I will tell you that, in talking with folks in our region, they push me a little bit and say, "budget cuts or efficiencies," and I would have to concede, most of them are efficiencies.

And so we have done a number of things in addition to the deans, with rebidding copier systems to having the largest renewable energy program, where we use ground source heat exchange to heat and cool our buildings, which saves us about 75 percent of the cost of heating and college buildings. We get suggestions, like in summer we now concentrate all of our classes in one or two buildings, and so we don't cool and maintain and clean the other buildings. And I could go on and on, but I would be way over my 5 minutes and get in trouble with the chairwoman.

I will tell you, according to our State agency, there are over 500 accredited institutions of higher learning in the State of Colorado. If Adam Smith anticipated a perfectly competitive marketplace, I would submit to you we see it in higher ed. And I think that is true in most States. If we are not doing a good job, our students tell us. And if we are not doing a good job, our parents tell us. I have an open office hour every Monday at 2:00. I meet every 2 weeks with our student government. I go to every dorm every semester and we have pizza and talk about what their experience is. And we try to listen to what our students tell us, in terms of what we are doing.

Recently, we have been fortunate—I think Mr. Hinojosa talked about the percentage increase. Our percentage increase this year was 4.7 percent on tuition and fees. Regrettable, but, again, there is this two-edged coin which is affordability and quality. And I would submit to you that if we slash quality, then I don't care how affordable it is, if it is not worth experiencing, then it is not worth spending time and money on. And the reverse: if it is high-quality and you can't afford it, then obviously it is absolutely meaningless.

I will tell you, a little nervously, we do spend a lot of time and energy trying to comply with and understand directions from the U.S. Department of Education. For example, we operate a satellite campus in Montrose, Colorado, and have for about 20 years. That community asked us to bring our medical office assistant program to Montrose, and because of recent rules with the Department of Ed, we have to actually submit a formal change request, which is about a 40-page document and will take us untold hours and time to try and get that approved so we can meet the needs of that community.

We also spend at the financial aid office an inordinate amount of time every year poring through policies and directives because the goalposts move every year.

And last but not least, and with due apologies, this is a requirement in terms of what information we have to put where on our Web site that has to be one or two clicks away. This cost us hundreds of hours of staff time. And, again, I guarantee you, with 500 choices, students, if they can't find the information that is contained here conveniently, whether it is expense, safety, quality of programs, again, they let us know, and they let us know with their feet by going somewhere else.

So I have gone over a little bit, and so, with my apologies, Madam Chairwoman, and I will wrap up right there and just say, thank you for having us. We think this is a critical issue and, like Jamie, the future of this country is based upon our continuing efforts in educating both young people as well as adults.

[The statement of Mr. Foster follows:]

Prepared Statement of Tim Foster, President, Colorado Mesa University

Thank you, Madam Chair, Ranking Member Hinojosa and members of the Committee for the invitation to this important hearing. I'm honored to be with you today. Colorado Mesa University may be thought of as the workhorse of Colorado's higher education system and we greatly appreciate the opportunity to tell our story. Our mascot is the Maverick, so we're used to bucking trends, challenging the status quo and using innovation to lead.

CMU is a regional, public four-year teaching university with offerings ranging from technical and associate's degrees (delivered by our community college branch) to a broad array of baccalaureate liberal arts and professional programs, as well as targeted graduate programs that serve our region and state. We are located in Grand Junction, Colorado, a community of approximately 100,000 people and we're the largest regional hub between Denver and Salt Lake City. With an annual economic impact of over $317 million, CMU serves all of northwest Colorado; a region roughly the size of South Carolina.

The topic of your hearing today is quite timely. As you'll hear from Ms. Wellman with the Delta Cost Project, Colorado has one of the most productive higher education systems in the United States. Further, our state is home to one of our nation's highest percentages of adults with postsecondary education. That being said, we face numerous challenges with access, affordability and making sure our doors

are always open to every student who has worked hard and is interested in pursuing a higher education.

As an access institution, we pay special attention to first generation students and students with documented financial need as this is a significant proportion of our region's population. Recently, CMU has seen high need enrollments jump from 2,481 students in 2009 to 4,643 students enrolled this year. Interestingly enough, last year we found that 59% of students receiving institutional merit based awards also had documented financial need. As a matter of principle, we have found that granting students institutional financial assistance based on merit—rather than arbitrary financial calculations—results in greater retention and a drive to perform academically to maintain eligibility for the award. On our campus, we have seen first-hand the positive impact of students earning a hand-up, not simply receiving a hand-out.

Along with our efforts to focus resources on merit-based aid is our university's commitment to work study. As we've watched the number of federal and state work study awards shrink in recent years, we developed our own program known as MavWorks to match students that want to work with jobs around our campus. These students work no more than 20 hours per week during the semester but they wind up with a direct connection to the institution in the form of contributing to our shared success. Equally important are the human connections student workers develop in departments ranging from athletics to grounds-keeping. This direct connection results in higher retention which we all care about.

If you look around our state and region, you won't find an institution more focused on low administrative overhead, conservative budgeting and strategically serving students than Colorado Mesa University. To be sure, budget cuts at the state level have keenly focused our attention on running a tighter ship while striving to keep costs low and transparent for students.

When our administration took the helm in 2004, the institution was operating in the red, enrollment was flat and our community was eager to see CMU live up to its full potential. Right away, we began scouring the budget to identify cost savings, efficiencies and opportunities for self-sufficiency. This analysis included a hard look at our price point.

With apologies to Chairwoman Foxx whose great experience in higher education probably included the title of "Dean" along the way, we immediately flattened our organization by eliminating Dean positions on our campus, which saved us more than $500,000 per year.

We convened an Academic Program working group to assess all academic program offerings in the context of our role and mission to make recommendations on which programs the university should continue to fund. The process was tough, it included many difficult conversations around our campus, but it resulted in our Board of Trustees actually eliminating twelve programs and reluctantly letting go a very talented, tenured faculty member.

Much like Colorado's system of higher education in general, CMU has been a leader in university efficiency. Our faculty members carry a 4-4 teaching load (teaching four classes in the spring along with 4 classes in the fall); double that of most R1 institutions. On the operations side, we have created a continuous improvement mentality whereby every year we identify new ways to operate better, smarter, more efficient, and for lower costs. From re-bidding copier services; to developing our region's largest renewable energy ground-source heating and cooling system; to shuttering unused buildings in the summer time; CMU is diligent about keeping operations costs low. We do this because it allows us to reinvest in what matters in our line of business: top notch faculty, facilities, technology and support for students. Because people are at the center of our success as a university, I personally interview every single prospective faculty member to ensure their professional value system aligns with what we value at the university. It's that important.

To be sure, this new approach took some getting used to around our campus. But I'm proud to say that our entire campus community has embraced it because it yields results and it puts students first. To us, this is more than a slogan, it defines our operating philosophy and how we conduct business.

For example, on move-in weekend, you'll see our leadership team and our trustees helping students move in to residence halls. Throughout the semester you'll see us eating pizza with students in every dorm across campus soliciting feedback and asking for suggestions on how to improve what we do. What we find is that by listening, really listening, to what our students are telling us, we can innovate and stay ahead of things that might otherwise serve as barriers to student success.

You see, Madam Chair, CMU understands who our customers are. Students. In Colorado alone, over 500 accredited institutions are competing with us. On our campus, we believe competition is a good thing, whether it's athletics, entrepreneurship or academics. Irrespective of how regulators in Denver—or even right here in Wash-

ington, D.C. tell us how to run our institution, if we're not doing a good job, I'll hear about it. I have an open office hour every Monday afternoon and if we're not doing something right, students are not afraid to come and tell me. Perhaps even more importantly, if we do not prioritize student success and the conditions necessary for students to thrive, our customers (our students) vote with their feet. And right now, our focus is to keep costs in check, provide students a great value, and deliver to them an outstanding undergraduate education. Watching our enrollment grow by double digits over the past few years leads me to believe we're on the right track.

In visiting with students and parents, I can assure you that families are very aware of cost and finding the best value for their education dollar. This year in Colorado, the average tuition and fee increase at other public colleges and universities was over 13%—ours was less than 5%. I've heard many times that families chose Colorado Mesa University not only for the quality of our programs but also because each education dollar can be stretched further on our campus. All of the aforementioned cost savings measures coupled with our constant focus on interaction with students allows CMU to keep costs in check for students while investing in those things that matter.

It is worth noting that none of our success would have been possible without a strong, engaged Board of Trustees. Our Board constantly challenges me to define success and help identify ways to measure it. To me, success is defined by providing a high quality educational experience with a sharp eye towards the costs associated with delivering it. If first generation and middle income students cannot afford our tuition, the level of quality is rendered significantly less meaningful.

Because higher education is such a competitive arena, I implore you to let the market work. Keep an eye on regulations that unnecessicarily burden institutions that are trying to do the right thing for students. Seek out innovation and flexibility measures that enable institutions like CMU to do the most good for students. Ultimately, keep your eye on the prize—and trust students and prospective students to keep us accountable. As public financial support continues to shrink for institutions like CMU, we will have no choice but to continue innovating and enhancing our self-sufficiency. We think we're up to the challenge and I look forward to your questions.

Thank you, Madam Chair.

Chairwoman FOXX. Thank you very much, Mr. Foster.

Again, thanks to all of you. I think you did a commendable job of transmitting a lot of information in the short period of time that you were given, and I appreciate the effort that you made.

I will begin now with our questioning from the members to you all. And most of us make some comments before we go ahead and do the questions. And I did want to say that I appreciate—I read your written comments last night, and these will be in the record. And I want to say to anyone who is interested in getting a fuller perspective on the things that you said that I would commend the materials that you submitted. And I will make two or three brief comments, and then I will ask a couple questions.

Number one, Mr. Foster, I really appreciated your saying—and you didn't mention this in your comments—that CMU understands who our customers are: students. As someone who worked in institutions of higher education, I think too often there is a failure on campuses to recognize that.

Ms. Wellman, at some point I think we should talk a little bit more about the area of benefits and how that is driving costs, because I am not sure that we have had a full enough discussion of that.

And as somebody who has, again, worked in this system for a long time, or did work in the system for a long time, I would like to see us talk a little bit more about what we have known about innovative programs for a long, long time and how they are working. It seems to me we have known a lot of these things. We have known about student learning styles, we have known about dual

credits and things like that that I think perhaps don't get enough attention in the public arena and aren't presented as alternatives to increasing spending that are ways that we could reduce cost.

And, Mr. Merisotis, I could not let this meeting go by without commenting on the really impressive comments that you made about a system based on learning and not on time. I am very impressed with that approach that the Lumina Foundation is taking. And, obviously, we need to do more of that in higher education.

I wonder, Ms. Wellman, if you have any other examples that you would like to give about how institutions are dealing with State spending shortfalls. Very, very quickly, do you have any other examples that you would like to present?

Ms. WELLMAN. The general pattern, as I mentioned, historically has been for public institutions to offload a lot of the reductions in State spending on the student tuitions. I think in this recession institutions figured that they have hit the wall on that, and we see much more evidence now of big public systems, as well as small institutions, paying a lot of attention to cost-cutting and productivity.

They are cutting back on—they are paying attention to student credit accumulation. They are going into purchasing cooperatives. They are tackling health care. So I think there are a lot of good examples, more now than we have ever seen before.

Chairwoman FOXX. Mr. Foster, would you mention something more about what kind of scaling back—you mentioned scaling back administrative and operational costs. Tell me a little bit more about how you address some of those concerns. I am intrigued about, for example, the summertime, using only a couple of buildings and cooling them. That seems to me to be something that more and more schools could do; the same thing in the wintertime.

Would you mention something more about that? And how did you address the concerns that were expressed on your campus?

Mr. FOSTER. Well, when I first got to campus, we were actually operating slightly in the red. And so, one of the first things—that is not a sustainable model, as we all appreciate. And so, the dean concept came up. We did the traditional approach, which convened a committee, unfortunately an even-numbered committee. I was not very seasoned at the time. And they came back three-three and said, you know, we would tie on whether we eliminate deans. Although, the other three said, if money is an issue, then we would have to join those who say it is time to walk away from deans.

We have also engaged the campus as a whole, though. The classroom idea in the summertime—we have a suggestion spot on our Web site, and we get suggestions all the time. We have rebid our insurance. We were able to pull out of the State's insurance pool, and we were effectively underwriting the Department of Corrections and Department of Transportation, which are obviously much riskier than teaching on a college campus. And so we are able to save money there.

From a student perspective, I should go back and say—because we chatted a little bit earlier—one of the things that our students have the ability to do and I think was an experience you had when you were president was dual-enrollment: students who in high school can take college credits while they are in high school. And in Colorado, the school district actually pays for those courses. And

so we have students who increasingly start with 20, 30, 40, as much as a full year under their belt, and so it just gives them a running start. And really, maybe they aren't completing in 3 years, but it somehow feels like they are paying for much less.

Chairwoman FOXX. One more quick question. The program that you mentioned that you want to take to another place, is that program already approved by all the approval systems on your campus and you are having to do the regulatory process all over again just because you are moving it to another place? Is that what I understood?

Mr. FOSTER. Yes, ma'am. What is ironic about it is, in Colorado we are actually—and it is one of these federal agency trumping State, kind of, statutes as well as State regulations—we are designated as a regional educational provider for the western part of the State, about the size of the State of West Virginia. And so, what we are supposed to do is deliver all of our programs, which are all completely approved and as you described. And so it is just a matter of that community would like us to take that program within our region 50 miles down the road.

And for some reason—and I think it has to do with the debate you all had about proprietary schools and those sorts of things here fairly recently. And so them trying to ratchet back and tighten up the controls on colleges' abilities to offer programs in different locales. It just makes absolutely no sense to me whatsoever. But we will write a 40-page report and go through the process, right?

Chairwoman FOXX. Well, our subject today is not regulatory reform, but it is an issue we are very concerned about.

Mr. Hinojosa?

Mr. HINOJOSA. Thank you.

I have found your presentations, each one of you, very interesting, and I certainly hope that we can take advantage of your sharing your success stories.

My first question is to Jamie from Lumina Foundation. The federal government's continued role in ensuring access to low-income and traditionally underserved populations is exceedingly important throughout the country. Briefly, tell us how do you square the national goal of increasing the number of college graduates with controlling costs.

Mr. MERISOTIS. Yeah, thank you very much.

You know, I think there is no issue more important than increasing high-quality degree attainment for our nation's least-served populations: low-income, first-generation, minorities, and the important population of adults as well.

I think that we need to think hard about these issues of productivity and not see productivity as something that is actually being done by somebody to somebody but, in fact, represents an opportunity to increase the capacity of the system to serve more students. And so, we can't expect parents and their students to bear the increasing cost of higher education without there being very high consequences for us as a country. And what we have done in the last decade or so is essentially shifted more and more of that burden to them.

So productivity represents the best path forward in terms of increasing the capacity to get the students into and through college

as quickly as possible and help them to become productive members of our workforce and our society.

Mr. HINOJOSA. May I ask, will you elaborate on how the federal government can work with States and institutions to better collect and disseminate clear and concise information on those college costs that you all talked about?

Mr. MERISOTIS. Yeah, I think it is going to be extremely important that we have comparable data based on progression, on completion, and on job placement for students. There are lots of cases where the data systems simply don't allow to us make effective decisions about how well students are doing and whether or not the system of higher education is actually serving our goals as a country.

In moving from that time-based to that learning-based system of higher education that I mentioned, where student is the unit of analysis and not institutions, I think we have an opportunity to better serve the students by using these federal data systems, as well as the State institutional data systems and collaboration, to help us better understand where the challenges are and how to serve those students better.

Mr. HINOJOSA. Thank you.

Tim Foster, in your written statement, you used the phrase "arbitrary financial calculations." What do you mean by "arbitrary financial calculations"? And are you referring to the calculations used to determine student eligibility for the federal Title IV program, or is it something else?

Mr. FOSTER. We would be referring to the Pell Grant and the eligibility for Pell Grants, as well as their student loans, and how those change and how much attention we have to pay and our financial aid staff have to pay, because the rules change every year in terms of, if you are in this major, are you making this much progress.

And, at some point—you know, I served in the State legislature, and I will never forget, we had a district attorney; we were debating sentencing. And he said, you have to have some confidence in the district attorney's judgment. And I would submit to you that we would be much more effective if we had a little more confidence in financial aid officers' abilities to package and have flexibility in terms of students that they want to give that aid to and feel are making progress. Trust me, they are not out there trying to give aid to students who aren't progressing.

And, you know, there just are inconsistencies in terms of what my major is, and if I fail this class and it is not my major, okay, then I am still eligible, but if I fail this class and it is in my major, then I am not eligible. And it is just the sort of one-size-fits-all parameters that just really gets in the way and leads to all sorts of crazy gyrations and machinations to try and maintain those students in college.

Mr. HINOJOSA. Mr. Foster, CMU saved $500,000 by eliminating all the dean positions. Will you point specifically to where the savings was invested in students attending—CMU students?

Mr. FOSTER. What we have been able to do—and, again, the chairwoman will appreciate this. On a college campus, you really can't start new programs, because new programs are like small

businesses. They all lose money the first year. You can imagine, if we started a new program, a bachelor's degrees of nursing or, you know, pick a construction management program or mechanical engineering program—all programs we have started—none of them will be fully enrolled, and none of them will carry themselves. And so, what that half-million dollars in savings allowed us to do was to have actual revenues over expenditures so that we could start those kind of programs.

And it is those kind of programs—and I guess I would go back to the old NAACP ads, which were, you know, "Go to college, get a better job." All right? If you don't have those degree programs—and we have added the better part of about 20, all of which have double-digit employment opportunities over the next decade. And first-generation students, in particular, find it very compelling, as do all students: If I go into this major, what am I going to do with it afterwards?

And so those revenues enabled us to start those variety, 1-year, 2-year, 4-year degree programs, which create wonderful opportunities. And, for us, our strength as a 2-year, 4-year, and graduate institution, you can come and in 1 year have your certificate, be a nursing aid and be working, pursue your 2-year AAS R.N., continue working, pursue you bachelor's in nursing, continuing working, come back now and get your doctor of nurse practice.

And so, those sorts of things are what we think are going to help people and keep them committed, because they lose focus. Why do I need a college education? And it is really that employment opportunity.

Mr. HINOJOSA. Thank you very much.

My time has expired, but I hope that one of my colleagues will address Grace College's 3-year degree program, because that really caught my attention.

Chairwoman FOXX. Go ahead.

Mr. HINOJOSA. I yield back.

I can ask that question?

Chairwoman FOXX. Sure.

Mr. HINOJOSA. Excellent.

Ronald Manahan, I liked your discussion with us, your dialogue with us on the 3-year program, saying that it ends up offering 25 percent savings to the full-time Grace students paying tuition, room, and board.

Tell us a little bit more about the few years that you all have carried this out and why more colleges are not using your model.

Mr. MANAHAN. Thank you for the question.

Our understanding was that we were, in some sense, beholden to more of an agricultural calendar on the economic year. And we asked the question, is there another way to conceptualize the academic calendar? And we did. And the basics of the program is simply this: that each semester is divided into two 8-week sessions with an extended weekend break between them. And that is repeated both in the fall semester and the spring semester.

When students enroll in the 3-year degree option, they take three 3-hour courses in the first 8 weeks. So the focus is narrowed down to three as opposed to five courses, and it comes at them more

quickly, if you will. They repeat that again in the second 8 weeks, so at the end of the first year they have completed 36 hours.

Mr. HINOJOSA. So that means that it is the equivalent of taking 18 credit hours per semester under the regular program that we know?

Mr. MANAHAN. That is correct.

And what we have learned about that is this: having taught for a lot of years in a more traditional format, Monday, Wednesday, Friday, so on, there is a lot of stop-and-go traffic that happens in the classroom. You teach, then there is a long weekend, and you come back and you are hooking up to the previous time, and you are moving forward. This reduces some of that.

And we have learned from students that, once they adjust to the pace of it, they are intrigued with and seem to prefer narrowing the focus to three as opposed to five scattered over a longer period of time.

Mr. HINOJOSA. That is an interesting response to my question. And I will close by saying, is it possible that those taking that program, that 3-year program, that they could work some number of hours per week of, say, 10, 15, or 20 hours? Is that possible?

Mr. MANAHAN. I think it is, if they chose to. Another element of that 3-year degree option is that we require of all students 12 hours of applied learning. That is, they must participate in an actual, real-world situation to test the value of what they are getting in the classroom, how they are progressing. And we do that to advance their employability. And there are some other elements to that, but I will——

Mr. HINOJOSA. Thank you, Madam Chair.

Chairwoman FOXX. Thank you, Mr. Hinojosa.

Ms. Biggert?

Mrs. BIGGERT. Thank you, Madam Chairwoman, and thank you for holding this hearing. I think this is really very timely and very important.

And thank you, all the witnesses, for being here.

In thinking about this and the revenues that come in, one thing that wasn't mentioned—and I know that colleges really try and keep their alumni involved by participating in the fundraising that the universities and colleges do.

Maybe, Mr. Foster, you could speak to that. We have seen a reduction in the appropriations from the State and federal. Has there been a decrease in the giving by alumni or others to the universities?

Mr. FOSTER. Well, Madam Chairwoman, as you identify, you know, those reductions in State support, one way that we can try to make that up is, in fact, with donor and particularly alumni. And I would say that while the dollar amount per gift has declined, actually the number of gifts have increased. And so we have a broader pool, although they are giving less intensely.

And so it helps. It is not the entire solution. It is like any problem you have, you look around and you try and find as many possible contributors to solving that problem. And that is certainly one of them.

Mrs. BIGGERT. Okay. Thank you.

And then, Ms. Wellman, you know, there is thought to be a view that in higher education that institutions like to keep up with the Joneses and the other universities. I took a tour of one of the universities in my State of Illinois, and it was great. The one thing that I noticed was this huge building that was just being built, and it was beautiful, huge. And I asked what it was, and they said, "Oh, that is the fitness center."

Now, this is very important to me, and Illinois is the only State that even has PE every day for K-12. So fitness is very important. But in this time of—and I asked, "Well, why are they building this?" And they said, "Because we need to have that to get the students to come to the university."

How could we, you know, make sure that the colleges provide the things that are necessary for kids? But is this something that is done to really keep up with other universities, the competition?

Ms. WELLMAN. It is a good question. I don't have a great answer.

I think that many institutions face a double-edged sword in this environment. It is a very competitive environment. They are looking more and more to students as a consumer. They need to get the students who have the money to pay, and the students who have the money to pay want to have those facilities. And so they say they need to have it in order to compete in the market they are in.

I think that the competition for amenities rather than for academics, putting the money into the academic program, is of great concern to a number of educators. You see spending going up on athletics more than it is going up on academics. It is going up in dorms; it is not going up in student support.

I think it is the nature of the consumer reality, though, that those kinds of immediate, palpable benefits are ones that students seem to want to have. And so I think it is a tension that isn't easily resolved.

Mrs. BIGGERT. Thank you.

Then, I co-chaired the House Financial and Economic Literacy Caucus with Mr. Hinojosa. And we have had this for years and years. And I think that it is really important that—it is critical for information like this to be available to students and their parents.

And, Mr. Foster, given your close interaction with students, how much of this responsibility should fall on students to be informed consumers? And are they, when they are coming to the school? And is there more that students and parents can do, as consumers, to help increase the competition among institutions of higher education so that they are picking the school that really fits their financial needs?

Mr. FOSTER. Well, I would say a lot of responsibility obviously falls on our shoulders, in terms of making sure that information is available to them. And we really look at—a good match for the student is critical for us. You know, not having them retain and finish at Colorado Mesa University is kind of a personal affront to us.

And I would tell you, increasingly—and you could probably go back, you know, to 9/11—that, all of a sudden, I think you saw a change in terms of family, parents, and students, and nontraditionals' behavior in terms of their inquiry and pursuit of

information relative to: If I come, will my son or daughter finish? What is the total cost of attendance?

And we emphasize to them total cost of attendance, because they always want to whittle it down and assure themselves that they will be able to afford it. And we try to say, don't do that because you have to be prepared for this cost. Mind you, ours cost is significantly less than a lot of the institutions that we have talked about.

But it is a two-way street, I guess would be my answer to you. And I think it is a place State agencies can play a big role, in terms of—when I was at the Department of Higher Education, we really transitioned away from that regulatory role to being more—and published a consumer guide and found that people in Colorado had more faith in that because it was a third-party, objective listing of costs, expenses, graduation rates, retention rates. And then you can evaluate for yourself which school you want to go to.

Mrs. BIGGERT. Thank you.

I yield back.

Chairwoman FOXX. Thank you, Ms. Biggert.

Mr. Bishop?

Mr. BISHOP. Thank you very much, Madam Chair. And thank you very much for having this hearing. I think it is a very important topic, and I think our witnesses have provided us with very helpful testimony and very enlightening testimony.

Mr. Foster, I wasn't going to do this, but I just wanted to start. You made reference in response to the question from Mr. Hinojosa to shifting eligibility for federal assistance based on a student's academic major. I am not aware of any eligibility standard that the federal government maintains that differs for any of the Title IV programs based on a student's major. Am I missing something?

Mr. FOSTER. Let me do this, let me get you some additional information. I am not a financial aid expert, I am just a president, and so we are obviously the least informed.

But as we talked about in preparation for this hearing, we talked about the fact, if, in fact, I take—and it ties to satisfactory academic progress. And so if I am taking biology, for example, as a biology major and I fail that course, then, in fact, that puts in doubt my eligibility for federal financial aid. If I am not a biology major, I am a political science major, I fail that same course——

Mr. BISHOP. I am going to respectfully disagree with the advice that you have gotten. Eligibility for financial aid on the federal level, to the best that I know—and I administered student financial aid programs for a number of years before I came here—is rooted exclusively in information provided on the FAFSA, which is subject to a so-called uniform methodology which spits out a bottom line called the "expected family contribution," which, by the way, is not perfect but it is, I think, the best system we have.

So if you do learn of something, I think we would—I, at least, would like to know about it. And I thank you.

Ms. Wellman, thank you for your testimony.

I just want to be clear. You have found that the principal driver of increased student tuition is cost-shifting—that is to say, reduced State appropriations for publicly supported colleges and for all colleges reduced philanthropy, reduced income from endowment and so on. Is that correct?

Ms. WELLMAN. Yes. In the public sector in particular, it is cost-shifting. There is a little bit more evidence of increased spending driving tuition among some private but not all private institutions.

Mr. BISHOP. When you say "some private" with increased spending driving tuition, is that more localized in what we might refer to as the elite privates?

Ms. WELLMAN. Actually not. It is the institutions that don't have the endowments that——

Mr. BISHOP. That are trying to keep up?

Ms. WELLMAN. That is right.

Mr. BISHOP. So they are trying to walk that tightrope that Mr. Foster talked——

Ms. WELLMAN. That is right.

Mr. BISHOP [continuing]. About, about increasing quality while at the same time maintaining affordability?

Ms. WELLMAN. Yes. That is exactly right.

Mr. BISHOP. Okay.

One of the things that we hear frequently is that—and there is a very forceful proponent of this notion that I am about to suggest, a man named Richard Vedder, who we hear frequently tell us that the reason costs are increasing is that federal student aid is increasing, and because federal student aid is increasing, that gives college administrators the license to raise costs beyond what they normally would.

Does your data give you any evidence that that is true?

Ms. WELLMAN. No.

Mr. BISHOP. Okay. Thank you. I appreciate that.

Dr. Manahan, I administered a small college that was particularly good at being not for profit. And I wanted to commend you for your efforts, and I really think they are very good and very innovative.

But I wanted to quickly—the little over $10 million of institutional aid that you administer, what proportion of tuition revenue does that represent? So, in other words, what is your discount rate?

Mr. MANAHAN. It is about 40 to 41 percent, in that range.

Mr. BISHOP. So, if you will, your gross sales are 100 percent and your net sales are roughly 60 percent; is that right?

Mr. MANAHAN. Yes, exactly.

Mr. BISHOP. And does that represent discounted tuition, or does that represent income from endowment and philanthropy that allows you——

Mr. MANAHAN. It is almost entirely from tuition.

Mr. BISHOP. Okay, so you discount tuition to that extent.

Do you have any sense of where that places you among comparable institutions? I was in New York State. When I left New York State, the average discount rate was somewhere in the low 30s. That was 9 years ago.

Do you have any sense of where that puts you?

Mr. MANAHAN. Yes, I do. There are a few discount rates over 50 percent. We certainly are not there. Depending on endowment levels, if you think of comparable endowments to ours, you might find some in the upper 30s. But we have worked religiously to move that to this level and find an operational path to succeed on at that point, if that is——

Mr. BISHOP. Okay.

Mr. MANAHAN. Yes.

Mr. BISHOP. And is the $10 million principally need-based, or is it a combination of need and merit?

Mr. MANAHAN. It is a combination of need and merit. But given the nature of the students we serve and families from which they come, there is——

Mr. BISHOP. The merit would have been justified by need anyway.

Mr. MANAHAN [continuing]. Included in that.

Mr. BISHOP. Okay. All right.

Thank you very much, Madam Chair.

Chairwoman FOXX. Thank you, Mr. Bishop.

Dr. Heck?

Mr. HECK. I thank you, Madam Chair.

And thank you all for your testimony today.

Student aid and the cost of postsecondary education is personal to me on two levels: One being 23½ years since I graduated medical school and still paying what I affectionately call my "second mortgage" on my student loans, and the fact that my daughter is a recent graduate from UNLV and her deferment period is about to end.

I am intrigued by both Mr. Merisotis' comments and Dr. Manahan's on your, kind of, training to success as opposed to time. After spending 21 years in the military, if there is one thing we are experts at, it is training to time and not to standard. We are the foremost experts at cramming 30 minutes of information into 2 hours.

Of all the areas that we have talked about driving cost, two questions: Do you believe, anybody, that there is an increased cost due to duplicity amongst programs in States' systems of higher education? I can tell you that in my State, Nevada, we went through a period where community colleges decided to offer 4-year degrees, the State college decided to get into advanced degrees, and the competition that causes with the 4-year academic research universities.

And, secondly, is there an increased cost due to the need, perhaps, to provide remedial coursework for matriculating freshmen who aren't quite up to standard? And is that due to the fracturing of the K-12 and postsecondary approach as opposed to a P-16 approach to education?

Mr. MERISOTIS. The question on duplication—look, I think a lot of that has been eliminated. There is still some of that in existence, but with the economic crisis that we have faced, there have been a lot of tough choices that institutions have had to make in States.

And one way I think you can see that being promoted is through performance-based funding models that I mentioned in my testimony, where you differentiate by mission. You have a better chance of being clear about what you expect of institutions based on their institutional mission. And, therefore, you can create incentives so that you don't have these overlapping programs and things like that.

So in the time period of cost-cutting where—and I think we have gotten pretty close to the end of that because there is not a lot left

to cut in a lot of States—what we are seeing is that these efforts to differentiate mission is a very important outcome, actually a potentially positive outcome, of the unfortunately challenging economic times.

Mr. HECK. Anybody else on the issue of the requirements for remedial work in a K-12 postsecondary approach versus a P-16 approach to overall education?

Ms. WELLMAN. Remedial education is clearly a cost-driver. It is not a smoking-gun kind of cost-driver. It is actually a fairly low-cost education. I think the big problem with remediation is it isn't working very well. The proportion of students who get into it who are successfully remediated who go on to some kind of academic success is just way too low.

So I think we have a big conundrum in there about making it more cost-effective, reducing costs, but actually making it work better. It is a big problem.

Mr. FOSTER. I think it is a student cost-driver. It is a zero-credit course—developmental courses, that is. And so it is amazing what percentage of students come in and require—primarily in math but significantly in reading/writing as well.

The chairwoman and I spoke a little bit about dual enrollment. And you have some districts that are taking a lot of ownership. In Colorado, we have community colleges, as well as ours, that partner up with some of our area high schools. We identify those students who need developmental education at the junior level when they take the ACT, and then on their campus—actually, we send instructors over, and the district pays for those instructors. And then when they graduate, they are college-ready.

But it really is more an individual cost-driver, delaying them in time as well as in tuition.

Mr. HECK. Great. Thank you.

Thank you, Madam Chair. I yield back.

Chairwoman FOXX. You get the gold star for today.

Mr. Grijalva?

Mr. GRIJALVA. Thank you, Madam Chair, and thank you for the hearing.

Mr. MERISOTIS [continuing]. Did I say it right? No.

Mr. MERISOTIS. It is fine.

Mr. GRIJALVA. No, I have a lot of vowels, too, and it is——

Mr. MERISOTIS. Yeah.

Mr. GRIJALVA. Your point about performance funding is a very good and valid point, and thank you for that.

But let me ask you a little bit about the phenomena—not a phenomena—the reality of the income disparity that is happening in this country. And one of the—the major tool to close that gap is education, and particularly postsecondary education. And so, as we look at making sure that that educational equity part of the discussion is applied to the next generation, let me talk a little bit about the TRIO programs.

And can you discuss how increased investments in those programs and similar programs across the country might help mitigate, first, the increased tuition costs by helping students degree and the preparation gap that also has to happen?

Mr. MERISOTIS. Yeah, absolutely. Look, your point about equity is absolutely right, which is that equity of educational opportunity is extremely important. That equity has to include both improving access to higher education and ensuring that those low-income, first-generation, minority, and other students actually have an opportunity to succeed.

And I think that is what a lot of what is going on in these performance-based funding models is efforts to ensure that they are actually successful. In Indiana, for example, the performance-based funding model actually takes into account the success of low-income students in the population.

The federal TRIO programs have been one of the most important efforts at the federal level to increase opportunities for first-generation and other students for decades, and I think they are extremely important in terms of our future. We have to recognize that students don't just pay for college; they actually have to be prepared for college and they have to succeed academically, financially, and socially. And that academic, financial, and social support comes from TRIO programs because they help students better understand the system, work their way through the system, getting into and all the way through college. So TRIO is a very important part of the overall federal landscape.

Mr. GRIJALVA. And, if I may, Mr. Foster, you mentioned the regulation issue that Mr. Bishop asked you about. And I agree that regulations should be streamlined for schools. But I think there are also very important reasons for them. They are important to help us understand rising costs, prevent accidental or intentional misuse of taxpayer funds.

And you mentioned that you have spent hundreds of hours, as an additional cost, in preparing the school's information that the students expect to have and that they have to have before they make their decision. Doesn't that information make it—the information you have to generate for the federal government also available in the same sense?

Mr. FOSTER. And it is an important observation. All of the information that came out and was required to be one or two clicks away was contained in different places that we thought were more intuitive. And we spent a lot of time—I am sure like Dr. Manahan—you know, with focus groups, with students, saying, "Where do you look for this information? What do you want from us? What do you want when you make a decision?"

Mr. GRIJALVA. So you are saying they are not comparable.

Mr. FOSTER. I am just saying that what we had is we had it collected where we thought students would go, and then what we had to do was reconfigure it to make sure that students could be one or two clicks away.

Mr. GRIJALVA. Okay. If I may, Mr. Foster, let's talk about that reconfiguration. One of the things that I think was a great accomplishment that the last Congress did was creating the income-based repayment program so that students would be able to manage their debt.

Can you speak to efforts that your college has undertaken to inform students about that program and as a means for them to be

able to manage that debt? Is that part of the information they receive?

Mr. FOSTER. Actually, apart from that information, that whole one-click-away, which is really different sort of data and information than what you are talking about, we look and monitor our average student loan debt, and it is an issue that we try to track very closely. And so what we have done is actually added a person in our financial aid office who all they do is debt counseling.

Mr. GRIJALVA. Okay.

Mr. FOSTER. Because in student loans, unlike in a banking situation, nobody sits down and says, "This is how much you can afford to pay back based on your occupation." And so we have tried to create that person who sits down with those students and says, "This is how much you can really afford to borrow as you graduate and you want to pay it back and you want to pay it back in a reasonable amount of time."

Mr. GRIJALVA. Okay. That is excellent.

The elephant in the room: On the debt side and the loan side, 40 percent of the debt that students have is through for-profit colleges, which represents about less than 30 percent of the student enrollment.

And do you see that as—anyone—do you see that as a factor affecting cost and as a factor about the regulatory intent of trying to find out what debt is and who is responsible for that debt? To anybody.

I am out of time. That was my best question, too.

Ms. WELLMAN. If I might very quickly, the data we have on spending, revenues and spending, we can't include for-profits because of the problems in comparable data. It is something that the Feds ought to deal with——

Mr. GRIJALVA. Thank you.

Ms. WELLMAN [continuing]. And we have to step up, too. Because I can't answer——

Mr. GRIJALVA. Great.

Ms. WELLMAN [continuing]. Your question because the data aren't there.

Mr. GRIJALVA. Thank you very much.

Thank you, Madam Chair.

Chairwoman FOXX. Thank you, Mr. Grijalva.

Dr. Roe?

Mr. ROE. Thank you, Madam Chairman.

And thank the panel for being here.

I think our higher education system in America is the best in the world. I think there are two great issues that we face in this country right now, and those are rising health-care costs and rising education costs. Probably not a one of us sitting up here at this dais has not benefited from a great college education—and, basically, public education. I went to school for 24 years, and, Dr. Manahan, I went to medical school in 3. I wouldn't recommend that to my worst enemy. But, anyway, that is what we did then.

One of the concerns I have is, I lived at home when I went to college. I had a job. My father worked in a factory. We had no student loans then. I was able to work, live at home, go to college, and finish college with no debt.

Number two, because medical school was affordable at that time, I graduated from medical school with no debt. I was able to move to east Tennessee in Appalachia, an underserved area, because I didn't have hundreds of thousands of dollars in debt, and take less salary and serve that area.

I see young people now that leave—I get letters all the time, and I am sure every one of us do, with hundreds of thousands of dollars in debt. How has that happened, where a young man like myself from a middle-class family—quite frankly, it was very simple when I went to medical school.

I saw what the tuition was at one great private university not too far from where I lived—it was more than what my father made in a year—and the University of Tennessee at Memphis, which wasn't, and I made my decision to go there. Both great schools. A lot of people do that. That is not hard information to get. And I thank the Lord three children of mine all have graduated from college and they are out on their own.

But how has that happened to us? Because we cannot sustain this current 7, 8, 10 percent or kids like myself will never be able to go to college. Or, as Dr. Heck said, spend 25 years of your life basically paying for a house, which is what it costs to go now—$50,000 a year at a private university. When I went to school, probably the State of Tennessee covered 80 percent, 90 percent. Today, it is under 50 percent in the State of Tennessee at a public institution, and it is all being shifted to the students.

Any comments?

Mr. MERISOTIS. Look, I am a walking advertisement for student financial aid in this country. I got a Pell Grant, I got federal student loans, I got State assistance, I got——

Mr. ROE. Are you out of debt yet?

Mr. MERISOTIS [continuing]. Support from my church, I got support from the institution I went to, I worked, I did all those things.

That was 30 years ago. The problems for today's students have multiplied greatly because of the rising costs of higher education. And, to your point, I think the challenge is that students and families really are at their limit in terms of their capacity in order to be able to deal with these issues.

I think part of the challenge comes back to the point in my remarks, which is that we can't afford to reduce the capacity of the system to produce graduates. It is very important to our economic future as a country that we increase the number of highly qualified college graduates in this country. That means we have to make this system much more productive, particularly for those students who haven't had the opportunity, who haven't had the prior successes from their families, et cetera.

And I think that is an important issue for us to understand from a State policy perspective, from an institutional policy perspective, and from a federal policy perspective. There are many things that I think need to be done to enhance productivity.

Mr. ROE. Well, I served on—I was a foundation board president at my college before I came here, and I am still on the foundation board at East Tennessee State University—both public schools. And we have raised money on the private side, and we have shook everybody down that we could. And I know Mr. Foster probably

has done the same thing as president of his college, and Dr. Manahan also. But there are limits to all of that.

And I don't know, where does this end?

Ms. WELLMAN. I think we—the good thing about this recession has been that we finally, I think, are starting to hit the wall. For many years, in the public sector, States and institutions were both complicit in allowing this to happen. Nobody decided to make it happen. It happened because of other things: budgets went down, tuitions went up. But institutions have too long believed that more money always was necessary for more quality.

And I think we are turning the corner. I don't think we have turned the corner.

Mr. ROE. Well, let me just go over a couple things that Mr. Merisotis said and we are trying to do in Tennessee. We have the Pell Grants, we have the HOPE scholarship, which is where we use our lottery money. And still, young people are graduating.

But what we have done is, if you go to a community college—I remember when I was in school, if you went to a community college, you didn't transfer to a 4-year college, so you had to repeat the same course again. We have stopped that. You can go to Northeast State Community College and then transfer that credit to the University of Tennessee.

We now are requiring our colleges to look at graduation rates, not at the number of students that are in there, to get their funding. I think that is an extremely positive step that you mentioned just a moment ago.

There is a higher ed center in Kingsport, Tennessee, which has five colleges in it. The city built it, the bricks and mortar, and yet University of Tennessee, King College, Northeast Community College all have classes in there, so they don't have this incredible investment in bricks and mortar, as Ms. Biggert mentioned. And in trying to attract students, you can go from a freshman degree to a Ph.D. and never leave Kingsport, Tennessee, and go to two different schools and, in doing that, transfer credit. I think that is extremely important.

And there are many other things—online classes, which are less bricks-and-mortar—that we are doing. We have to do these things or, as I said, folks like myself will never have a chance or, number two, will never be out of debt.

I thank you all.

Chairwoman FOXX. Thank you, Dr. Roe.

Mr. Tierney?

Mr. TIERNEY. Thank you, Madam Chairwoman.

I was wondering if Dr. Heck could get some help from Dr. Roe. He seems to have some loose cash hanging around.

I want to thank our witnesses. It really has been helpful, you know, on this. This is an issue that has troubled us all the way through the last reauthorization and forever on that.

Maintenance of effort, Ms. Wellman. You know, we have been troubled by the fact that this is a partnership. The federal government, the State, the families are supposed to be partnering to try to get more people into college in an affordable way, make it accessible and move on. States have, I think, routinely backed away from that partnership in a huge way over a period of time.

So we put into the last reauthorization a maintenance-of-effort provision. We have heard tremendous feedback, particularly from community colleges but from a lot of 4-year colleges as well, that if we hadn't done that, tuition costs would have gone up even more; it would have been more and more difficult.

Should we enhance that maintenance-of-effort program? Are you feeling it is not necessary anymore because schools are now trying to deal with this stuff on their own?

Ms. WELLMAN. I don't have a good answer. I think the problem of State budgets is so much bigger than what is happening in higher education that the pressures on States to cut funding are going to be with us for the next several years. Whether the federal maintenance-of-effort requirements put some brakes on that, I think they probably do. So I wouldn't—this is not the time to take them off.

Whether they can be strengthened or rewritten, I honestly don't know. I don't think the thing that is causing the cuts from States is related to federal funding. It is related to what is happening to State budgets.

Mr. TIERNEY. Yeah. Well, thank you for that.

Endowments to a lot of well-off schools, well-off institutions on that. Senator Grassley and I started on this path last time. We got a lot of consternation from some. But many of those schools don't even pay 5 percent of their income back into education-related efforts on that. Now, they still maintain their tax-exempt status.

Is that an area where we ought to be expecting more, we ought to be expecting those schools that have billions of dollars in endowments to pay at least the minimum amount that other charities have to pay in order to maintain their the tax-exempt status and put that back into education efforts, maybe even in a way that helps public 4-year and 2-year institutions on that basis?

Anybody that wants to reflect on that?

Ms. WELLMAN. The wealthiest institutions are already spending a lot of money from their endowments. I guess I am sympathetic to your question. My question is why they are continuing to raise tuitions at the same time that they have that level of revenue.

Requiring an even higher payout in this environment in those institutions would be like putting kerosene on a fire. They are already spending a lot of money.

Mr. TIERNEY. So an institution that has almost $30 billion in an endowment that spends 4.3 percent or less of their income from that——

Ms. WELLMAN. And raises tuition every year.

Mr. TIERNEY. Yeah—that would be a problem for you?

Ms. WELLMAN. I think the issue of the public purpose is a really important one.

Mr. TIERNEY. Thank you.

We see that one of the drivers—I mean, there are a number of drivers of cost increases. I was listening to Dr. Roe on that. And I also was a State college product and was able to afford to go and get through on that. But the cost of safety now—we expect campuses to be little communities. They are responsible for the safety of their students. They have huge energy costs. Technology is far

more expensive than it used to be. The cost of construction, you know.

And the benefits, as you mentioned, all of you, the costs of paying for your staff, whether it is administration or faculty, the cost of the benefits. So a lot of schools, I have noted, have now switched to adjunct faculty.

Ms. WELLMAN. Yes.

Mr. TIERNEY. I am not sure that is a great thing for the student or the faculty member, but it essentially looks to me as a cost-shift. So now the school might not have to pay for the benefits of that person but the individual does. So they are getting paid less, have higher out-of-pocket expenses for benefits of that nature, or they shift it somehow onto a health system within their State on that basis.

That doesn't seem, to me, the wisest way to proceed. Is there another alternative here?

Mr. Foster?

Mr. FOSTER. Boy, you ask the hardest questions, and I am glad I ducked the first two.

I would tell you that I think there is a temptation to do what you talked about, and I think some schools have gone down that road. And I think most of those that have have turned around and gone back the other direction, because it comes down to quality and quality of people. And I think we all are scrambling, trying to find other places to contain costs.

Your—I was nodding because it is; technology we used to think would be a cost. It is a cost-driver because this generation of students just demands way more robust technology than you and I even consider feasible. And so it really has us searching everywhere possible to try and reduce those costs and see if we can't simplify, you know, what we do and what is extraneous to the core mission of what we do.

And so our faculty, for example, teach a four-four teaching load, four courses per semester, which is double that of most R-1 institutions. You know, there are just those sorts of metrics that, at some point, you know—you are ready to be a college president, it sounds like to me. So we will switch places and——

Mr. TIERNEY. Sounds attractive, some days around here.

And, lastly, you know, on that transparency issue that you talked about, Mr. Foster, I think that you are probably unusual if you had all of the transparency provisions that the Higher Education Opportunity Act asks for. And I commend you if you did.

You know, the idea of having institutions with the largest percentage increases in tuition prices submit an explanation for that, did you have that on before the act or is that something you added on?

Mr. FOSTER. We didn't hit those percentages, so we didn't have to deal with that particular issue.

Mr. TIERNEY. Okay. And you have used innovative strategies to rein in price increases and use those incentives to keep costs low, you share that information with other institutions?

Mr. FOSTER. We do. I do a monthly email to all of the parents of our students and try to two things: one, communicate those sorts of issues; and, secondly, as I tell them, the more engaged they are

in their students' education—and if you are like me, you ask your son—I have four sons—"What happened today?" I get no answer. If I have a little bit of information, I get a whole lot more back.

And so we try and give them, you know, "This is what is going on on campus," so then they can engage with their student. And we tell them, "Midterms are coming. You might want to inquire if, in fact, they are studying for midterms." And so those sorts of things really, we think, help that dynamic.

Mr. TIERNEY. And just quickly, what kind of feedback have you had with your institution's online net price calculator?

Mr. FOSTER. You know, the feedback I have gotten—I go out and help move students in. And so, this year was the first year that I had probably a half dozen parents say, "We were considering this institution"—generally a private and in a couple instances a public—"and we looked at your programs and your price, and we chose here because you are this much less." And so it was the first time I had someone just out of the blue say, that was a consideration and that is why we are here.

And so I assume they were doing that using our net price calculator as well as the other institutions they were comparing us to.

Mr. TIERNEY. Great. Thank you.

Thank you, Madam Chairman.

Chairwoman FOXX. Thank you, Mr. Tierney.

Mr. Thompson?

Mr. THOMPSON. Thank you, Chairwoman.

Thank you to the panelists for I think a very good hearing on a very important topic, in terms of access to affordable education.

We have spent a lot of time in committee talking about the burdens of federal regulations, reporting requirements in all forms of education.

This question is specifically for Dr. Manahan and Mr. Foster. In your experience with your universities, you know, do you have a sense about how much time you spend on federal regulatory and reporting compliance? And do you have some suggestions for us about how regulations reporting could be eliminated without jeopardizing integrity of the federal financial aid system programs?

Mr. MANAHAN. I would be happy to begin with that good question.

We have calculated on our campus that—and we are a small campus—we spend about $460,000 a year on salary and benefits to address regulatory issues. And then that is not counting equipment and other things we need to provide them. So what that equals for us is, we spend about $300-plus a year per student to care for regulatory matters.

We certainly believe there are a number of regulations that are very helpful and protective. But those that have less value, perhaps, and fewer changes to continue adapting to, that is a way to reduce some of that cost. Because that is passed on in the cost of the institution.

But I would grant you that there are regulations that are very helpful, as well, to the student as a consumer and other such things. But overreaching regulations make it challenging to carry on funding.

Mr. FOSTER. I tried to give you some sense of just a couple of areas. We haven't quantified it, and now I am glad I haven't because I would be just absolutely under my bed lamenting how much we are spending on regulatory compliance.

I would say, though, that, you know, the federal collection of data we use intensely to compare ourselves to other institutions. And so, you know, we track things that the Delta Project puts out or we actually go mine that information ourselves. Because you just never know how well you are performing or how poor you are performing without getting it in context. And so I would say the collection area is something that is actually very beneficial, I think, for all of us, because you use common definitions, everybody knows exactly what that is.

It is below that radar screen in terms of, you know, increasing—and I appreciate the difficulties with proprietary schools and whatever other issues you are dealing with, but it is pulling us into that vortex that is really starting to tilt and have us spend hours. And we can get you more discrete suggestions in terms of areas.

If nothing else, if we would just stopped changing the definitions in federal financial aid, that would be great. Because then we would know and we could tell students year to year exactly what those criteria are.

Mr. MERISOTIS. I just wanted to quickly commend to you the brand-new report from the Federal Advisory Committee on Student Financial Assistance that looks at the 15 major areas of Higher Education Act regulations and ways in which burden and overlap and other things can be reduced. And I think that may be helpful in terms of the decision-making on the committee.

Mr. THOMPSON. What role, from your perspective, the panel's perspective, does the integration of online learning, virtual campus, have in increasing access and, frankly, potentially decreasing costs?

Mr. FOSTER. Huge. Like I said, we represent or cover an area that is fairly rural. More jackrabbits than people in large portions of western Colorado. And so, from an access perspective, for them to be able to take classes online, it also, equally, is a matter of convenience for our students. I think the overwhelming majority on most campuses' online activity are students who are actually taking classes physically on campus, and they use it to balance their schedule and time management, whether they are working or doing other things.

And then there is the obvious avoidance—it is more intense. You know, the theory was, you could scale it and have, you know, hundreds of students in a classroom, and the experience is not that way. But it certainly avoids bricks-and-mortar, and so it is extending the life of our classroom buildings. And so we can grow beyond—we anticipate about 20 percent of our credit hours will be delivered online because of those sorts of things, and so there is a 20 percent bump in terms of how many classrooms we won't need because of that online activity.

Mr. MERISOTIS. I mentioned Carnegie Mellon's Open Learning Initiative, which is delivering the same outcomes in half the time for students.

Another great example is the Western Governors University, which is an online, competency-based learning model, which is de-

livering programs in only four key areas: teacher education, business, IT, and nursing. And they are having a very high success rate with their competency-based model, but it is using online delivery. And we think there is a lot of potential for those competency-based models using technologies to proliferate.

Mr. MANAHAN. We would agree with that. We, in fact, in this 3-year degree option, the 3 years allows the 2 summers in between to be taken online by courses provided from our campus, and those are tuition-free to the students. It allows the student to go—perhaps return to their home for summer employment, whatever they need to do. If they need to fulfill some degree component, traveling to another country, it still allows that. And we have other uses of online, as well, in our graduate programs.

Mr. THOMPSON. Okay.

Thank you, Chairwoman.

Chairwoman FOXX. Thank you, Mr. Thompson.

Ms. Davis?

Mrs. DAVIS. Thank you, Madam Chair.

Thank you to all of you for being here.

I want to switch the scale here for a second and just talk about California, if I may. And I am not expecting that you are experts, necessarily, in that system. But in terms of what you know and to apply, as you probably know, as well, the Governor's 2011-2012 budget is below 1998 funding levels with 75,000 fewer students than the 237,000 students that are enrolled today. So, clearly, a different scale than what we are talking about. And, of course, thousands of people have been laid off, et cetera.

But I am wondering, you know, at what point does the streamlining and the savings hinder student learning? How far can a large system like that really afford to go to afford graduates both an opportunity to graduate but to graduate with something substantive to contribute?

Ms. WELLMAN. California—I worked there for many years, including in the legislature in the Ways and Means Committee. I know more about it than I know what to do with. But——

Mrs. DAVIS. Well, that is good.

Ms. WELLMAN [continuing]. It is a tough—it is a tough one. They are already—they are cutting access. They are probably cutting quality. You can't cost-manage your way out of the problem California has.

Having said that, California has weakened its policy capacity in the last decade so that they no longer have what they once had, which was a way to look at integrated, comprehensive solutions. So they are all on their own, sort of flailing.

I think there has to be a return to policy capacity in that State to once again look comprehensively across those institutions. As bad as it is, California has still got a lot of money in higher education, but it is not being invested very well.

Mrs. DAVIS. Uh-huh. And revenues, as we know, are really coming from students at this point.

Ms. WELLMAN. Right.

Mrs. DAVIS. I fondly tell groups of people in my district of San Diego that I do recall writing checks for $89 a semester to Berkeley. I don't want to tell you when that was. But it sent a different

message to me, certainly, that the State thought I was actually pretty important, because they were making an investment. And I don't think students feel that way today.

I wonder if you could talk just for a second about the transparency issue. Because I understand what you are saying, that people figure out how they want to make comparisons. They know if they have some assistance, some scholarship money, whether it is cheaper to go to one school than another and still get quality. But are there other things that you think families and students really should know?

I heard a statistic this morning: 85 percent of graduating seniors this year will be living at home. That is pretty striking.

What is it that you think is fair for people to know as they are making those comparisons? And does the federal government have a role in that? Perhaps not by fiat or by regulation, but how is it that we can assist and craft for parents and students better information? Or, really, are we there? Is there nothing else, really, that needs to be done?

Mr. FOSTER. Well, I think there is a lot that needs to be done. And this goes to, I think, Congressman Roe's question, and I think it builds off of Mrs. Biggert's question, and that was, where does the individual have some responsibility to go seek that information out?

Now, that falls apart with first-generation students because they don't know what questions to ask. And so, for us, it is really trying to figure out what they think is important. And it is always surprising to me, the questions you get when you interact with parents and students. And sometimes it is safety, sometimes it is cost, sometimes it is whether the dorms—it is just a myriad of things.

And so, like I said, I think most of the institutions I am familiar with are trying to push that information out and make it as available as possible. We do a lot with high schools, with first-generation students to try and educate them and help them understand. Because the barrier for them is, they have a desire to go to college; it is they have a complete—they tend to shut off, and they just say, "It is too expensive; I will never be able to realize that." And so it is really the reverse, where we are trying to pull them in and say, there are a lot of opportunities for you as a first-generation student.

But, you know, I don't think there is a limit, in terms of—you know, any question those prospective students and families want is fair game. I guess I go back to, kind of, Margaret Thatcher, which is the market is just more powerful and more reliable and a more liberating force than government can ever be. And so the pressure we get from those folks is 10 times what you can do in terms of a policy directive.

Mr. MERISOTIS. Three things I think a student or family should know about an institution. One is, are students completing at that institution, particularly students who look like me? The second is, what are they learning, and how can we tell? And the third is, are they getting jobs?

Those three areas of outcomes I think represent the most important things that all students and families should have access to as a result of better data systems.

Mr. MANAHAN. I would just say this. To the degree there is a lack of transparency, it diminishes the value of the education, and people begin to sense that deeply. And I think the more transparent we are up front with real cost adds to a better value of the education and trustworthiness in higher education as a whole. I think every campus bears responsibility to make its own contribution to set a level of transparency that helps people make a decision.

We noticed this remarkably on our campus. As the value of homes decreased and people had less access to home equity, they became quite well schooled in asking financial questions, commitments on a number of fronts. And we do get people coming to our campus and saying, how does this cost compare to that cost and what am I getting into? So it is important.

Chairwoman FOXX. Thank you, Ms. Davis.

I want to again thank the panel very, very much for taking time to testify before the subcommittee today.

And I want to thank all the members of the committee who came and asked such great questions. One of the wonderful things about Congress is the diversity that we have, and that diversity causes us to ask lots of different kinds of questions and get many differing perspectives.

Mr. Hinojosa, do you have some closing remarks you would like to make?

Mr. HINOJOSA. Thank you, Madam Chair.

I thought it was very interesting and informative. I like some of the new ideas that were discussed.

I can't help but think of some of the—I guess comparable to Dr. Manahan's 3-year program—the Western Governors University and how they are doing it with about half of the cost and without having all the campuses and all the expensive athletic programs that we have in many of our big flagship schools, where we pay coaches upwards of $4 million to be a football coach, or other expenses that are never discussed as part of the cost of running a university.

But I think that what I like is the fact that, more and more, we are accepting that online courses are going to be more and more acceptable by the employers, particularly when they are producing a graduate that is capable of coming into a business or to a program and take it to a new higher level in effectiveness and profits and so forth. So I think that we are making progress in this committee in terms of looking at new success models.

And I want to thank the witnesses for sharing their insights with us this morning. And I look forward to working with all of you and my colleagues on this committee to make college more affordable and to achieve our Nation's college-completion goals.

Thank you very much.

Chairwoman FOXX. Thank you, Mr. Hinojosa.

I want to repeat what Dr. Roe said earlier, and I think sometimes we forget to talk about it. I think we have had the best higher education in the world in this country. I think like many things that are being threatened, I think the quality of higher education in this country is being threatened these days, and not just because of the lack of money. In fact, I think the lack of money is probably the least reason that higher education is being threatened.

And I agree with what someone else has said—I think, Ms. Wellman, it was you—that perhaps the squeezing budgets have been a benefit, not a negative, because it is forcing people to look at what they are doing.

I think that one of the big problems we have had in higher education and what I have seen happen in higher education in my lifetime is having institutions of higher education decide what it is they want to do. I think that Mr. Foster's comment about focusing on the students as customers is very important. But are the institutions focusing on what learning the students are getting, Mr. Merisotis, or seat time? Or are they simply providing income to maintain the institution?

So I think there is much that we need higher education to be looking at. And I agree with Ms. Wellman; I think that having this money crunch may be helpful. And I go back to a comment Mr. Foster said, when you had your committee split three and three, and one side of the committee said, "Well, if money is an issue, then"—well, money is always an issue. However, in higher education, people haven't thought that.

And I remember when I was a community college president that the president of our system came to the presidents one day and said, "The days are gone, ladies and gentlemen, when I could go to the legislature and say, 'We are doing the Lord's work; therefore, you should be giving us lots of money.'" And I thought that was going to happen a long time ago. Because, I think, we had a booming economy, that got sort of waxed over.

But I also want to say, in conjunction with what Dr. Roe said, it is still possible to graduate from very fine institutions in this country without a dime of debt. It is up to the student and up to the parents to shop. And I think sometimes you sell parents and students short—I think our whole society does—in terms of their ability to make those decisions. We go out and buy cars every day. We go to the grocery store. We are very capable of going out and shopping.

Transparency, though, I think is going to be one of the biggest issues. And I think that is something that has to be looked at.

I want to thank all of you for emphasizing both affordability and quality. I do think that we can have both high quality and affordability, I should say. And I think that is an extremely important concept for us to keep in mind. We do want, again, I think, too, as Tennessee has done, to concentrate on funding results, not necessarily enrollment.

So there are some things that have to be done. I think you all have brought up some really, really important issues to us. And I am extremely pleased with the way the panel has gone today, with the questions that have been raised and the issues that have been raised.

And I want to say, again, on the issue of parental involvement, we have known for 50, 60, 70 years that what makes a good elementary and secondary school is a good principal, good teachers, and parental involvement. That is not different from higher education. It should be exactly the same thing. You will get good results if you get the customers involved with checking out the quality of the goods that they are receiving.

So I want to thank you all for being here and again thank the panel.

And there being no further business, the subcommittee stands adjourned.

[Whereupon, at 11:56 a.m., the subcommittee was adjourned.]

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