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IMPROVING COLLEGE AFFORDABILITY: A VIEW FROM THE STATES

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OF THE

COMMITTEE ON HEALTH, EDUCATION, LABOR, AND PENSIONS

UNITED STATES SENATE

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ON

EXAMINING IMPROVING COLLEGE AFFORDABILITY, FOCUSING ON A VIEW FROM THE STATES

SEPTEMBER 13, 2012

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C O N T E N T S

STATEMENTS

THURSDAY, SEPTEMBER 13, 2012

IMPROVING COLLEGE AFFORDABILITY: A VIEW FROM THE STATES

THURSDAY, SEPTEMBER 13, 2012

U.S. SENATE,
COMMITTEE ON HEALTH, EDUCATION, LABOR, AND PENSIONS,
Washington, DC.

The committee met, pursuant to notice, at 10:35 a.m., in room SD–430, Dirksen Senate Office Building, Hon. Tom Harkin, chairman of the committee, presiding.

Present: Senators Harkin, Enzi, Bingaman, Hagan, Merkley, Franken, Bennet, Whitehouse, Blumenthal, and Alexander.

OPENING STATEMENT OF SENATOR HARKIN

The CHAIRMAN. Good morning. The Senate Committee on Health, Education, Labor, and Pensions will come to order.

As the fall semester began in recent weeks, more than 21 million students enrolled or returned to college, whether on campus or online. While this number sounds impressive, we are reminded again on Tuesday by the OECD, the Organization for Economic Cooperation and Development, that America continues to lag other advanced nations and we now rank 13th when it comes to younger adults with degrees.

As we know all too well, one of the main reasons that America has fallen from the top spot is that college has become increasingly unaffordable for a growing number of Americans. During the August break, I heard repeatedly from students and parents across Iowa about the financial squeeze they are facing from the spiraling cost of college and, of course, their increasing anxiety about the level of student debt. These are the real stories of financial hardship behind the statistics that we've heard over and over: how student debt has crossed the $1 trillion mark; how average loan debt topped $25,000; how public college tuition has tripled since the 1980s, outpacing both inflation and family income.

America's system of higher education has been one of shared responsibility. Students, families, States, and the Federal Government all take a part in funding a college education. But, in the past 30 years, we've witnessed a gradual and structural realignment of each partner's share of the growing cost of college. States are contributing less, while students and their families are shouldering a heavier burden, financed largely through the Federal Government's financial aid programs.

This cost shifting means that State and local support per student is lower today than it was 25 years ago in constant dollars. States collectively spend $6.12 per $1,000 in personal income, down from $8.75 just in 1990, though personal income has increased by 66 percent over that period. Moreover, States' spending on higher education as a share of their budget is declining. States now spend an estimated 11.5 percent on higher education, down from 14 percent 20 years ago.

This declining investment means that students have to pay more as public institutions try to cover the State cuts through tuition hikes. Net tuition accounted for just 23 percent of educational revenues in 1986. Today, it is more than 43 percent. Given the fact that 70 percent of America's college students attend public colleges and universities, the national implications of this State retrenchment for college access and success are obvious.

Now, for its part, the Federal Government has stepped up efforts to help students pay for college. I hope that we can all acknowledge that this model of shifting cost is neither sustainable nor desirable. To be fair, these trends mask significant efforts by some States—admittedly, only a few—to increase investments in higher education. I think it also obscures the fact that funding alone will not necessarily make possible what I hope is our shared goal for each and every American to have access to high-quality, postsecondary educational opportunities regardless of one's background. While funding is essential, smart policies are integral to maximizing the impacts of such investments.

With the committee's previous hearings on college affordability, today's hearing will focus on what's being done and how it can be replicated or adapted by others to keep the dream of higher education alive for students. The previous hearing emphasized promising strategies employed by innovative colleges and universities to curb the cost while improving student outcome. Today, we'll shift our attention to States and their policies for improving affordability.

We are fortunate to have a distinguished panel of guests. They will shed light on State efforts, policies, and initiatives that hold promise for prioritizing and improving college affordability. They will help identify State barriers to innovation, efficiency, and effectiveness at both the systems and the institutional levels. There is much room for progress and improvement when it comes to our system of higher education. It seems to me that a consensus is emerging from these very productive hearings on the need to break with business as usual.

Increasing college affordability is going to take leadership, collaboration among all stakeholders, and a real sense of urgency. I look forward to our continuing efforts in this regard and our work with our distinguished Ranking Member, Senator Enzi, and colleagues on both sides to tackle this problem and to ensure that our higher education system remains affordable, accessible, and resulted-oriented both for students and taxpayers.

With that, I invite Senator Enzi for his opening remarks.

Opening Statement of Senator Enzi

Senator Enzi. Thank you, Mr. Chairman, and thank you for continuing to focus the committee on the increasing challenges that students and their families face in paying for college. As you were making your remarks, I couldn't help but reflect back on some comments by a former Governor of Tennessee and a former University of Tennessee president who said that because of Federal costs that the Federal Government has shifted to the States, the only place that they have flexibility is in how much they give to colleges. So we've added to the problem somewhat there, too.

While there's very little left to say about how expensive higher education has become, I recently heard a very disturbing description of just how high college prices have climbed. Earlier this summer, the Finance Committee held a hearing focused on higher education provisions in the tax code. During that hearing, one of the witnesses explained the following: If milk and gas had risen as fast as college prices since 1980, gas would be $13 a gallon today and milk would be $23 a gallon.

This is simply astounding and underscores the urgent need for us to begin asking questions about the effectiveness of current Federal student programs and how we can do things better. We'll be looking to reauthorize the Higher Education Act in the next few years and through that look for ways that the Federal Government can better serve students. As we begin that process, it's important that we consider what's being done at the State level.

For that reason, we've asked our witnesses today to discuss a few of the promising innovations already being implemented throughout the States. Many of these could and should serve as a model for future reforms in the Federal student aid programs as we work to reverse the seemingly endless increases in college costs.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Senator Enzi.

As I said, we have an exceptional panel of witnesses here today. I want to thank all of you for taking the time to be here and sharing your experience. I will start, and I will yield to others for introductions.

I will start by welcoming our first witness, Dr. Muriel Howard, president of the American Association of State Colleges and Universities. Before becoming president in 2009, Dr. Howard was president of Buffalo State College, a campus of more than 11,000 students, approximately 1,700 faculty and staff, a financial operation of more than $214 million.

Prior to joining Buffalo State, she was the vice president for Public Service and Urban Affairs at the University of Buffalo, where she served in various leadership capacities over a 23-year period. A graduate of the University of New York's Richmond College, Dr. Howard holds a master's degree in education and a Ph.D. in educational organization, administration, and policy from the University of Buffalo. She has also received six honorary degrees and many awards for her contributions to public higher education, for service to her community, and her commitment to diversity.

We thank you for being here.

Next, I would yield to our distinguished Senator from Colorado for purposes of our next introduction.

STATEMENT OF SENATOR BENNET

Senator BENNET. Thank you, Mr. Chairman, and thank you again for holding this important hearing. It's my honor to introduce

Dr. David Longanecker to the committee. Dr. Longanecker has served as president of the Western Interstate Commission for Higher Education in Boulder, CO, since 1999. The commission is a regional compact among 15 western States which seeks to improve access to higher education.

Previously, Dr. Longanecker served for 6 years as the Assistant Secretary for Postsecondary Education at the Department of Education. In this role, he developed and implemented initiatives that provided more than $40 billion annually in student assistance.

Prior to that, he served as the State higher education executive officer in both Colorado and Minnesota. He was also the principal analyst for higher education for the Congressional Budget Office, and welcome back.

Dr. Longanecker has worked closely with our Lieutenant Governor, Joe Garcia, who serves as the executive director of the Colorado Department of Higher Education. This collaboration promises exciting developments for the future of higher education in Colorado.

Dr. Longanecker has been an exemplary leader in education, both nationally and in Colorado, and I look forward to his testimony.

Thank you for being here today.

The CHAIRMAN. Thank you very much, Senator Bennet.

I would yield to Senator Alexander for purposes of our next introduction.

Senator ALEXANDER. Thanks, Mr. Chairman, and thanks for the series of hearings. It's my privilege to welcome John Morgan here. John is one of our most experienced State officials. He has worked with the State of Tennessee for 30 years. He has been the Controller of the Treasury. He was deputy to our Democratic Governor before the election of our new Republican Governor, with whom he now works. He is chancellor of the Tennessee Board of Regents, which is the sixth largest system of public higher education in the country. It has a number of 4-year institutions and 2-year institutions.

What I'm especially looking forward to hearing about is the system that he and Governor Bredesen put in place and that Governor Haslam and he are now implementing, which has our State focusing more of our dollars for higher education on retaining and graduating students than simply the number who are enrolled. One way to save money if you're going to a 4-year institution is to stay and graduate in 4 years or 5 years instead of 6 years, which is the norm.

Welcome, Mr. Morgan.

The CHAIRMAN. Thank you very much.

The next witness will be Dr. Preus. As commissioner of Oregon Community Colleges, Dr. Preus provides leadership and advocacy with the Governor, the legislature, and other statewide stakeholders for Oregon's 17 community colleges, seven workforce investment areas, and many community-based organizations. Prior to her appointment as Commissioner, Dr. Preus held leadership roles in workforce development at the local end State levels.

She has also had private sector experience as a chemist and quality control manager with United States Steel. She serves on numerous boards across the country and graduated from Cumberland Junior College and Middle Tennessee State University. She earned a master's in business administration from Indiana University and her doctorate from Oregon State University.

We welcome you all, a very distinguished panel. All of your statements will be made a part of the record in their entirety. What I would ask is that you just give a brief summation in 5 to 7 minutes. We'll go down the line, and then we'll open it up for a dialog.

Dr. Howard, we'll start with you. Welcome and please proceed.

STATEMENT OF MURIEL A. HOWARD, Ph.D., B.A., PRESIDENT, AMERICAN ASSOCIATION OF STATE COLLEGES AND UNIVERSITIES, WASHINGTON, DC

Ms. HOWARD. Good morning, and thank you, Chairman Harkin, Ranking Member Enzi, and distinguished Senators of the committee. As you know, my name is Muriel Howard, and I'm president of the American Association of State Colleges and Universities, henceforth referred to as AASCU.

AASCU's membership comprises of approximately 420 public institutions that vary by enrollment, size, and mission, but are primarily recognized as State comprehensive master's institutions. It is an honor for me to appear before you today, and I applaud the committee for continuing to examine this important subject of college affordability.

College affordability is the responsibility of four primary stakeholders, the Federal Government, State government, institutions, and families. The Federal Government has strengthened its commitment in recent years with increased funding for the Pell grant. And I thank each of you for that, especially you, Mr. Chairman.

Institutions have a responsibility to provide a quality education while maintaining reasonable tuition. I am pleased to report that public 4-year institutions have been working hard to be responsible partners in the college affordability compact. These institutions provide substantial grant aid to financially needy students, and institutional spending data from the past decade illustrates that master's comprehensive public colleges and universities have kept overall increases in the cost of educating students at roughly the rate of inflation.

So why the dramatic increase in tuition during the past several years? Simply put, State investment in higher education is on a downward spiral. Per student, State investment in higher education has deteriorated over the past 25 years. Numerous studies have cited this as the single greatest factor in the rise of tuition at public 4-year institutions.

States, though, can help by investing in student financial need-based aid programs. State grant-aid programs award money for college, based on financial need, academic merit, or a combination of both. Over the past 20 years, there has been an increase in awarding more merit-based aid than there has been need-based aid. The shift toward merit aid programs is a step backward, in my opinion, in addressing college affordability. Merit-based programs distribute aid to students from higher income backgrounds, awarding taxpayer funds to students who would likely have enrolled in college regardless of the financial aid.

States, on the other hand, should provide greater flexibility around institutional policies. Flexibility is essential when resources are constrained. Greater institutional flexibility in setting tuition, financial aid, the procurement and sharing of goods and services, and adjusting regulations involving capital improvements are critical.

In the area of tuition policy, it's important for me to note that public institutional leaders in 40 States do not have complete autonomy to establish their own tuition rate. This authority rests in either a State agency or the State legislature. Likewise, the institution should have flexibility and control to determine how tuition dollars are allocated across the campus, including the use of tuition dollars for student financial aid.

States should ensure that students are college- and career-ready. As the committee knows, 46 States have adopted the Common Core State Standards that are designed to better prepare students for college and career success. Implementation of these standards will reduce remediation costs and time to degree, thereby reducing the overall financial burden on students. Proper and successful implementation of the new State Standards must involve higher education.

States should also consider mission-driven, flexible, and equitable performance-based funding systems. You will soon learn much more about that from the Tennessee witness this morning.

Finally, an area where the Federal Government's leverage can have an important impact on college affordability is through maintenance of effort provisions. The Federal Government has pursued this strategy in recent years through several legislative vehicles. AASCU's analysis indicates that Federal maintenance of effort provisions are successful, and that without them States would have reduced public higher education funding more dramatically, which would result in even higher tuition increases.

In closing, State funding is the most critical component to ensuring college affordability, although I have highlighted several non-financial related policies that can also positively affect institutions with keeping the overall cost to students as low as possible.

Thank you, and I look forward to the discussion.

[The prepared Statement of Ms. Howard follows:]

PREPARED STATEMENT OF MURIEL A. HOWARD, PH.D., B.A.

SUMMARY

The introduction notes that there are four main actors in higher education financing and ensuring affordable college access—Federal and State governments, institutions of higher education, and families. The primary reason for tuition increases at public institutions is the reductions or lack of sufficient increases in State higher education funding. Public master comprehensive institutions have held per-student costs to the rate of inflation during the past decade.

Dr. Howard discusses State strategies that can help promote college affordability and student success. She notes four specific areas including: policies providing State funds in support of students on need-based, rather than merit-based, financial aid programs; policy reforms that provide greater flexibility to institutions and which in turn can generate cost savings and better utilization of moneys; implementation of college and career-ready State academic standards; and the use of performance-based funding initiatives.

States should be pursuing policies that award State aid through need-based formulas, ensuring better affordability to low-income students. Under flexibility, the testimony calls for greater autonomy for institutions setting and controlling their

own tuition; relief from restrictions on the use of tuition funds, including the allocation of awarding financial aid; easing requirements within State procurement rules for acquiring goods and services; and finally, simplifying the requirements associated with the construction of capital projects. College-ready academic standards will result in better prepared students, which may in turn reduce costs by decreasing the time required to degree completion. Finally, performance-based funding may be a useful tool, but has not to date demonstrated its relationship to affordability.

The conclusion highlights what the Federal Government can do to support the State's role in affordability. Since direct support to institutions is the single, greatest factor in tuition prices, the Federal Government can encourage continued State support through maintenance of effort provisions in legislation. It is suggested that education policy should be viewed by State and Federal policymakers in a broad P–20 context and provide sufficient flexibility while remaining goal oriented.

Thank you Chairman Harkin, Ranking Member Enzi, and other distinguished Senators for affording me this opportunity to speak to the States' role in making college affordable. I commend the committee for exploring this topic. My name is Muriel Howard and I have the honor of serving as the president of the American Association of State Colleges and Universities, AASCU. Now in its 51st year, AASCU is a national leadership association consisting of some 400 presidents, chancellors and system heads of public 4-year colleges and universities. The group is diverse in its membership, ranging from small, liberal arts institutions enrolling a few hundred students to research-intensive universities that enroll tens of thousands of students. However, we are mainly recognized as representing the comprehensive, master's institutions which include nearly all the public Historically Black Colleges and Universities (HBCUs), Hispanic Serving Institutions (HSIs) and numerous other Minority Serving Institutions (MSIs). AASCU institutions offer affordable access to a quality postsecondary education to nearly 4 million students annually.

College affordability is a responsibility of four primary stakeholders: the Federal Government, State government, institutions, and families. The Federal Government has strengthened its commitment in recent years with increased funding for the Pell grant. I want to thank each of you for that commitment, and to extend special appreciation to you Chairman Harkin. Families, as the consumer, have a role in paying for some portion of the student's college education. Institutions have a responsibility for maintaining tuition prices at a reasonable level and for working to restrain college costs. Public 4-year institutions have been a responsible partner in the compact to mitigate rising costs associated with attending college. In addition to awarding substantial grant aid to financially needy students, institutional spending data from the past decade illustrate that master comprehensive public colleges and universities have kept overall increases in the cost of educating students to roughly the rate of inflation. This analysis of institutional spending, conducted by the Delta Cost Project at the American Institutes of Research, indicates that it is these institutions that are the most efficient in American higher education, with spending-per-degree the lowest of any sector.[1]

So why the dramatic increase in tuition prices during the past several years? The answer leads us to the final major player in ensuring college affordability—the States. Per-student State investment in higher education has deteriorated over the past 25 years. Numerous studies have highlighted this trend and have correctly linked it as the single largest reason for the rise in tuition at public 4-year institutions. I recognize that as the fiscal situation at the Federal level has become alarming, States also have been facing challenging budgetary circumstances, especially since they must abide by balanced budget requirements. However, while State investment is the most important factor in maintaining affordable tuition, there are other avenues for States to explore that will help ease the financial burden of a college education. I will briefly discuss four strategies States can utilize to improve college affordability and student success.

STATE INVESTMENT IN STUDENT FINANCIAL NEED-BASED AID PROGRAMS

State disinvestment in public colleges and universities and the subsequent corresponding increases in tuition prices have raised the profile of State grant aid as a vital component in financing a college education for low- and middle-income students. State grant aid programs award money for college based on financial need,

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[1] Trends in College Spending, 1999–2009, Delta Cost Project. *http://www.deltacostproject.org/analyses/delta__reports.asp*.

academic merit or a combination of need and merit. These programs are typically funded through State taxes or lottery revenues. Each State has a unique approach to State aid, with some States having multiple grant programs.

State student aid grants remain a centerpiece of college finance for millions of Americans; however, these grant funds are increasingly being distributed based on academic merit, as opposed to financial need. According to the National Association of State Student Grant and Aid Programs (NASSGAP), almost 4.3 million students received a total of $9.2 billion in State grants in 2010–11.[2] Of the State grant money awarded that year, 71 percent was need-based and 29 percent was merit-based. In contrast, in 1992–93, 90 percent of State grant funds were awarded at least partially on students' financial circumstances.[3]

The shift toward politically popular merit-based aid is a step backward in the effort to boost college attainment. Unmet financial need is still a major hurdle for college enrollment and completion for low-income students. Merit-based programs often distribute aid to students from higher income backgrounds, awarding taxpayer funds to students who would have likely enrolled in and finished college without the help of the subsidy. Awarding State grants based solely on high school performance remains an inefficient use of precious State resources, perpetuates longstanding inequities in American society and may be contrary to the fundamental purposes of student financial aid.

State policymakers should consider the recommendations of a paper policy issued this spring by the Brookings Institutions, *Beyond Need and Merit: Strengthening State Grant Programs*. The report calls for State grants targeted to students with financial need while also requiring students to meet basic academic milestones toward timely degree completion. The report's recommendations include the following:

1. **Target State grants to needy students with the potential to succeed.** By restricting aid to low- and middle-income students, States can use their resources most efficiently. The report also encourages States to look beyond 18–24-year-old college students to adult populations, and possibly implementing a separate program for these students.
2. **Consolidate and simplify student grant programs, making them easier to understand and navigate by families.** The system of institutional, State, and Federal aid is complicated, and States should make every effort to merge their grant programs and make them understandable for students and families.
3. **Use incentives to drive timely degree completion.** Provide grant aid incentives to students, such as rewarding additional aid at specified milestones in earned credits hours. Programs must have well-designed incentives for students to make progress toward finishing their degrees on time. This should not include high GPA requirements.
4. **States that reduce funding for grant programs or make other programmatic changes should do so without harming students with the most financial need.** In States where grant program funding is reduced, or program eligibility requirements or other program reforms are altered, programs should not change academic requirements that have a deleterious effect on low-income and nontraditional student participation.[4]

GREATER STATE FLEXIBILITY INVOLVING INSTITUTIONAL POLICIES

A second area of action that States can take to enhance college affordability involves the granting of greater flexibility to public colleges and universities on a range of institutional matters. In the absence of increases in State operating support necessary to keep tuition prices from rising above the rate of inflation, States can provide greater autonomy to institutions, helping them in their quest to maximize the efficiency and prudent utilization of scarce resources, which can in turn help reduce the college cost burden to students.

One area where flexibility can be most helpful is in the setting of tuition policy. The tuition dollars paid for by students and their families account for an increasing share of public universities' general fund budgets. Greater flexibility and institutional control in the setting of tuition rates and the subsequent utilization of the tuition revenues allows for more strategic use of these moneys. Yet, in 40 States,

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[2] National Association of State Student Grant and Aid Programs (2012). 42nd Annual Survey Report on State-Sponsored Student Financial Aid: 2010–2011 Academic Year. Retrieved from *http://www.nassgap.org/document__download.aspx?documentID=880.*

[3] Ibid.

[4] Brookings Institution State Grant Aid Study Group (2012). *Beyond Need and Merit: Strengthening State Grant Programs.* Brown Center on Education Policy at Brookings. Retrieved from *http://www.brookings.edu/*~/media/research/files/reports/2012/5/08%20grants%20chingos%20whitehurst/0508*__state__grant__chingos__whitehurst.pdf.*

an entity other than the institution has control over such policy; many times authority over tuition matters is in the hands of State agencies and even State legislatures.[5] As an example of a new, rational approach to tuition policy, lawmakers in New York have implemented a plan that allows the State's public universities to raise tuition prices moderately over the next several years and to use a portion of the revenues strategically in ways that will foster college affordability and generate greater institutionally led economic development activity. This approach provides students and families with more certainty in college planning, and institutions with greater assurance in their fiscal planning in the years ahead.

Likewise, public colleges and universities must have sufficient flexibility in the allocation of financial aid dollars provided to students. AASCU institutions enroll a large proportion of students from low-income backgrounds, and therefore strive to maximize the utility of grant aid to students. The flexible, strategic use of institutional grant aid is essential if our States and the Nation are to meet ambitious—and vital—educational attainment goals.

Another opportunity where States can provide institutions with greater latitude which can in turn lead to reduced costs for students involves State policies and mandates pertaining to the procurement of goods and services. Collectively, public colleges and universities spend billions of dollars annually on everything from laboratory equipment to energy to insurance; procurement policies and practices affect virtually every aspect of campus operations.

A 2010 study of institutional and State procurement policies and practices, conducted by AASCU in collaboration with the National Association of Educational Procurement (NAEP), illustrated that some States' procurement policies inhibit public colleges' and universities' ability to fully maximize purchasing power, generate cost savings, enhance product/service quality and improve the efficiency of institutional procurement operations.[6]

The AASCU/NAEP study offered a number of State policy reforms to contain costs and improve productivity in institutional procurement. These include allowing institutions to participate in group-purchasing consortiums, making institutional participation in State purchasing contracts voluntary, allowing institutions to conduct negotiations with suppliers beyond the competitive bidding process, and to review, and if warranted, increase the minimum dollar threshold for purchases requiring State approval and adjust minimum thresholds involving formal competitive (sealed) bids. The report features case studies from three States—Colorado, Kansas and Virginia—where public universities have been granted greater control over procurement matters, allowing the institutions to save money and reallocate funds to where they make the most impact: in the classroom.

A final area where greater State flexibility and autonomy can lead to improved cost savings, institutional performance and student and taxpayer savings is in the area of capital construction. As with tuition, financial aid and procurement policies, the framework involving oversight of the campus construction process varies considerably by State. A common refrain echoed by frustrated campus officials is that the maze of State approval processes, regulations, mandates and various other administrative requirements often slow construction timelines down to a glacial pace. The extent of State bureaucratic red tape often dampens the pace at which the positive outcomes associated with campus improvements can be realized, among them being the creation of jobs and spin-off economic development associated with construction projects, and students' and professors' ability to use the facilities in a timely manner. Surely, moneys can be better spent on supporting the core teaching and learning enterprise rather than on the capital construction process, where an overwhelming and unnecessary slate of State rules and reporting requirements siphon off precious institutional resources.

In the overarching call for greater State flexibility as it affects campus policies and practices, one thing must be made clear: greater autonomy in no way should be construed as a diminishment of institutional accountability. As stewards of the public's trust, State colleges and universities must rightfully account for all resources, public and private, in order to fully leverage every dollar in the advancement of the teaching, research and service missions of these public enterprises.

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[5] State Tuition and Financial Aid Assistance Policies for Public Colleges and Universities. State Higher Education Executive Officers, 2010–11. *http://www.sheeo.org/finance/tuit/2010–2011Tuition_and_fees.pdf.*

[6] Public College and University Procurement: A Survey of the State Regulatory Environment, Institutional Procurement Practices, and Efforts Toward Cost Containment (April 2010). American Association of State Colleges and Universities and the National Association of Educational Procurement. *http://www.aascu.org/uploadedFiles/AASCU/Content/Root/PolicyAndAdvocacy/PolicyPublications/aascunaepfinal%281%29.pdf.*

INCREASING COLLEGE READINESS—IMPLEMENTATION OF THE COMMON CORE STATE STANDARDS

A third area where States are demonstrating leadership and which holds strong promise for raising students' readiness for and participation in postsecondary education involves new college and career-readiness academic standards. While nearly all the States have adopted the Common Core State Standards, a few have developed their own set of standards. The Common Core State Standards are designed to better prepare students for success in college. This should lead to reduced time-to-degree, thereby reducing the overall cost burden on students, and more efficient use of institutional resources. However, proper and successful implementation of the new standards by States must involve the higher education community and more specifically, public institutions of higher education. Ensuring that both K–12 and postsecondary faculty have a working knowledge of the standards, through strong working partnerships, is essential. In addition, States must engage their higher education institutions and systems in the development and implementation of learning assessments associated with the new curricular standards. It is through these partnerships that better curriculum and course alignment will occur, along with strengthened pre-service and in-service teacher development programs.

MISSION-DRIVEN, FLEXIBLE AND EQUITABLE PERFORMANCE-BASED FUNDING SYSTEMS

A final activity that I will discuss involves a more strategic State approach in the allocation of institutional operating support. Over the last 3 years, many States have developed performance-based funding (PBF) systems for public colleges and universities. PBF systems tie a portion (or all) of an institution's State funding to performance on a series of metrics, such as student retention and degree completions. The objectives of these systems are to incentivize institutions to address a variety of State strategic goals, such as productivity improvement, cost savings and workforce development. While this approach to higher education finance is not new, best practices gleaned from prior attempts and advances in State data collection have led to a series of promising performance-based funding programs. In particular, Tennessee and Pennsylvania have innovative approaches that account for institutional differences while still driving performance improvement. AASCU supports State experimentation with performance-based funding systems that account for the diverse missions among State institutions and that award institutions for boosting measures of success for low-income students.

IN CONCLUSION

I began my remarks by highlighting that there are multiple entities involved in making higher education affordable. The Federal Government's role does not merely need to be constrained to student aid programs. In the last reauthorization of the Higher Education Act, as well as in several other pieces of legislation, provisions have been inserted requiring States to maintain a certain level of funding support for public higher education institutions. AASCU's own analysis indicates that Federal "maintenance of effort" provisions are successful and that without them States would have reduced higher education funding more dramatically over the past several years.[7] Given the strong relationship between State funding for public higher education and tuition costs at these institutions, it is clear that without these Federal maintenance of effort requirements, tuition costs would have increased even more dramatically in many States.

The maintenance of effort provision contained in the Higher Education Act is rather weak compared to provisions in other education and healthcare measures. As such, higher education is often squeezed out of the budget process as States meet Federal funding requirements established in P–12 education programs, as well as in meeting Medicare/Medicaid costs. While there is widespread acknowledgement that higher education is a major State economic driver, the reality is that State budget priorities center on P–12 education funding, Medicare/Medicaid programs, and public safety/corrections before higher education. While recognizing there are many views on the subject of maintenance of effort, I simply urge Congress to fully understand the interplay of these provisions. It is certainly within the Congress' purview to remove these Federal requirements; however, if there are to be Federal

[7] Update on Federal Maintenance of Effort Provision: Reinforcing the State Role in Public Higher Education Financing (July 2012). American Association of State Colleges and Universities. *http://www.aascu.org/policy/publications/policy-matters/2012/MaintenanceofEffort-II.pdf*.

provisions, then they should be treated as equally as possible in order to provide States with some flexibility to fund all of them.

State funding is the most critical component to any State higher education activity; however, I have highlighted several other non-financial related policies that can also have a positive effect on assisting institutions with keeping the overall cost burden to students as low as possible.

American higher education is a key generator for economic prosperity. We are all well aware of the statistics related to the jobs that will require a postsecondary education in the years ahead. States and the Federal Government need to examine education in the context of a P–20 continuum and invest and implement policies accordingly. There is not a one-size-fits-all solution, thus these policies should provide needed flexibility while remaining goal-oriented.

The CHAIRMAN. Thank you very much, Dr. Howard.

Dr. Longanecker.

STATEMENT OF DAVID A. LONGANECKER, Ed.D., M.A., B.A., PRESIDENT, WESTERN INTERSTATE COMMISSION FOR HIGHER EDUCATION, BOULDER, CO

Mr. LONGANECKER. Mr. Chairman and members of the committee, good morning, and thank you for the opportunity to be with you today.

For the record, I'm David Longanecker. I'm president of the Western Interstate Commission for Higher Education, which is a federally chartered interstate compact that has the simple mission of trying to expand access to high-quality postsecondary education to the citizens of the West. It represents the 15 Western States. There are some States that think they're western, but they didn't join WICHE, so they're not part of the West.

[Laughter.]

We're here today to talk about improving college affordability. More specifically, I was asked to talk about the strategies for improving college affordability that are being designed and implemented at the State level, and I'll focus on the West.

The 21st century has really brought a new way of thinking about what affordability means, at least at the State level. Affordability now refers not only to what students have to pay and their families have to pay, but also what the States can afford. There have been three waves that really have created this change in philosophy from one that's focused almost exclusively on students to one that's focused on both students and State resources.

The first is the rapid increase in the demand for higher education that has occurred. It has been driven by the needs of our Nation for a better educated population and by the increasing returns on investment to a college education for individuals. But, the result is a much larger share of our population going to college than was in the past, and that makes the limited funds available to the States to be spread more thinly.

The second wave is really an evolution in the philosophy about who should pay for college. Many at the State level now see higher education as having great benefits as both a public good and as a private good, and, thus, redefining how those costs should be shared by students and government has been a factor in what has been occurring recently.

And, third, the exceptional financial difficulties the States have faced over the last few years have really required that States look at all public services, including higher education, in a different way and work on doing more with less. To find the right balance between public and private benefits and affordability, States are pursuing a number of very creative new approaches to maintaining affordability. Some of these policies and practices focus on improving the efficiency and the effectiveness in the delivery of education, what I'll refer to as supply-side activities.

Perhaps the most popular of those is performance funding. Tennessee is sort of a leader in this area, and I'm sure you'll hear something about that. It's pretty much all the rage in higher education these days. In the West, about half of the WICHE States are involved with performance funding. Most of those focus on the completion agenda. Some people have said they think that the completion agenda is an anti-access agenda and an anti-affordability agenda. They're absolutely wrong.

As Senator Alexander mentioned, if institutions are rewarded for performance on the completion of their students, they're going to find a way to get their students to completion quicker and more likely to completion. Both of those are going to reduce the costs and increase the benefits to the students who are involved. So from our perspective, it's a very positive activity.

A number of our States, in addition to working on that, are working explicitly in their performance agreements to reduce equity gaps that exist in higher education. That would be true in Colorado and in Nevada. In Washington State, the community colleges and technical education system has developed a performance-based funding system that rewards students at different benchmarks as they progress, because the research suggests that students who achieve those benchmarks are more likely to complete their education. Oregon is exploring a performance-based funding strategy that, if adopted, will tie funding to institutions based on their delivering education at a highly efficient rate. I'll leave it to Dr. Preus to explain that in greater detail for you.

An alternative to outcomes or performance-based funding is incentive funding. Many of the States are using incentive funds to encourage institutions to change the way in which they're doing business and to be more affordable. In South Dakota, while they have eliminated this recently, they were providing funding for institutions to adopt a program of studies that was developed by the National Center for Academic Transformation which promotes the use of hybrid, technology-enhanced instruction which proves to have higher student learning at a substantially lower cost.

The California legislature is considering designating a special funding stream to enhance student success in the California community colleges, specifically, through a variety of academic and student support services. So you've got a variety of supply-side things.

On the demand side, we have traditionally at the State level focused on need-based student financial aid or, more recently, as Muriel indicated, merit-based aid programs. We're still using financial aid as a tool, but we're refining that. In Washington State, which has had the strongest financial aid system in the West, generally, they have a new public-private partnership intended to complement their existing need-based program which is intended to reward lower and middle-income students who participate in STEM fields through combined public and private funding.

In Massachusetts, they have a pilot program they're looking at to pay at-risk students to take more credit hours, because students who take more credits graduate sooner. The research is pretty clear on that. That's an area that's been researched at the institutional level by MDRC—found very promising results. Massachusetts is looking to see if you can take it to scale at the State level.

A number of States have developed blended programs that take the best of merit-based programs and the best of need-based programs and put them together. The program I like the best is Oklahoma Promise Scholarship. From the eighth grade on, if you take a rigorous curriculum in a high school and get decent—doesn't have to be great—grades and stay like a nice person—you don't go get a criminal record—you basically are assured that your tuition will be paid. What's very interesting is recently, last year, the legislature passed that that program has to be funded before any other service of State government receives any funding.

Now you have a combination of supply and demand, the way States do that. Some of the States are actually blending the two of those and putting both of those together. In the past, Washington's finance policies have probably been the most in sync of any of the Western States, and they're now making that better with their new public-private partnership. They've also passed a State law that says if the institutions raise their tuition beyond a reasonable level, which they establish, then the institutions have a requirement—the public institutions have a requirement to fill in the additional financial need that that has created for students with assessed financial need.

Oregon is amplifying this program I just mentioned. I think it's the most innovative of the new initiatives that are there. I'll let Cam talk about that rather than me try to talk about it. I think what they're talking about could be a real transformation in the way in which we finance our education.

All in all, the unique times that we face have forced the States to become very creative in fashioning ways to preserve financial access for their students. While the changes wrought by the new approaches are uncomfortable for many, because they break the traditional concepts of affordability and of quality, they are necessary if we are to assure that the students can afford to go to college, given the times we face.

The unfinished agenda, I believe, is that the various partners—the students, their families, the institutions, State and Federal Government—need to work more in sync than we do today to ensure that the various strategies we are doing blend well together and ensure affordability in the world of limited resources. The Federal Government could provide a major impetus for such partnerships if its major student financial aid programs and other programs required a stronger partnership between the Federal, the State, and the institutions.

You've done this very effectively in the past. The old SSIG program, at least in its initial incarnation, encouraged the States to develop need-based aid programs. You could do it again, and I encourage you to do so.

Thank you.

[The prepared statement of Mr. Longanecker follows:]

Prepared Statement of David A. Longanecker, Ed.D., M.A., B.A.

Summary

AFFORDABILITY

The 21st century has brought a new way of thinking about what affordability means. Affordability now refers both to what students and their families can afford and to what taxpayers can afford. The dilemma is that the new focus on what the States can afford has tested the limits of what students and their families can afford.

PROMISING STATE-LEVEL SUPPLY-SIDE INTERVENTIONS

The most popular current strategy involves the use of performance funding to reward and induce greater affordability. Examples include the following:

- Colorado's new Master Plan for Higher Education will reward institutions for greater success in reducing equity gaps in graduation rates and numbers, as will Nevada's new funding formula.
- The Washington State Community and Technical College system has developed a performance-funding process that rewards institutions based on the success of their students in achieving various persistence benchmarks.
- Oregon is exploring a performance-funding strategy that will tie funding to institutions based on their delivering education at a highly efficient threshold.

PROMISING STATE-LEVEL DEMAND-SIDE INTERVENTIONS

Affordability initiatives have focused on reducing the cost to students through financial aid.

- Washington State has embellished its robust State need-based financial aid program with a new public/private partnership intended to reward lower and middle-income students who chose to major in STEM fields of study.
- Massachusetts has developed a pilot program to see if providing grants to needy students who commit to taking more credits each term will enhance their persistence and completion.
- The Oklahoma Promise Scholarship assures eighth graders who come from low- and moderate-income families that if they take a rigorous curriculum in high school, get decent (but not necessarily exceptional) grades, and stay out of trouble they will have their tuition paid for at any State institution.

PROMISING STATE-LEVEL INTERVENTIONS BLENDING SUPPLY AND DEMAND EFFORTS

WICHE has encouraged the Western States to integrate all of their finance policies, so that they work in sync to assure affordable access to and success in high-quality educational opportunities.

- Washington has traditionally balanced a comparatively high tuition structure at both the 2-year and 4-year level with a strong need-based financial aid program.
- Arizona integrated policies that sought to assure that the State's three public universities would have sufficient funding to thrive through the combination of State support and tuition revenue and that increases in tuition would be matched dollar for dollar by institutional funds for students with financial need (defined as Pell grant recipients).
- Oregon's recently adopted Shared Responsibility Program creates a State policy based on an overall higher education financing partnership with the State, the student, the student's family, the Federal Government, and the institutions of higher education.

State Efforts to Assure Affordability in the New Normal

Good morning and thank you for the opportunity to testify before you today. I am David Longanecker, president of the Western Interstate Commission for Higher Education (WICHE), a federally chartered interstate compact of the 15 Western States with the mission of expanding access to high-quality postsecondary education for the citizens of the West.

We are here today to talk about "improving college affordability"—more specifically, to talk about the strategies for improving college affordability that are being designed and implemented at the State level. WICHE is very pleased to have the opportunity to join in this discussion because there are a number of very promising

State initiatives in the West and elsewhere dedicated to making college more affordable.

But in addressing this set of policy initiatives, we must first define what we mean by "affordability."

Since about the turn of the century, we at WICHE have been looking at the concept of affordability in a new way—and very differently than it had been defined in the last century.

Traditionally, the concept was quite simple. Affordability meant colleges charge tuition that was affordable to those citizens who wished to be students. The standard policy response, therefore, was to keep tuition as low as possible. Many States even imbedded the concept that college should be either free or as close to free as possible in State law. This was particularly true in the West, where the traditions of private higher education are not as strong as in other regions of the country and where most higher education was provided with public funding through public institutions.

In the middle of the last century both the Federal Government and the States embellished the original concept in two important ways. First, through the Higher Education Act of 1965 and amendments of 1972, which established most of the current array of Federal student aid programs, the Federal Government recognized that individual affordability varied, depending upon a family's financial circumstances, and public policy responded by developing the concept of need-based financial aid. Second, it recognized that costs other than tuition (living expenses, books, fees, etc.) also affected affordability and needed to be taken into account. Following the Federal lead, State public policy also recognized these two qualifying conditions to individual affordability and universally established State-level need-based financial aid programs.

Truth be told, however, the States were not nearly as committed to this new concept of affordability as the Federal Government was. Many of the States created their need-based programs only to receive the matching Federal funds available through the State Student Incentive Grant Program (SSIG). While every State ostensibly established a "need-based" program, only about a dozen established robust efforts. In the West only California and Washington established serious need-based grant programs; most States continued to abide by the original concept, equating affordability with low tuition.

The 21st century has brought a new way of thinking about what affordability means, at least at the State level. Affordability now refers both to what students and their families can afford and to what taxpayers can afford. Three factors have shaped this new concept of affordability. First, the rapid increase in the demand for higher education, driven by our Nation's need for more well-educated people in the workforce and the increase in individual returns on investment from higher education, has strained budgets and pushed legislators to look at how much their States can afford to pay. Second, an evolving change in philosophy about who should pay for higher education has shifted policy in a number of States from an assumption that higher education is primarily a public good that should be paid for primarily with public funds to a political philosophy that assumes that higher education has great benefits as both a public good and a private good and that its cost should be more equally shared by students and government. Some have seen this as a shift toward the privatization of public higher education, but in truth it is more of a balancing of costs between beneficiaries. Third, the exceptional financial difficulties that States have faced as a result of two recessions in quick succession at the beginning of this century have created what is commonly referred to as the "new normal," in which all public services, including higher education, must do more with less and in which evidence-based results are the metric. The result of these three new ways of thinking about affordability in higher education has led to State policy that relies more significantly on students paying a larger share of the costs of college.

The dilemma, of course, is that the new focus on what the States can afford has tested the limits of what students and their families can afford—and it is concern about this aspect of affordability that you are really focused on today. I just encourage you to recognize that affordability is now confounded by the financial limits of State government than it traditionally has been.

Today, I will share with you some of the most promising State policies and practices intended to assure higher education affordability, as we now define it. Some of these policies and practices are supply-side interventions, focusing on changing institutional behavior. Others are demand-side interventions, focusing on changing student behavior. Yet others combine interventions focused both on institutional (supply-side) and student (demand-side) behaviors.

PROMISING STATE-LEVEL SUPPLY-SIDE INTERVENTIONS

It should be acknowledged that many of the activities of States to increase productivity and efficiency in order to maintain affordability have been fostered by the generous support of Lumina Foundation and the Bill & Melinda Gates Foundation. A Lumina Foundation project, originally dubbed "Making College Affordable," provided substantial funding to a bevy of States, which have provided the test bed for many of the affordability initiatives referenced below. The Complete College America organization has furthered these efforts by engaging more than half of the States in developing clear metrics and methods for improving their productivity.

Perhaps the most popular current strategy, both at the State legislative and governance level, involves the use of performance funding to reward and induce greater affordability. Examples include the following.

- Many States are adopting performance funding strategies that will reward institutions for graduating more students. While this may not appear to be an affordability strategy, it truly is. Institutions realize that students who can't afford college are much less likely to enroll in the first place and less likely to graduate if they do enroll. Thus, for the institutions to reap the rewards of graduating more students they must assure students that higher education is affordable. In the West Colorado's new Master Plan for Higher Education will reward institutions for greater success in reducing equity gaps in graduation rates and numbers, as will Nevada's new funding formula.
- The Washington State Community and Technical College system has developed a performance-funding process that rewards institutions based on the success of their students in achieving various persistence benchmarks. Again, while this may not seem like affordability policy, it is, because students who persist at higher rates reach their educational goals quicker and thus more affordably.
- Oregon is exploring a performance-funding strategy that, if adopted, will tie funding to institutions based on their delivering education at a highly efficient threshold, comparable to the most productive competitors in the higher education marketplace.

Other States are providing incentive funding for institutions that adopt programs designed to focus on affordability.

- South Dakota provided funding for institutions to adopt programs developed by the National Center for Academic Transformation, which promotes the use of hybrid (technology-enhanced) classroom instruction that has demonstrably increased student learning at a lower cost.
- The California Legislature is considering designating special funding to enhance student success in the California Community Colleges through a variety of academic and student support services.

PROMISING STATE-LEVEL DEMAND-SIDE INTERVENTIONS

Traditionally, affordability initiatives have focused on reducing the cost to students through financial aid, and this remains fertile ground for State policy innovations and interventions.

- Washington State, which traditionally has had one of the most generous and economically rational sets of State finance policies, has embellished its robust State need-based financial aid program with a new public/private partnership intended to reward lower and middle-income students who chose to major in STEM (science, technology, engineering, and math) fields of study.
- Massachusetts has developed a pilot program to see if providing grants to needy students who commit to taking more credits each term will enhance their persistence and completion. This program will test whether such pay-for-performance approaches—which have worked at the institutional level, according to some research—can be taken to scale at a State level.
- A number of States have developed blended programs that combine the best principles of both need-based and merit financial aid programs. The Oklahoma Promise Scholarship, for example, assures eighth graders who come from low- and moderate-income families that if they take a rigorous curriculum in high school, get decent (but not necessarily exceptional) grades, and stay out of trouble they will have their tuition paid for at any State institution. A unique feature of this program is that legislature is required to fund this program before considering the budget of any other State services.

PROMISING STATE-LEVEL INTERVENTIONS BLENDING SUPPLY AND DEMAND EFFORTS

WICHE has encouraged the States with which it works to integrate all of their finance policies, so that they work in sync to assure affordable access to and success in high-quality educational opportunities.

- In the past, Washington's finance policies were perhaps the most in sync. The State has traditionally balanced a comparatively high tuition structure (high by Western standards) at both the 2-year and 4-year level with a strong need-based financial aid program. As mentioned above, the State has recently enhanced this approach with a new public/private partnership program—the Washington Opportunity Scholars—to assure even greater affordability for students seeking degrees in the urgently needed STEM fields of study. It has placed a requirement in legislation that institutions that increase tuition above recommended levels must meet the additional financial need that such action causes.
- Similarly, Arizona in the early years of the new century adopted integrated policies that sought to assure that the State's three public universities would have sufficient funding to thrive through the combination of State support and tuition revenue and that increases in tuition would be matched dollar for dollar by institutional funds for students with financial need (defined as Pell grant recipients).
- Oregon's recently adopted Shared Responsibility Program is perhaps the most innovative new initiative to blend supply- and demand-side strategies. Built upon a similar program in Minnesota, Oregon's program creates a State policy based on an overall higher education financing partnership among the following players.
  - The State, which is responsible for supporting the public good.
  - The student, who as the principle beneficiary of the education is responsible for contributing what she/he is able to provide.
  - The student's family, which has an obligation to contribute what it reasonably can before it asks others to do so.
  - The Federal Government, which is a significant partner through the Pell Grant Program, the Direct Student Loan Program, and the Federal Hope Tax Credits and Deductions.
  - The institutions of higher education, which have a responsibility for operating as efficiently as possible to sustain affordability.

This program fashions a partnership that defines in policy the expected responsibility of each of these five partners and specifies how the sum of their contributions will equal the desired whole. Originally conceived primarily as a financial aid policy, the program is now being viewed as the framework for all higher education funding: State appropriations, tuition revenues, and State-based and privately provided financial aid.

CONCLUDING REMARKS: A CHANGING WORLD FOR AFFORDABILITY AT THE STATE LEVEL

The unique times we face, dubbed the new normal, have forced the States to become quite creative in fashioning ways to preserve financial access for their students, using a variety of new approaches. While the changes wrought by new approaches are uncomfortable for many because they break from traditional concepts of affordability, they are necessary if we're to assure our students that they can afford to go to college, and they're sufficient to the task. Observing these changes in the West has been particularly interesting. The recent economic distress hit many of the Western States more severely than of the rest of the Nation, while affecting others much less. Yet the affordability change agenda is nearly universal in the West in one fashion or another. Those States most significantly impacted by the economic downturns of the new century have focused primarily on supply-side approaches, forcing greater productivity and efficiency reforms among their institutions of higher education or combined supply- and demand-side interventions. States that have weathered the recent economic malaise will have also focused on improving affordability. Alaska and Wyoming, for instance, have maintained their traditions of low-tuition but created new, blended financial aid programs that reward students for preparing well for college and performing well while in college, with a particular focus on the most financially needy students.

The unfinished agenda, however, is for the various partners—students, families, institutions, and State and Federal Governments—to work more in sync to ensure that their various strategies blend well and assure affordability in a world of limited resources. The Federal Government could provide a major impetus for such a partnership if its major student financial assistance programs required a stronger partnership between Federal and State governments and institutions. With limited resources at every level of government, it simply makes sense to assure that these partners, along with students and their families, work together as a team to win the higher education affordability game.

The CHAIRMAN. Thank you very much, Dr. Longanecker.

Mr. Morgan, please proceed.

STATEMENT OF JOHN G. MORGAN, B.A., CHANCELLOR, TENNESSEE BOARD OF REGENTS, NASHVILLE, TN

Mr. MORGAN. Good morning, Chairman Harkin, Ranking Member Enzi, and members of the committee. I appreciate very much the opportunity and the invitation to be here. I am the Chancellor of the Tennessee Board of Regents. As Senator Alexander noted, it's the sixth largest higher education system in the country. We're comprised of 13 community colleges, 27 technology centers, and six public universities literally located across the State. On a combined basis, we have in excess of 200,000 students in our system this fall.

We're one of two higher education systems in Tennessee. The other is the University of Tennessee system, which governs the four UT institutions and their activities. As was noted, your fellow committee member from Tennessee was president of the University of Tennessee system from 1988 to 1991, and it is especially an honor for me to be here with him today. I suspect he's the one responsible for me being here before you today. So if you don't like what I have to say, you can blame him.

[Laughter.]

The Complete College Act of 2010 may be the boldest attempt by any State yet to focus the energies and resources of its public higher education enterprise on meeting the State's development needs. Implicit within the Complete College Act is the acknowledgement that the higher education funding structure must support the State's priorities. However, the fiscal reality within which we operate has been one of severely reduced State funding over recent years.

Tennessee students now cover almost two-thirds of the cost of their education at our public institutions. About 20 years ago or so, that was about the State's share. The implication of this trend, if it continues, will be detrimental to our higher education aspirations. As resources have diminished, expectations for our systems have grown. The Complete College Tennessee Act included several important elements aimed at transforming our public higher education system into a more efficient, effective, and outcome-focused enterprise.

Perhaps most importantly for today's discussion, the Complete College Act called for our coordinating board, the Tennessee Higher Education Commission, to create a formula to allocate available State funding to public higher education institutions based on outcomes. Historically, Tennessee, like most other States or many other States, based the allocation of State appropriations mostly on enrollment. Typically, it was the number of students enrolled on the 14th day of the fall semester. The incentive was pretty clear: Enroll as many students as you can each year.

In some ways, the new outcomes-based formula turns the old system on its head. Attachment A of my written testimony shows the outcomes upon which the formula is built, one set for community colleges and a similar but appropriately different set for universities. These outcomes are weighted differently across institutions, thereby recognizing differences in institutional missions.

As you can see in the examples, the outcomes formula is heavily weighted around student retention, progression, and ultimate success. And, importantly, as Dave said, it's the numbers of students meeting benchmarks, the numbers of credentials awarded, not just the rates of success. Access and enrollment are still important.

One very important aspect of the outcomes-based formula that, frankly, I neglected to note in the written testimony is that student success outcomes based on progression and awards attributable to students from low-income households defined as Pell eligible and adult learners earn 40 percent premium compared to other students. It's heavily weighted toward dealing with students that, in order for us to meet our goals, we have to be more successful with. These are students who, historically, we have been least successful with.

So we're changing. We're adopting strategies that we believe will lead to student success. A few examples: Our community colleges are piloting cohort-based programs modeled after the successes of our Tennessee Technology Centers. Our institutions are implementing a variety of intentional and intrusive student advising approaches, including early alert and intervention systems, default curriculums for undeclared majors, degree mapping, individualized graduation plans—a whole host of strategies.

The performance of our presidents in our system is being evaluated on progress toward completion goals and improved outcomes. Working with the UT system and several private institutions, we've developed 49 universal transfer pathways in 29 academic disciplines that guarantee seamless transition from 2-year programs to 4-year universities. There are many more: Our participation in Access to Success, Completion Academies, the Degree Compass technology that's being deployed at Austin Peay State University. A whole host of strategies are being employed.

We continue to work closely with Complete College America, and we agree with their assertion that time is the enemy. Students who must drop out are less likely to return and complete their degrees and certificates. If the time to earn a 4-year degree, Senator, could actually be 4 years or less, then everybody wins. If students come prepared and with credits already earned through dual credit, dual enrollment programs at their high schools or prior learning credits for adult learners, then they are much more likely to finish and finish faster. We are aggressively expanding those programs in Tennessee. All of this activity is really being driven by the outcomes-based formula.

We very much appreciate your attention to this important subject, and we appreciate the help that you can provide at the Federal level. A few ideas are included in my written testimony. From reviewing the testimony of the other panelists, they have better ideas than I had. It is important that we think about Federal financial aid in a more flexible way, that we're able to support program structures that we know will work better than the past and traditional practices, and that's not always easy.

In closing, thank you for the opportunity to be here, and I'll be happy to respond to any questions that you may have.

[The prepared statement of Mr. Morgan follows:]

PREPARED STATEMENT OF JOHN G. MORGAN, B.A.

SUMMARY

In January 2010, the Tennessee General Assembly enacted the Complete College Tennessee Act, arguably the boldest attempt by any State in the country to focus the energies and resources of its public higher education enterprise on meeting the State's development needs. Implicit within the CCTA is the acknowledgement that the higher education funding structure must support the State's new priorities.

While student fees have increased at the institutions, growth in enrollment, declining State funding, and cost inflation have combined to produce real reduction in funds available to the institutions to pay for educational services. Yet, as resources have diminished, expectations for the outcomes of our system and the institutions have grown. The result of the convergence of these circumstances is to require every decision about resource allocation at every level to be viewed through the lens of its impact on outcomes.

Many elements of the CCTA have direct impact on college affordability by improving operating efficiencies, reducing time to degree and focusing resources on strategies that lead to greater success.

But perhaps most importantly, the CCTA called for the creation of a formula to fund public higher education based on outcomes like increasing the numbers of degrees, diplomas and certificates awarded. As important as increasing the numbers of students with credentials is ensuring productivity as well as quality. Academic standards, integrity and quality must continue or be enhanced. It's quality of the workforce that will drive the economy, not just the number of people with degrees.

However, a significant challenge exists for TBR and its constituent institutions. To be successful in meeting their goals, every institution must be more successful with students who have historically been least successful reaching their education goals, particularly low-income first generation students, adult learners and underrepresented minorities. Helping these students will require more hands-on, high-touch and high-tech efforts, all of which also translate to high cost.

Despite our challenges, we are on the right track. With the right resources and the right conversations—like the one we're having today—Tennessee can lead the way in workforce development and economic growth.

The combination of passage and implementation of the Complete College Tennessee Act and the First to the Top Act have propelled Tennessee to the forefront of the national conversation about education reform.

In January 2010, the Tennessee General Assembly enacted the Complete College Tennessee Act (CCTA). The CCTA is arguably the boldest attempt by any State in the country to focus the energies and resources of its public higher education enterprise on meeting the State's development needs. Together with the First to the Top and Race to the Top initiatives, Tennessee has enacted a range of measures designed to spur improvement in Tennessee's education pipeline—specifically, improving student performance and graduation rates at both the high school and college levels. The central idea of the CCTA, advanced by the prior administration and readily embraced by Tennessee Governor Bill Haslam, is that in order for Tennessee to thrive in the global economy, the education and skill levels of Tennesseans must improve significantly. Implicit within the CCTA is the acknowledgement that the higher education funding structure must support the State's new priorities.

If successfully implemented, the CCTA will prove to be the most transformative and visionary legislation affecting Tennessee's public higher education systems in recent times. History has proven that a more educated citizenry results in a society with faster economic growth and a more stable democracy. Today, more than ever, we need a renewed focus on higher education.

Options available to students abound with the growth of proprietary schools. Unfortunately, while the for-profit institutions are growing, the public institutions that fueled the growth of college credentials after World War II have suffered through years, sometimes decades, of State-level funding cuts. Many are no longer State-funded, but State-supported. Total State support for higher education nationally fell by 7.6 percent from the 2011–12 fiscal years, according to a report from Illinois State University and the State Higher Education Executive Officers. The report also indicates a reduction in the per-student spending by States—to reach the lowest point in some 25 years. (Chronicle of Higher Education, "State Support for Colleges Falls 7.6 percent in 2012 Fiscal Year," 2012.)

In Tennessee alone, State funding for public colleges, universities and technology centers decreased by almost 30 percent for the Tennessee Board of Regents (TBR) universities since 2008, shifting more of the funding burden to students. At all 46 institutions, including community colleges and technology centers, funding has been cut an average of 24 percent. As State support for higher education has declined and, despite improved efficiencies, the share of the cost paid by students has increased—thus, so has the price. Tennessee students now cover about 67 percent of the cost of their education at public universities, and some 60 percent at community colleges. The implication of this trend, if it continues, will be detrimental for all Tennesseans.

This is the reality of today's economy and today's funding climate, and therefore the new "fiscal reality" of the operating environment for Tennessee's public higher education. In the past several years in the TBR alone, we have opened the door to access for more students. Enrollment in our six comprehensive universities and 13 community colleges has grown 26.4 percent from 2001 to 2011.

To meet the demands of serving more students with fewer resources, greater operating costs, changing technologies and greater expectations, Tennessee's institutions look dramatically different than in years past. Within the last 2 years alone, our universities have eliminated, among others, degree programs in foreign languages, English, music education, Africana studies, women and gender studies, human sciences, aerospace education, and industrial engineering, and they have terminated dozens of concentrations or certificates to address decreased funds and changing demands. While student fees have increased at the institutions, growth in enrollment, declining State funding, and cost inflation have combined to produce real reduction in funds available to the institutions to pay for educational services. At the TBR, we have become more efficient and effective in delivering our services. In fact, on average, the total revenue per student (before inflation) at our universities in 2011 was 4 percent less than in 2008. During the same period, the impact at our community colleges was even greater, averaging almost 9 percent less per student. In other words, students are covering more of the financial burden for their education at public colleges and universities in Tennessee than ever before, even as our institutions are becoming more efficient.

Yet, as resources have diminished, expectations for the outcomes of our system and the institutions have grown. The result of the convergence of these circumstances is to require every decision about resource allocation at every level to be viewed through the lens of its impact on outcomes. Every day, at every TBR institution, including the central office, the focus is on deploying resources in a way that will make a real difference and lead to real results.

We are on the right track. With the right resources and the right conversations—like the one we're having today—Tennessee can lead the way in workforce development and economic growth.

Tennessee's Governor has set a clear goal to increase the number of postsecondary degrees awarded annually by 26,000 by 2015. Today that goal is more important than ever. Unless Tennessee can make progress toward achieving a more educated population, the skilled and high-wage jobs we need for our economy to grow will likely move to, or more likely be created in, other places that have the best prepared workforce.

In order to meet this challenge, the CCTA included several important elements aimed at transforming our public higher education system into a more efficient, effective and outcome-oriented enterprise. Many of these elements have direct impact on college affordability by improving operating efficiencies, reducing time to degree and focusing resources on strategies that lead to greater success.

For example, the University of Tennessee and TBR systems have together developed and implemented the Tennessee Transfer Pathways, a transfer policy that ensures community college students can readily transfer credits in defined programs to public universities. The TBR has evolved our community colleges into a comprehensive system, thereby enhancing the statewide role that community colleges can play in providing postsecondary education for recent high school graduates and adults. The new system for Tennessee's Community Colleges will, over time, result in significant cost efficiencies as well as educational programming that is more effective and responsive to economic and workforce needs. TBR's public universities have a more defined focus on institutional mission to help avoid future unnecessary program duplication.

But perhaps most importantly, the CCTA called for the creation of a formula to allocate available State funding to public higher education based on outcomes like increasing the numbers of degrees, diplomas and certificates awarded. The Tennessee Higher Education Commission has developed a Public Agenda for Higher Education centered on improving student outcomes and created changes to support its implementation—most notably developing the new outcomes-based funding formula. Funding for public higher education is now heavily weighted toward student success measures like these.

Attachment A lists the outcomes that are incorporated in the outcomes based formula for our universities and community colleges. As can be seen, the outcomes for both groups of institutions are heavily influenced by student progress and success. The outcomes are the same for all of the State's universities, however the weights assigned to each outcome for each university can vary based on the mission of the institution. For example, the weight assigned to the research outcome for the University of Tennessee at Knoxville is 15 percent while research is only weighted at 10 percent for Austin Peay State University. Similarly, as the example shows, outcomes are weighted differently among the community colleges.

The outcomes-based formula has created the most tangible and strongest incentive for our institutions to focus on strategies that contribute to student success and to align financial resources to fund those strategies.

As a result, virtually every activity taking place at the TBR central office and at each of its institutions is centered on improving the outcomes that have been identified by the THEC Public Agenda and the CCTA. It is no longer sufficient for the Board of Regents to view its responsibility as one of policy management and the safe guarding of assets. On the contrary, ultimately, the Board is responsible for the system's success in achieving the goals of the Public Agenda.

The CCTA and the Public Agenda establish clear linkages between the economic development needs of the State and the legitimate aspirations of the State's public higher education systems. In short, the Public Agenda declares that by 2025, the State's workforce must have levels of educational attainment at least equal to the national average. The Public Agenda assigns expectations for contributions to this goal from the TBR, UT and the private/proprietary higher sector.

For TBR to meet its current expectation, the system as a whole will need to produce 43,202 credentials in 2025. This represents an almost 60 percent increase in annual awards over our 2010 baseline. To achieve this goal, the system must increase its outcomes by roughly 3 percent per year, particularly challenging in light of demographic trends that reflect a changing population with an increased number of the types of learners who face the greatest challenges.

- More low-income students will be entering our schools. From 2007–11 median annual household income declined by 9.8 percent nationwide. Hispanic and white households saw a 4.9 percent and 4.7 percent decrease, respectively, while Black household median annual income decreased 9.4 percent (Sentier Research, "Household Income Trends During the Recession and Economic Recovery," 2011.).
- Demographic projections predict major growth in underrepresented minority groups. Nationwide, it is projected that the Latino and Black populations will grow by 137 percent and 15 percent, respectively, between 2010 and 2050 while the White population will decrease by 9 percent (National Population Projections, U.S. Census Bureau. Released 2008; NCHEMS, Adding It Up, 2007).
- White individuals (aged 25–29) attain bachelor degrees at twice the rate of black individuals and three times the rate of Hispanics (39 percent vs. 20 percent and 13 percent, respectively), and young people from the highest income quartile earn bachelor's degrees at seven times the rate of children from the lowest income quartile (79 percent vs. 11 percent by age 24). (Sources: NCES, *Condition of Education*, 2010 and U.S. Census Bureau, Educational Attainment in the United States: 2011; PostSecondary Education Opportunity, "Bachelor's Degree Attainment by Age 24 by Family Income Quartiles, 1970 to 2010.")

Simply put, for TBR and its constituent institutions to be successful in meeting their goals, every institution must be more successful with students who have historically been least successful reaching their education goals, particularly low-income first generation students, adult learners and under-represented minorities.

Helping these students will require more hands-on, high-touch and high-tech efforts, all of which also translate to high cost. Tomorrow's successful students will require more direct and personal attention—advising, counseling and directing them toward the successful completion of their goals.

TBR institutions are learning from success stories within the system. The Tennessee Technology Centers, for example, have always served these underrepresented demographic populations to a larger extent. Yet the Technology Centers have demonstrated dramatic success in helping students complete their academic programs through a variety of techniques that are now being piloted at other programs around the country:

1. Most students enroll in defined cohort-based programs with strong structures and limited options. Students register for programs, not courses. Class schedules are

pre-determined and set daily so students can plan outside work and life commitments around a set daily time commitment. Students don't have to pick and choose which classes they take and when, so they only take the courses they need. As a result, more finish and finish faster.

2. Students are provided a cost list including books and supplies, so they aren't surprised with unexpected expenses.

3. More than 80 percent of the Tennessee Technology Center students are eligible for State or Federal grants, or both, which covers the cost of their education and often provides additional money for living expenses. The TTCs don't participate in the loan program, and the students graduate debt free.

Similar cohort programs are being tested at Tennessee's community colleges and may be considered for public universities as well.

And as important as increasing the numbers of students with credentials is ensuring quality. Academic standards, integrity and quality must continue or be enhanced. It's quality of the workforce that will drive the economy, not just the number of people with degrees. Implicit in Public Agenda's attainment goal is the need for the credentials to be a result of high quality instruction and relevant to the needs of Tennessee's 2025 economy.

In some ways, having a clearly established, albeit aggressive, goal is liberating. The system and its institutions are able now to pay attention to efforts that matter. Priorities are realigned. For the TBR system office, this means that the focus now is on empowering staff to engage in activities that will promote outcomes. The result is an evolving redefinition of the relationship between system and institution. The system interest is less about regulating and more about helping each institution meet its goal of increasing relevant, high quality, outcomes.

Among the changes implemented so far, the TBR has:

- Established progress toward completion goals and improved outcomes under the new funding formula as the basis upon which performance of university and college presidents will be assessed.
- Joined with 10 other higher education systems and multi-campus institutions as members of the Education Delivery Institute, a joint effort of The Education Trust and Achieve, Inc. designed to assist in the successful implementation of higher education reform agendas.
- Created within TBR the Completion Delivery Unit, a small group focused on assisting TBR system operating units and institutions with the development of their "completion plans," identifying strategies to be pursued, establishing expectations of results for each strategy and providing a framework for the campuses and the system to monitor progress in meeting delivery goals in near "real-time."
- Through a partnership developed with the Tennessee Business Roundtable, Complete College America, Tennessee Higher Education Commission and the University of Tennessee, enabled 16 TBR institutions and two UT institutions to voluntarily participate first in the Nation State-level College Completion Academies, a convening of teams from the institutions, national experts and facilitators designed to engage institutions in the development of completion plans incorporating best practices. Governor Haslam addressed the first academy and facilitated a session in the second academy.
- Embarked upon the development of a central data repository and data warehouse that will put real-time information in the hands of managers throughout the system with which they can make decisions and evaluate performance. This has been identified as an essential pre-requisite to system and institutional success.
- Began system-wide, institutional participation in the Access To Success (A2S) initiative. A2S is a joint effort of the National Association of System Heads and the Education Trust that works with 22 public higher education systems that have pledged to cut the college-going and graduation gaps for low-income and minority students in half by 2015. TBR has been part of this initiative since 2007 but has not, until recently, engaged institutions in the initiative. The goals of A2S align well with the needs of the TBR system to address future challenges as demographic characteristics of our populations change.
- In collaboration with THEC and UT, developed 49 universal transfer pathways in 29 academic disciplines providing our community college students with clear and certain transfer opportunities to public (and many private) 4-year intuitions.
- With assistance from Lumina Foundation grant funding, engaged in a series of pilot programs designed to expand the use of cohort programs and block schedules in community colleges as contemplated by the CCTA. Early indications are that where feasible, utilizing cohorts and block schedules will result in significant improvements in retention and completion. Expansion of this effort into the 4-year environment may be warranted.

• Established the Office of Community Colleges and named a vice-chancellor for Community Colleges to manage the process of evolving the community colleges into a comprehensive community college system. Also, with the help of a Gates Foundation grant, TBR conducted a "business process analysis" designed to identify opportunities for process standardization across the community college system using best practices. As this effort continues, it is expected to result in significant efficiencies and will help position the community college system as the primary source for significant increases in enrollment and affordability in public higher education in Tennessee.

• Developed programs that will drive more students into the lower-cost options available at the community colleges first, then encourage the continuation of educational achievement by making defined program course transfers seamless from community colleges to universities.

• Encouraged the creation of innovative programs to help with student success. For example, Austin Peay State University developed the Degree Compass software and application that uses technology to successfully pair current students with the courses that best fit their talents and program of study for upcoming semesters. Using predictive analytics, the system recommends a course which is necessary for a student to graduate, core to the university curriculum and their major, and in which the student is expected to succeed academically. Recently, the system gained national attention and played a central role in Tennessee's successful Completion Innovation Challenge application, which received a $1,000,000 award from Complete College America and the Gates Foundation to support implementing Degree Compass at three other campuses in Tennessee.

The passage of the CCTA creates an environment wherein effectiveness, efficiency and sustainability of high quality results are essential if the TBR and its institutions are to thrive. The outcomes-based formula creates an absolute incentive to pursue only those activities that are believed to produce results. Constant evaluation of performance in real-time and a willingness to abandon, or modify, strategies that aren't working is becoming the "normal course of business" for Tennessee's institutions.

The outcomes-based formula introduces an entirely new dynamic in terms of transparency. How well each institution is performing will be readily apparent as a result of THEC's funding allocation recommendations each year. Historically, accountability within the higher education environment has been elusive. This is no longer the case in Tennessee.

The historical need for the TBR and THEC to monitor and encourage elimination of low-producing programs has been eliminated. There is no incentive to continue to allocate resources to a low-producing program or a non-productive service unless there is a very real indirect benefit to the institution as a whole and a return on investment that justifies the expense.

In this environment, the role of the system office is one of helping institutions in creating and utilizing systems and frameworks for continuing evaluation and in helping identify interventions that might help improve the outcomes of any given strategy. The system office also has an interest in making sure that institutions don't engage activities such as unnecessary duplication of programs that will result in inefficient use of resources on a system-wide basis.

Implicit in the CCTA and the outcome formula approach is that if colleges and universities can improve their results, funding will follow. But there is no guarantee that will hold true.

The result of today's new fiscal reality is that higher education will continue to be in a difficult funding environment. Although understandable in context, the system's historical practice of relying on tuition and fee increases to meet institutional spending needs is unlikely to be sustainable.

It appears that Tennessee, like other States, has reached a point at which tuition increases that exceed general inflation rates will be counter-productive to achieving completion goals as a system. The potential political response to further significant fee increases is concerning as well. Current political and economic environments make it more likely that government-imposed limitations (whether at the State or Federal level) may be seriously considered. While there is a legitimate government oversight role in the management of the public higher education systems, statutory solutions to complex and multi-dimensional financial issues—just some of which are mentioned here—are not likely to give full recognition to the unintended consequences that uniformly applied policies will hold for individual institutions.

SUGGESTIONS FOR HOW THE FEDERAL GOVERNMENT CAN ENCOURAGE AND SUPPORT STATES IN EFFORTS TO INCREASE EDUCATION ATTAINMENT WHILE ENSURING AFFORDABILITY

1. More need-based funding available to students at both the State and Federal level is needed. Aid allocations reflect that scholarship and grant aid is gradually shifting from fewer need-based awards to more merit-based awards. In Tennessee, approximately $90 million is awarded from lottery scholarships to students from households whose expected family contributions exceed full cost of attendance. A similar amount would cover the gap to fully fund assistance for eligible need-based students. As the number of students who need financial support grows, we see a shift to more funding going to students whose families have demonstrated the ability to pay, and a growing number of students whose families do not have the means to pay cannot afford to enroll without expensive student loans.

2. Federal incentives for States to keep their funding for public higher education stable or increasing is needed. The Federal requirement of State maintenance of effort funding for American Recovery and Reinvestment Act dollars provided a real benefit to colleges and universities. Ever-shrinking State funding levels threaten to reduce the amount of money available in the funding formula, creating an environment where institutions are competing in a zero-sum game for a piece of an ever-shrinking funding pie instead of striving for growing funding incentives.

3. Federal financial aid policies need to more closely align with best educational practices at the States levels. Military veterans who require learning support are often blocked from receiving funding for the types of support and techniques that have proven more effective than traditional classroom-based developmental courses because they are considered "independent study programs." Individual study incorporated into a for-credit class that is supplemented by technology support taught in laboratories with instructors should qualify for Veterans Administration support, but it currently does not. Regular financial aid policies structured solely around traditional semesters and terms don't conform well for alternative scheduling that successful cohort-based programs sometimes require—allowing students to start and stop at different intervals. Those "non-standard terms" result in aid award difficulties.

4. Federal recognition that increasing prices and tuition rates greater than the rate of inflation are the result of decreasing State funding allocations is needed. Statutory solutions to complex and multi-dimensional financial issues—just some of which are mentioned here—are not likely to give full recognition to the unintended consequences that uniformly applied policies will hold for individual institutions.

ATTACHMENT A

Formula Outcomes and Example Weights Based on Institutional Mission

Universities	APSU	UTK
Carnegie classification	Masters medium (percent)	Research university/ very high activity (percent)
Students Accumulating 24 hrs	3.0	2.0
Students Accumulating 48 hrs	5.0	3.0
Students Accumulating 72 hrs	7.0	5.0
Bachelors and Associates	25.0	15.0
Masters/Ed Specialist Degrees	20.0	15.0
Doctoral/Law Degrees	0.0	10.0
Research and Service	10.0	15.0
Transfers Out with 12 hrs (good academic standing)	10.0	5.0
Degrees per 100 FTE	10.0	10.0
Six-Year Graduation Rate	10.0	20.0
Total	100.0	100.0

Community colleges	Dyersburg	Nashville	Average
Carnegie classification	Associates/ rural medium (percent)	Associates/ urban multi-campus (percent)	
Students Accumulating 12 hrs	6.0	4.0	5.0
Students Accumulating 24 hrs	7.0	5.0	6.0
Students Accumulating 36 hrs	7.0	6.0	6.0
Dual Enrollment	5.0	5.0	7.0
Associates	10.0	20.0	15.0
Certificates	10.0	20.0	13.0
Job Placements	10.0	10.0	9.0
Remedial & Developmental Success	20.0	10.0	12.0
Transfers Out with 12 hrs (good academic standing)	15.0	10.0	13.0
Workforce Training (Contract Hours)	5.0	5.0	6.0
Awards per 100 FTE	5.0	5.0	8.0
Total	100.0	100.0	100.0

The CHAIRMAN. Thank you very much, Mr. Morgan.

Now we turn to Dr. Preus.

STATEMENT OF CAMILLE PREUS, Ph.D., COMMISSIONER, OREGON DEPARTMENT OF COMMUNITY COLLEGES AND WORKFORCE DEVELOPMENT, SALEM, OR

Ms. PREUS. Good morning and thank you for the invitation, Mr. Chairman, Ranking Member Enzi, and distinguished members of the committee. For the record, my name is Camille Preus. I am the director of the Department of Community Colleges and Workforce Development for the State of Oregon.

Never has education been more important to the lives and fortunes of Americans, Oregonians, or our local communities. Yet, in Oregon, we are falling behind. Our current generation of young adults, those 25 to 34, are less educated than their parents' generation, and few are earning certificates, credentials, and degrees beyond high school.

Each year, well-paid jobs requiring only a high school diploma are replaced by new jobs that increasingly require postsecondary preparation. Over the next decade, in Oregon, 61 percent of all jobs will require technical certificates, associate degrees, or higher levels of education. Making postsecondary education accessible and affordable to increase the skills of Oregonians and Americans is an imperative.

I'd like to set a little Oregon context, if I might. There are encouraging signs of progress in our State. We marshaled some strong bipartisan support in the 2011 session to address these challenges and opportunities head on. Oregon established, I believe, the most aggressive high school and college completion goals in the country. They are, by 2025: 40 percent of our population would have a bachelor's degree; 40 percent of our population would have an associate's or professional credential; and that the remaining 20 percent would have earned a high school diploma or its equivalent. We refer to these targets as the 40/40/20 goal.

Oregon also set a most ambitious education reform agenda. We want to create a coordinated education system, we want to focus State investment on outcomes, and we want to build statewide support systems. The unified student-centered system of public education from preschool through graduate school, what we call P–20, connects the educational sectors to achieve the State's educational outcomes. When I refer to P–20, I'm referring to education for children from birth through their education career, including early learning, K–12, community colleges, undergraduate, and graduate programs.

One key investment area within the P–20 system is postsecondary access and affordability. To reach our 40/40/20 goal of educational attainment, the State must be strategic in generating a college-going culture across the education continuum and in making and honoring the promise that postsecondary education will be within reach of all learners who achieve a high school diploma.

In Oregon, we have the Shared Responsibility Model. It's a four-step approach to affordability. The model involves four steps that enable all students to cover the cost of college attendance. The model assumes that the student, as the primary benefactor of the education, bears the first and most significant responsibility for paying for college. So step one is the student share. A defined student contribution spells out the amount every student would contribute to his or her education. It's based on their decision to attend a community college, a 4-year public or private university in Oregon.

The family share for both dependent and independent students is determined by an established financial need-based formula of incomes and assets, family structure, and attendance patterns. Families with greater resources are expected to cover the remaining cost. Middle-income families are expected to contribute some. Families with very low or no resources are expected to contribute much less or nothing.

The Federal share—the same need formula determines how much aid, if any, the Federal Government will provide or replace some or all of the family contribution. As the final partner, the State assists only when there is a remaining need not covered by the other partners. These grants—in Oregon called the Oregon Opportunity Grant—support the student's choice by reflecting a differential cost of public 2-year and 4-year colleges and public universities. If a student chooses an eligible 4-year independent college or university, they receive assistance as well, but not any more than they would if they went to a public university.

The implementation of the Shared Responsibility Model in Oregon has increased State investment in need-based aid. It has also increased the number of students eligible for receiving State financial aid, which has nearly doubled, and enrollment continues to increase.

In closing, Oregon's educational attainment goal of 40/40/20 is more than just a series of numbers. It represents an aspirational goal for degrees and certificates. It also represents a commitment to increasing the socio-economic benefits for all of our citizens. Connecting student learning along the P–20 education continuum is an important step in increasing the number of students who successfully complete high school and enter college. But, equally important, it is a promise of college as accessible and affordable.

Thank you very much.

[The prepared statement of Ms. Preus follows:]

PREPARED STATEMENT OF CAMILLE PREUS, PH.D.

SUMMARY

Never has education been more important to the lives and fortunes of America, Oregonians and our communities. Yet, In Oregon, we are falling behind. Our current generation of your adults—ages 25–34 is less educated than their parents' generation, with fewer earning a certificate or degree beyond high school. Each year, well-paid jobs requiring only a high school diploma are replaced with new jobs that increasingly demand postsecondary education, technology skills and advanced training beyond high school. Over the next decade 61 percent of all Oregon jobs will require a technical certificate, associate's degree or higher level of education.

T*he Oregon Context.* There are encouraging signs of progress across Oregon. Marshaling strong bipartisan majorities in 2011, the Oregon Legislature addressed these challenges and opportunities head on.

Oregon established the most aggressive high school and college completion goals of any State in the country; by 2025, we must ensure that 40 percent of adult Oregonians have earned a bachelor's degree or higher, that 40 percent have earned an associate's degree or postsecondary credential, and that the remaining 20 percent have earned a high school diploma or its equivalent. We refer to these targets as our "40/40/20" goal.

Oregon set a most ambitious education reform agenda:

- Create a coordinated public education system.
- Focus State investment on achieving student outcomes.
- Build statewide support systems.

The unified, student-centered system of public education from pre-school through graduate school (P–20) connected the educational sectors to achieve the State's educational outcomes. (The "P–20" term refers to the education of children from birth through their education career including early learning programs, the K–12 system, community colleges, and the undergraduate and graduate programs of universities.)

One key investment area within the P–20 system is postsecondary access and affordability. To reach our 40/40/20 educational attainment goal the State must be strategic in generating college-going culture across the education continuum, and in making and honoring, a promise that postsecondary education will be within reach for all learners who achieve a high-school diploma.

A Four-Step Approach to Affordability. The shared responsibility model of the Oregon Opportunity Grant involves four steps that enable all students to cover the cost of college attendance. The model assumes that the student, as the primary beneficiary of the education, bears the first and most significant responsibility for paying for college.

STEP 1: STUDENT SHARE

The defined student contribution spells out the amount every student would contribute to his or her education, based on the decision to attend a community college, a 4-year public or private college or university in Oregon.

STEP 2: FAMILY SHARE

The family share for both dependent and independent students is determined by an established financial need formula based on incomes and assets, family structure and attendance patterns. Families with greater resources are expected to cover the remaining costs, middle-income families are expected to contribute some of the remaining costs, and families with very low to no resources are expected to contribute much less, or nothing.

STEP 3: FEDERAL SHARE

The same need formula determines how much aid, if any, the Federal Government will provide to replace some or all of the family contribution. Students whose families earn less than $40,000 in pre-tax income and assets are eligible for a Pell grant (up to $5,550 currently). Middle-income families with Federal tax liability are often eligible for one of the Federal education tax credits for tuition paid the prior tax year.

STEP 4: STATE SHARE

As the final partner, the State assists only when there is a remaining need not covered by the other partners. These grants (Oregon Opportunity Grants) support student choice by reflecting the differential costs of public 2-year and 4-year colleges and public universities. Students who choose eligible 4-year independent colleges and universities receive assistance as well—but no more than their public counterparts.

The implementation of the *Shared Responsibility Model* has increased State investment in need-based aid. The number of student's eligible and receiving State financial aid has nearly doubled and enrollment has increased across all post secondary sectors.

Oregon's educational attainment goal of 40/40/20 is more than a series of numbers—it represents an aspirational goal for degrees and certificates but it also represents a commitment to increasing the socio-economic benefits to all citizens. Connecting student learning along the P–20 education continuum is an important step in increasing the number of students who successfully complete high school and enter college but equally important is the promise of college as accessible and affordable, as with Oregon's Shared Responsibility Model.

Good Morning, Mr. Chairman and other distinguished members of the committee. My name is Camille Preus, I am the commissioner of the Oregon Department of Community Colleges and Workforce Development. Today however, I am here representing the State of Oregon and all of our 24 public postsecondary institutions. We appreciate the invitation to join the committee as you focus on successful policies, initiatives and strategies, designed and implemented at the State level, to improve college affordability.

I believe one such successful policy is Oregon's need-based financial aid program known as the ***Shared Responsibility Model***. Before I discuss the Shared Responsibility Model policy it is important to explain the context.

Never has education been more important to the lives and fortunes of America, Oregonians and our communities. Yet, in Oregon, we are falling behind. Our current generation, of young adults (ages 25–34), is less educated than their parents' generation and fewer of them are earning a certificate or degree beyond high school.

Each year, well-paid jobs requiring only a high school diploma are replaced with new jobs that demand postsecondary education, technology skills and advanced training beyond high school. Over the next decade 61 percent of all Oregon jobs will require a technical certificate, associate's degree or higher level of education. This proportion of high skill jobs will only accelerate by 2025. Today, Oregonians with an associate's degree earn at least $5,000 more per year than those with only a high school diploma. Those with a bachelor's degree earn approximately $17,000 more per year. Eighty-nine percent of family wage jobs, paying more than $18.00 per hour, will require a technical certificate/associates degree or higher level of education.

Employment rates also highlight the need for higher education; the national unemployment rate for adults with a college degree is 4.4 percent—half the 8.8 percent unemployment rate for those with only a high school diploma and one-third of the 13.2 percent unemployment rate for high school dropouts.

Education however, is not just about improving personal income and job security. Higher levels of education are associated with better health, longer lives, greater family stability, less need for social services, lower likelihood of involvement with the criminal justice system, and increased civic participation. All are benefits not only to the educated individuals and their families, but also to healthy, thriving communities.

The Oregon Context. There are encouraging signs of progress across Oregon. At every level of education in Oregon, leaders, faculty and teachers are pioneering new practices that enable students to achieve their potential as lifelong learners and contributors to our economic and civic life.

In 2011 the Oregon Legislature addressed these challenges and opportunities head on, marshaling strong bipartisan majorities to enact:

- Senate bill 253 which established the most aggressive high school and college completion goals of any State in the country; and,
- Senate bill 909 which called for the creation of a unified, student-centered system of public education from pre-school through graduate school (P–20) to achieve the State's educational outcomes.

Senate bill 253 defines our goal: by 2025, we must ensure that 40 percent of adult Oregonians have earned a bachelor's degree or higher, that 40 percent have earned an associate's degree or postsecondary credential, and that the remaining 20 percent have earned a high school diploma or its equivalent. We refer to these targets as our "40/40/20" goal.

Senate bill 909 created the Oregon Education Investment Board (OEIB) and charged it with the responsibility, across P–20, to ensure that all public school students in the State reach the established educational outcomes. The "P–20" term refers to the education of children from birth through their education career including childcare and early learning programs, the K–12 system, community colleges, and the undergraduate and graduate programs of universities.

There are three key strategies in the initial OEIB plan to reach the 40/40/20 goal:

• *Create a coordinated public education system*, from preschool through college and career readiness to enable all Oregonian students to learn at their best pace and achieve their full potential. At the State level, this will require better integration of our capacities and smarter use of our resources to encourage and support successful teaching and learning across the education continuum.

• *Focus State investment on achieving student outcomes*. Oregon defines the core educational outcomes that matter for students, their families and our State:

- All Oregon children enter kindergarten ready for school.
- All Oregonians move along the learning pathway at their best pace to success.
- All Oregonians graduate from high school and are college- and career-ready.
- All Oregonians who pursue education beyond high school complete their chosen programs of study, certificates, or degrees and are ready to contribute to Oregon's economy.

• *Build statewide support systems.* It is not the State's role to deliver education, but rather to invest in and support the institutions and providers across the State that do. To succeed, the State must engage educators and leaders, students and families, communities and employers to achieve the educational excellence envisioned for Oregon students. The State will continue to set standards, provide guidance, conduct assessments and coordinate support and resources to its public educational pathways.

The three strategies are overlapping, driven by student learning outcomes and aimed at transforming the State's approach to education. Under the leadership of Governor Kitzhaber, the State is also transforming its approach to the budget, leveraging investment in innovations and rewarding success.

A key investment area is postsecondary access and affordability. To reach our 40/40/20 educational attainment goal the State must be strategic in generating a college-going culture across the education continuum, and in making and honoring a promise that postsecondary education will be within reach for all learners who achieve a high-school diploma.

THE SHARED RESPONSIBILITY MODEL

The average tuition and fees to attend a State university in Oregon today, represents 11.3 percent of median family income in the State, a doubling of the percentage paid 30 years ago when many of today's leaders went to college. In the last few years, the State-student share of college costs shifted from the State covering 51 percent in 2001 to covering only 31 percent in 2010, with students picking up the balance through higher tuition. As a result, Oregon students from low- and middle-income families are borrowing more, working more, taking a longer path to graduation, or simply giving up on college altogether.

Oregon realized it could not afford to put college education beyond the reach of so many Oregonians, when as stated earlier, more jobs in our economy require postsecondary training or a degree. In 2007 the Oregon Legislature passed, with wide bipartisan support, Senate bill 334 enacting the Shared Responsibility Model for the Oregon Opportunity Act. This bill restructured the need-based Oregon Opportunity Grant into a shared responsibility and partnership among students, their families, the Federal Government and the State to meet college costs and increase educational attainment statewide.

Addressing the Public Interest. Oregonians recognize the benefits of postsecondary education. Students develop better skills, job prospects and earning potential, while the State benefits from a more productive and diverse workforce, better-paying jobs, and higher income, tax-paying citizens. Oregonians believe that even if students have no family resources to pursue postsecondary education, they should at least be able to work their way through college.

But today, working one's way through college is no longer an option for most students. In 1965, an Oregon student could work approximately half-time at a minimum wage job year-round and pay for a year at a public university. A current student attending a community college would have to work 36 hours a week, 44 hours a week for a student attending a public 4-year university or 90-hours a week for a student attending an independent university, year round to do the same.

A Four-Step Approach to Affordability. The shared responsibility model of the Oregon Opportunity Grant involves four steps that enable all students to cover the cost of college attendance. The model assumes that the student, as the primary beneficiary of the education, bears the first and most significant responsibility for paying for college. The contributions of other partners—family/household, Federal Government, and the State are based on the resources it takes to close the "affordability gap" for each student.

STEP 1: STUDENT SHARE

The defined **student contribution** spells out the amount every student would contribute to his or her education, based on the decision to attend a community college, a 4-year public or private college or university in Oregon: **$5,700 per year for a community college student;** and **$8,700 per year for a 4-year college/university student** (public or private).

Each student would decide the best personal strategy by combining one or more of several options to cover their share of postsecondary costs: working, borrowing (student loans), savings, private scholarships, Federal work-study, institutional grants, etc. For example, working at a minimum wage job during the summer and part-time during the school year would cover $5,700 of the community college contribution or a smaller percentage of the 4-year contribution ($8,700).

STEP 2: FAMILY SHARE

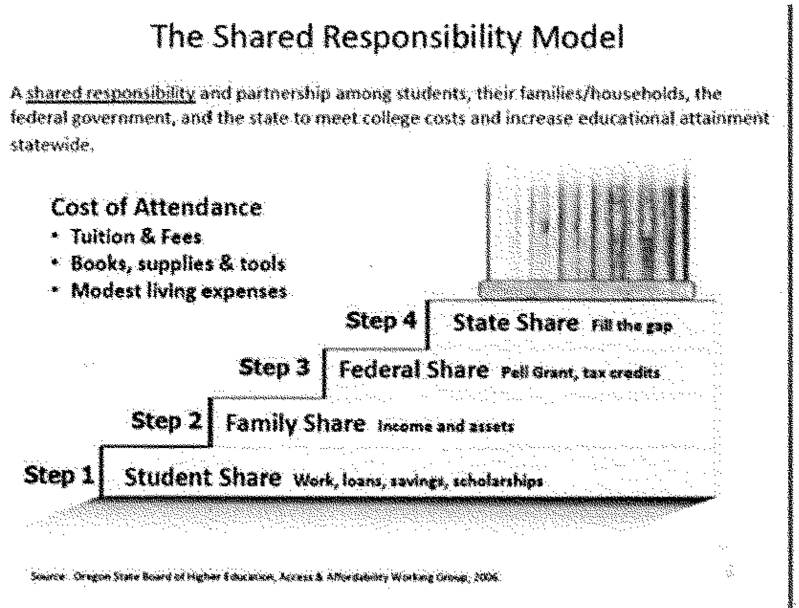
The family share, for both dependent and independent students, is determined by an established financial need formula based on incomes and assets, family structure and attendance patterns. Families with greater resources are expected to cover the remaining costs, middle-income families are expected to contribute some of the remaining costs, and families with very low to no resources are expected to contribute much less, or nothing.

STEP 3: FEDERAL SHARE

The same need formula determines how much aid, if any, the Federal Government will provide to replace some or all of the family contribution. Students whose families earn less than $40,000 in pre-tax income and assets are often eligible for a Pell grant (up to $5,550 currently). Middle-income families with Federal tax liability are often eligible for one of the Federal education tax credits for tuition paid the prior tax year.

STEP 4: STATE SHARE

As the final partner, the State assists only when there is a remaining need not covered by the other partners. These grants (Oregon Opportunity Grants) support student choice by reflecting the differential costs of public 2-year and 4-year colleges and public universities. Students who choose eligible 4-year independent colleges and universities receive assistance, but no more than their public counterparts.



MORE AID = MORE ACCESS

Beginning in 2008 the State doubled the annual State commitment to the Oregon Opportunity Grant from $34 million in the fall of 2007 to $72 million in the fall of 2008. The average award amount in 2008 was $2,600 for a community college student, nearly double the $1,398 from 2007. Today the Opportunity Grant is funded at just under $100 million with awards to more than 56,000 students.

The gap between the cost of attendance and resources to pay for college has also dropped for a full-need student since the implementation of the Shared Responsibility Model. The need gap for a community college student has decreased by half and for a student choosing a 4-year public institution the gap has been reduced from $8,874 (2004–5) to $3,776 today.

The Shared Responsibility Model design also helped middle-income families afford college—up to $70,000 for a family of four, previously capped at $31,000. College savings plans do not reduce the grant award.

Another key aspect of the Shared Responsibility Model is statewide outreach. Leveraging the Federal College Access Challenge Grant, secondary and post secondary partners launched an aggressive "get-the-word-out" campaign that included advertising on TV and radio, mailings and posters targeted to student, parents and counselors and community outreach visits statewide sponsored and supported by cross-sector education groups. This resulted in an increase of eligible applicants from 41,800 in 2007 to 74,694 in 2008 and 155,103 estimated for 2011–12.

HOW CAN THE FEDERAL GOVERNMENT ENCOURAGE AND SUPPORT STATES IN AFFORDABILITY?

There are a number of ways in which the Federal Government can help States provide education at a lower cost. First, it should be noted that the maintenance of effort (MOE) requirements included in the American Recovery and Reinvestment Act (ARRA) concerning expenditures for public higher education did in fact serve to sustain funding at a time of tremendous fiscal duress. This had a direct impact in maintaining educational services and in limiting community college tuitions. Although the Federal Government is no longer supplementing State education budgets, other means of exerting similar leverage should be explored.

In addition, the Federal Government should consider regulating public institutions of higher education differently from other sectors of higher education, particularly for-profit institutions. The reason for this is obvious—public institutions are funded and regulated in a fashion that is fundamentally different, and infinitely more exacting, than what's generally provided for-profit colleges. Community colleges are accountable to taxpayers and the broader public; for-profit colleges are accountable to their owners, usually shareholders. As a result, community colleges have been subjected to a regulatory apparatus that is entirely inappropriate to their nature.

The Federal Government also could help States in their efforts to be more efficient by aligning the various reporting requirements that it imposes on institutions of higher education. These requirements differ for various programs, such as the HEA and the Workforce Investment and the Carl D. Perkins Act, and these in turn differ from information that States themselves require. A concerted effort needs to be undertaken to eliminate these inefficiencies. Many community colleges have only one individual who is responsible for meeting all reporting requirements. Sometimes States becoming directly involved in providing needed information. In addition, the Federal Government needs to be much more aggressive in ensuring that appropriate State educational entities have access to data that will enable them, in concert with institutions, to identify the earnings of students after they have left institutions. These data in turn will help colleges to maximize resource allocation.

Many States are leading efforts to overhaul remedial education, often through modular courses. Unfortunately, this new approach has led to complications in the area of return of Title IV funds and standards of satisfactory academic progress. We urge the committee to place special attention on all the positive changes taking place in this area, which could well lead to much higher success rates for our students.

CONCLUSION

Oregon's educational attainment goal of 40/40/20 is more than a series of numbers—it represents an aspirational goal for degrees and certificates but it also represents a commitment to increasing the socio-economic benefits to all citizens. Connecting student learning along the P–20 education continuum is an important step in increasing the number of students who successfully complete high school and enter college but equally important is the promise that college is accessible and affordable, as in Oregon's Shared Responsibility Model.

The CHAIRMAN. Thank you, Dr. Preus.

Thank you all very much, both for your verbal statements which were very provocative in terms of getting us thinking, but also for your written statements. We'll start a round of 5-minute questions now.

Dr. Howard, I have some questions on the tuition setting flexibility that you seem to advocate. It seems to me if we allow institutions to set their own tuition without any caps, aren't we risking revenue maximizing tuition policies to hurt low-income students the most? Even New York, the example you cited, implies some caps by the State when you referred to moderate increases. How do you strike a balance between greater institutional autonomy and flexibility in setting tuition while preserving affordability and access?

Ms. HOWARD. Well, I think we have to have all the stakeholders involved in this process to try and come forward with a tuition policy that is rational, predictable, and manageable. States are all in different places in terms of their levels of tuition. I think States that look at the economic model—how much families are contributing, how much aid is available—are able to come forward.

For example, New York just came out with a predictive model where tuition will go up by X percent over the next 5 years. Two and a half percent of that tuition increase must go back into need-based aid. Families know for the next 5 years what tuition will cost them. The model is rational because all the stakeholders were involved and looked at what the State was able to do. Therefore, the State committed to an MOE, a maintenance of effort provision, that they would provide, which then keeps the tuition at a level that's predictable and manageable, and it's sort of not just going up and down based on how the State income is faring or its economic situation.

I'm not advocating for tuition to spiral out of control by institutions just willy nilly setting their own tuition, but to have a model that's rational, predictable, and manageable for all stakeholders.

The CHAIRMAN. Let me get to something else here. In the previous hearing that we had, we had representatives of colleges. Some of them were talking about how the different colleges have instituted different policies, like procurement policies, textbooks, things like that, that have really cut costs dramatically. It occurred to me then that why aren't other colleges looking at what some successful colleges have done and start to replicate it.

I asked about it on the State level. We've seen some State efforts that seem to be moving in the right direction, in terms of procurement policies and other things like that. Why don't we see more States replicating successful efforts—I think, Dr. Howard, you mentioned Colorado, Kansas, Virginia—to enable colleges and universities to streamline their operations? Why aren't we finding more other States sort of replicating this? What's the problem?

Mr. Morgan.

Mr. MORGAN. Senator, that's exactly what we're doing in Tennessee. Several national organizations have completion agendas and pretty broad agendas, and we're part of, I think, just about all of them. One of the things that Complete College America does, for example, is bring States together in what they call Completion Academies to share best practice. That has been extraordinarily valuable for us in Tennessee in terms of identifying strategies that have worked other places that can work in Tennessee.

That's more designed around completion, but it also bleeds over into operational issues as well. We are just now going through a process in our system based on experiences in other States of implementing a system-wide procurement model that will really allow us to leverage our system—all the institutions that we have, some 46 institutions—so that we can group purchases and achieve the economies available.

We are also cooperating with the University of Tennessee system to see if there's opportunities to bring the total higher education spend in Tennessee to the table as we negotiate with vendors for textbooks and for other kinds of equipment, supplies, and so forth. We're very much about the business of doing that.

I think what you would find across the country is that States are heavily engaged in a kind of unabashed theft of ideas from one place to another. I'm very interested in the Oregon Promise Program that we're going to hear more about probably as we talk. So I think that is happening. I think it's happening in a very productive way.

The CHAIRMAN. My time has run out, but I'll recognize Dr. Longanecker.

Mr. LONGANECKER. Yes, I believe there's—and this is really strange for me to say, because I'm generally noted in the community as a pessimist. But on this, I'm fairly optimistic. The performance funding activities that are going on are all focused on trying to improve the efficacy or the efficiency of the system. What that does is it forces institutions to then think about ways they can collaborate to do this.

Programs developed by our sister organization in the Midwest—the Midwest Higher Education Compact, which does a lot of collective purchasing. We've actually joined with them now. We provide a master property insurance program that saves the system in Nevada over $1 million a year by participating in that. There is a great deal of energy on this. The programs of the National Center for Academic Transformation have really started to transform many institutions. I think Tennessee is using that in a substantial way to provide higher quality education, as measured by student outcomes, for a lower price. I think there really are some wonderful things happening.

When I was a Fed back in the old days, in the last century, there was—we always wondered why the great ideas that FIPSE had weren't done by other folks. I think one of the reasons that replication was so difficult is that there were really no financial incentives for doing that. The money was OK. Change is hard, so you do it first. It wasn't tough times. These are tough times.

There's really a change in the attitude of the institutions themselves all the way down into the faculty. For the first time, I think, faculty are a significant part of the discussions about the change agenda. I'm reasonably optimistic, which is a strange place for me to be.

The CHAIRMAN. Thanks, Dr. Longanecker.

Senator Enzi.

Oh, I'm sorry, Dr. Howard. Did you have a comment?

Ms. HOWARD. Well, actually, I was going to basically echo some of the statements that David has just mentioned. But, I do want to say that I think States can do more. I think our initial focus when institutions begin to experience a drop in State support—that the focus was on the institution. I think your last round of hearings brought forward a lot of those innovations that occurred, because, at first, we were looking at institutions to generate ways to reduce costs.

Now, I think, States are really fully at the table and helping more. I think it may seem that States are coming to this a little later, but I think that was simply because our focus was initially at the institutional level. But they are leading now.

The CHAIRMAN. Thank you very much.

Senator Enzi, thank you.

Senator ENZI. Thank you, Mr. Chairman.

Dr. Longanecker, when I was in the Wyoming legislature, I was a delegate to the WICHE.

Mr. LONGANECKER. I know. You and your fellow Senator are the only two WICHE Senators we have.

Senator ENZI. I remember being in San Francisco at a meeting when Governor Geringer of Wyoming and Governor Leavitt of Utah announced the Western Governors University. Among all the college presidents, the main conversation was, "Well, what do we do with out-of-state students?" And there's always that kind of a tuition discussion as well. I appreciate all the ideas that you put forward, and we'll have some specific questions on more detail on some of those. I appreciate the broad range of universities and colleges that you're representing with that. You mentioned Dr. Preus and her comments.

I was fascinated by your comments on student share. I'm not so sure that we haven't gotten away from that a little bit and think that everything should be provided for them. Can you tell me a little bit more about how that student share is based on the level of the school that they choose?

Ms. PREUS. Mr. Chairman and Ranking Member Enzi, there is a formula. I dare say it might be too complicated for the committee meeting timeframe. We do a cost of attendance for the community colleges, the 4-year publics, and 4-year independent or private institutions. Then there's an expectation that a community college student would not have to secure a loan in order to afford tuition, which at the current rate is about $3,200 a year for tuition. University and independent university choice would require a minimum of $3,000 borrowing.

What we try to do is use a formula where the student would work approximately 30 hours during the school year and full-time during the summer. That dollar amount becomes the student's share. Then for the university, it's that share, which is right now $5,700, plus $3,000 in borrowing, so $8,700 for a 4-year university. That's how we establish the share.

Senator ENZI. It appears that that would make them have some consideration on where they decided to go. I'll have some more written questions for you on that one, too.

The main question that I have for all of you, actually, is what steps can the Federal Government take to improve affordability or maybe, more important, what ways the Federal Government is impeding your efforts to improve affordability, access, and completion? And that may take a much more detailed answer than you might be able to give here. But, if you can, just give me a brief answer on that and then follow it up in your written responses.

Mr. MORGAN. If I could, I'll give you one example, and this is actually one that there's some hope that we're going to work through this. One of the things we've done in Tennessee is significantly redesigned our remedial and developmental education programs. Many students come to us—70 percent or so will come to us with some need for supplemental or what we now call learning support needs. VA benefits don't pay for remediation developmental education in "independent study."

Well, what we've discovered in Tennessee through this reinvention of our remedial and developmental curriculum is that emporium models, using math labs with tutors and faculty in a very structured way—but it's an individualized study. We would argue it's not independent study at all. We've been going back and forth now for months with the VA about being able to use their benefits to pay for that methodology, which has proven to us to be far superior to the old models of remediation and developmental instruction.

There are other examples. We're moving toward cohorts, which are continuous enrollment programs, in our community colleges and may well begin looking at that in our universities. The Pell system doesn't really fit that very well, and it's difficult to figure out how to use the Federal financial aid that is available to support those kinds of what we consider to be more successful, more innovative practice.

Senator ENZI. Thank you.

Anyone else?

Mr. LONGANECKER. I'd like to jump in on that. I mentioned some of that. I think we need fairly radical change when you get around to reauthorization next year in some regards. We talk about a partnership. Right now, the partnership is the feds pay, everybody else takes. There isn't a stake in the game for the other principal actors.

I think to the extent that you could build in a reasonable partnership, a real partnership, it would be useful so that institutions have a stake in the student's success and there's some value in that; so that the State has some stake in the student's ultimate success and there's some value in that; so that we're working together. Too often, I think the Federal Government has tried to substitute for inaction by States or institutions. Institutions don't share in some of the exceptional costs, the default rates and others that are a part of the game.

The States don't share in the cost, particularly now that we don't have an SSIG program. That was a clever little program. Before it was passed, almost no States had need-based programs. Within a few years, every State did. It wasn't designed well for the future, and so it faded away, as I think it well probably should have. The idea of building in partnerships and stakes—if States don't want to go along, well, to hell with them. I mean, let their citizens suffer. The States that struggle and do a good job, then they should benefit from a partnership—a little hard for a Federal Government to say.

We're beyond the point where I think we can expect—I mean, I talked about the States changing their concept of affordability. You're in the same place. I mean, come November, you're going to be facing a huge set of difficult choices about what you fund and what you don't fund. We're going to have to find ways in which we work closer together as institutions, State and Federal Governments, and as families.

I think the student share concepts that are built into the Oregon Shared Responsibility Model are really exceptional. They recognize the reality of what students do today, and they also call loans loans, not financial aid. That's a student's contribution. They're going to have to pay it back. It's in the student's share, not in the financial aid. Loans are not financial aid. College work-study is not financial aid. It's work. We should recognize, though, and admit that. They're benefits.

They're certainly good things to have. But we sell them in the financial aid packaging as though we were giving a great gift to the students. The unfortunate part is the students sometimes think it was a gift and don't realize what the loan is, and so we get ourselves in trouble.

Ms. HOWARD. I would still like to encourage you to continue to look at the maintenance of effort provision. I think in the Higher Education Act now, it's still rather weak compared to some provisions in other education and healthcare measures. Higher education is being squeezed out at the State level when the States look at P–12 and they look at the needs they have to meet in terms of healthcare, ET cetera. Higher education is the entity that's really being squeezed out.

I think the maintenance of efforts provisions have worked. States understand them. The States that have maintained those provisions are the ones that—my institutions are saying that they are developing robust partnerships. I think at the State and Federal levels, higher education really needs to be looked at as a part of the overall economic driver within communities, and they're not kind of these stand-alone institutions that should be treated just like any regular State agency.

Higher education is really the engine that is going to help us satisfy the goals that you've heard some of my colleagues mention and help us be competitive in the future. I think continuing to ask States to maintain some effort—families and institutions cannot do this alone. We're going to get through the efficiency and effectiveness measures. We're going to be very good at that. We're going to be innovative.

States are going to come along and help push us some more to be more efficient and, hopefully, will give us more policies that will allow us to be more efficient and effective, because I still think States have not done everything they can do in terms of giving campuses more leeway in terms of deciding how to move dollars from one line item to another, how to use capital investments and resources to generate savings, how to do more things at the local level so that it isn't strained out over a long period of time, which ends up costing the institution more.

Maintenance of effort has been really important and successful, and we need to strengthen that measure going forward in the Higher Education Reauthorization Act.

Senator ENZI. I have far exceeded my time. I will do some followup in writing and hope that you will provide more answers, because this is a great panel and great answers. I appreciate it.

The CHAIRMAN. It's a great panel, and this topic is at the top of our list, because we've got to work on this next year on the reauthorization of the Higher Education Act.

Senator Bingaman and then Senator Alexander.

STATEMENT OF SENATOR BINGAMAN

Senator BINGAMAN. Thank you all for being here. Let me ask about the whole impact of technology on all of this that you folks are doing and that we're talking about here. It strikes me that in higher education, just as in a lot of other aspects of our lives, technology is dramatically changing the models that are available to folks. I mean, I read in the newspaper—I haven't taken these courses yet, but there are a lot of very high quality courses that you can take online.

Now, more and more, universities are agreeing that they will set up systems or they'll hire folks to essentially do monitored testing to see whether you've actually mastered the substance of the course and whether or not you passed the course. You don't get college credit for it. They're not going to give you a university credit toward a degree. They'll give you a certificate that says you passed the course, basically.

This is a type of individualized instruction that seems to me to sort of undermine the whole concept of universities and community colleges and everything, the way we've always thought of it. It gets harder and harder for folks to justify paying $30,000, $40,000, or $50,000 a year for tuition and devoting 4 or 5 years of their life to going and being on a campus when they can sit at home or anywhere and take these online courses and get credit—not get credit, but get at least an acknowledgement that they have mastered the substance of what's being taught.

I think, Dr. Longanecker, you talked about hybrid and blending programs and that kind of thing. I guess I'm just interested in any insights any of you can give me as to how you folks are accommodating to this. I mean, if I was worried about my ability to afford college, and I was just out of high school, I would be looking seriously at what are the options for getting some course work accomplished through these alternative ways that are either no cost or low cost, and then trying to find somebody who would acknowledge that I took the courses and passed them. I don't know if any of you have insights.

Dr. Longanecker, I'd be interested in your thoughts.

Mr. LONGANECKER. Sure. Clayton Christensen, who is sort of the guru of disruptive technology, has written a book about higher education and has suggested that, basically, the changes in the delivery of higher education are the disruptive technologies in higher education. I think he's absolutely right.

There's really two elements to this. One is the technology and the use of that in the instruction, and the other is the movement more toward assessment of competence rather than seat time as the measure of student learning, if you will. You put those together, and they have the potential of sort of radically reforming or destroying education as we know it. My sense is that what's going to happen is it's going to be reformed, not destroyed.

These are going to help us do a much better job, and we're already seeing it. I think it's Maryland—they require that students take a portion of their education online. In Idaho now, they're actually requiring that of elementary and secondary students. There's a presumption that that will be an integral part of the way in which we learn, and it already is.

We find that most of the students who are taking online courses in our public universities are actually students in the university who could have taken the course on campus but maybe they had something else they wanted to do during that time, or they heard it was a better course, or some of them maybe heard it was an easier course. I don't know.

By and large, there are a lot of reasons why people are sort of blending things together. Some are taking totally online. Some are taking blended courses. There's still great value in the seminar and in the laboratory science course that's on campus and whatever. I think what you're going to see is a radical transformation.

Senator BINGAMAN. Am I also right, though, that as this transformation occurs, there ought to be some opportunities to save money?

Mr. LONGANECKER. Yes, there are. In fact, for the first 15 or 20 years of online, we didn't save money. We were learning. It really wasn't—it was mostly an add-on, and it actually cost us. But we are seeing technology advancements now that allow us to save substantial money. I mentioned the National Center for Academic Transformation, and they're saving money. Texas is developing a $10,000 degree that involves the use of technology. It's a different type of education.

Frankly, my three children got regular college degrees, and I think there is value in the contact and in the campus and in the community experience that's part of college. I hope we don't lose that. I don't think we will, because I think many people believe there's value in that. There are two substantial benefits from the changes that are occurring. One is it will reduce the cost of all college. The second is it will make college much more available to a much larger share of the population than we have traditionally reached.

The CHAIRMAN. Thank you, Senator Bingaman.

Senator Alexander.

STATEMENT OF SENATOR ALEXANDER

Senator ALEXANDER. Thanks, Mr. Chairman. I want to thank you and Senator Enzi for these hearings. I think they've really been very helpful and on a subject we all care about, which is making it easier to afford college. I'm going to focus on one word. I listened for it very carefully at our last hearing, and it didn't come up until I mentioned it. I haven't heard it today, although Dr. Howard almost said it. The word is Medicaid.

We all seem to agree that the reason tuition is up is because State funding is down. I know that based on my own experience. Thirty years ago when I was Governor, 70 percent of the cost of going to college in Tennessee was paid by the State and 30 percent by the student. If we increased tuition by 3 percent, we increased the State's share by 3 percent. That was just kind of understood.

Today, as Mr. Morgan has said, it's the reverse. Now, why is that? Well, the main reason for that is because the cost of Medicaid in the Tennessee State budget 30 years ago was 8 percent, and the cost today is closer to 25 percent. That's true everywhere in the country. This isn't President Obama I'm talking about. This has been happening for 30 years.

Just to give you an example of it, I came to Washington to see President Reagan 30 years ago and said,

> "Mr. President, this is squeezing—Medicaid is going to squeeze everything out of our budget, and I won't be able to afford to fund higher education properly. Why don't you take all of Medicaid, Mr. President, and we'll take all of K through 12 at the State level."

He agreed with that and mentioned it in his State of the Union. Nobody else agreed with it.

If we had done that at the time—and I'm just using this to show an example of the problem—the States would have come out about $5 billion ahead. In other words, if all the responsibility for Medicaid had been in Washington, and all the responsibility for K through 12 had been in the States, the States would have come out about $5 billion ahead 30 years ago.

If that were true today, if all the growth of Medicaid over the last 30 years had been in Washington, and the growth of K through 12 had been in the States, States would come out ahead to date $92 billion a year. I mean, the State of Tennessee would have $2 billion more to spend, roughly, and I can guarantee you that much of it would go to higher education.

Why is that? It's because the Federal Government requires the States to spend money on Medicaid through maintenance of effort formulas that are in the healthcare law and in Medicaid and other mandates. They extend all the way to 2019. If you tell the Governors and legislators they have to spend it on healthcare, it won't be there to spend on colleges and universities.

I don't like maintenance of effort. I'm opposed to one for higher education. If so, why do we have Governors and legislators? Why don't we just have a Washington Congress that says, "All right. Tennessee spends this much on roads, this much on prisons, this much on"—and we can all go home. We don't need Governors or legislatures. It's the maintenance of effort for Medicaid that has gotten higher education into the mess it's in today, in my judgment.

Turn it around the other way. What if the States and the legislatures got together and tried to get a pledge from Senator Corker and me that we'd never spend less than X on roads in Washington? We wouldn't tolerate that, and they shouldn't tolerate a maintenance of effort from here.

That's my view of it. I think the first thing we can do to make it easier to afford college is to stop ordering States to spend a certain amount on healthcare and leave Governors and legislatures free to do what they want to do. You'd see a lot fewer examples of what happened in Tennessee 2 years ago when Medicaid spending went up 15 percent and higher education spending went down 15 percent. Had they been free to spend it as they wished to, I'm sure it would have been more even.

Now, Mr. Morgan, you've watched the State of Tennessee for about the same time I have, over the last 30 years. You've been with Democratic and Republican Governors. Let me ask you two quick questions. One is what's the tuition today in your 4-year colleges and in your community colleges?

Mr. MORGAN. Senator, our tuition today in our 2-year colleges is about $3,600 a year. It's about twice that, about $8,000 a year, at the universities.

Senator ALEXANDER. Do you have any comment over the 30 years on the effect that the increase in State spending for Medicaid has on the reduction in State money available for higher education?

Mr. MORGAN. There is absolutely no doubt, Senator, that over the years the increased cost of healthcare, mostly represented in the Medicaid program, has crowded out other State purposes. I think it's just true. Particularly, in a State like Tennessee—and I don't want to get into a tax reform conversation. But in a State like Tennessee, where our tax base really is not very elastic—in fact, it is inelastic. As the economy grows, the tax base doesn't. That has created particular problems for us in order to keep up with mandatory spending on things like Medicaid.

Other issues, though, have also contributed to that. It's not just Medicaid. But Medicaid certainly is the largest. In the last few years, in the last 5 or 6 years, the rate of growth in what we now call our TennCare program was not as great as it had been in prior years, although, as you note, a couple of years ago was a pretty big hit, and we expect that to continue now—kind of back on trend for the next few years. It will make it much more difficult to fund higher education.

Higher education doesn't have constitutional protection in Tennessee. Prisons and K–12 systems in Tennessee do have constitutional protections, either based on historical litigation or exclusive provisions in our State Constitution. I wish we had maybe a little constitutional provision for higher education.

Senator ALEXANDER. Thanks, Mr. Chairman.

The CHAIRMAN. Thank you, Senator Alexander.

Senator Franken.

STATEMENT OF SENATOR FRANKEN

Senator FRANKEN. Thank you, Mr. Chairman, and thank all of you.

Dr. Longanecker, one of my top concerns I hear about from students in Minnesota, after concerns about how to pay for college, is a concern that they really don't necessarily understand the true cost of college. I hear this also, not only from people all over the country, but from school counselors, who are overwhelmed as it is, but get these aid letters that are just really hard for them to sort out, let alone for the parents of the student or the student.

Currently, every postsecondary school uses its own financial aid award letters, making it really impossible for students to compare letters to each other. I mean, if you look at them, they'll use different names to describe the same thing. Sometimes a loan won't even be listed as a loan. It'll just have a code. And this is an award letter. Very often, you don't think of an award as something you have to pay off with interest, you know.

I've introduced bipartisan legislation to require colleges to use a uniform financial aid award letter with common names and common terminology. Do you see the value in this type of legislation?

Mr. LONGANECKER. Yes, I do. In fact, Secretary Duncan and the Department have come up with a recommended letter to the communities——

Senator FRANKEN. That's voluntary, though.

Mr. LONGANECKER. Voluntary. The dilemma I think we've got right now is, in most cases, they aren't intentionally non-communicative. But we're dealing here, for the traditional college student, with a person who has very modest understanding of personal finance. So unless you have a clear representation of what the award is, it can be really misunderstood.

I mentioned earlier that many students don't understand what a loan is when they go to college. They get a loan, and there's no payment with that loan, and they presume that that's the way it's always going to be. It was a loan without repayment, if you will. Or they're told that there'll be repayment afterwards. Sometimes that's a loan that's accruing interest. They don't understand what that means.

I have a personal story. My brightest daughter—I have three wonderful daughters. My brightest daughter was going to law school, and they gave her all the money she needed to go to law school. And she says, "Look at this. This is wonderful. I'm going to take out all these loans. It's going to be great." And I'm saying, "No, you aren't. Look at the interest rates on those." She says, "Well, I don't have any interest while I'm in school."

Well, of course, she did. She didn't have to pay it. But it was accruing. She's going to owe twice as much when she got out of law school as she thought she was going to owe. This is an extremely bright person. They hadn't explained all of that to her. They were making sure she could afford to go to college. I think it's very important that we have a standard way——

Senator FRANKEN. And, once again, this is your brightest daughter.

[Laughter.]

Mr. LONGANECKER. Yes, that would have been my brightest daughter.

Senator FRANKEN. I think that underscores the point.

Mr. LONGANECKER. Yes. She is a smart little bugger. I think it's really important that they know. I know the Secretary is trying to do it through voluntary means, because he doesn't have the capacity to do it through a requirement. I think it would be interesting and useful to have——

Senator FRANKEN. I wonder who would have that ability to do that.

Mr. LONGANECKER. The U.S. Senate could pass a bill on it.

Senator FRANKEN. Oh, that's why I introduced the bill. I mean, you said that traditional students——

Mr. LONGANECKER. Non-traditional students face the same dilemma. You're coming back to school. It's been a long time since you've been there. If you come from a low-income family, you often have a real strong aversion to certain kinds of assistance. You really need something that clearly lays it out. Now, that doesn't mean they'll all know exactly what you said or listen to what you said. That's the other side.

Senator FRANKEN. Well, if we have a common form that names everything the same so you can compare apples to apples——

Mr. LONGANECKER. Yes.

Senator FRANKEN [continuing]. Also, that says how much you're going to owe in addition to this—because very often, the letters will just have what aid you have, meaning what grants and what loans you have. It won't say how much more you have to pay—and also to have something that says how much you're going to have to pay per month to pay off these loans. And if you have that, it would be much, much easier for students.

This is something I hear from students all the time who are in the middle of it, in college, or students that have graduated and didn't realize the level they were going to pay. And instead of saying, "Oh, you should have been smarter," why not just make a uniform financial aid letter that everyone can understand. I have very, very smart guidance counselors who wrote me and thanked me, because they said, "This is very hard for me, and this is my job, let alone how hard it is for the student."

Mr. LONGANECKER. Yes. I think, again, not everybody will get it. But we ought to give them the capacity to get it.

Senator FRANKEN. Yes. I think that's obvious. Thank you.

I know I've gone over my time, Mr. Chairman.

The CHAIRMAN. Thank you very much.

Senator Whitehouse.

STATEMENT OF SENATOR WHITEHOUSE

Senator WHITEHOUSE. A quick editorial point and then two questions. The editorial point is that at the tail end of all that confusion, people are often left stuck with enormous amounts of debt. One of the dirtiest deeds that was done to American students was squirreled away in the so-called Bankruptcy Reform Act, where they made student loans non-dischargeable which shoveled buckets of money into the pockets of the lenders who had lent at a rate that presumed that was not the case. It was kind of a surprise attack on the students.

I don't think anybody has put their fingerprints on that provision since then. But there it lies, and students have this additional burden that ordinary borrowers don't have as a result.

My two questions—the first is about Pell grants. Could you each just touch very briefly on how important you think Pell grants are in the financing strategy for college of lower income families?

Ms. HOWARD. Well, certainly, I think it has played a real important role in helping millions of individuals to be able to obtain an education in this country.

Senator WHITEHOUSE. We have one really important.

Ms. HOWARD. Right.

Mr. LONGANECKER. I'd say it's really, really important, but not for every Pell grant recipient. That's one of the areas I think there needs to be some reform in. For the students who have the most need, it makes the difference in whether they go to college or not. The way the program works, whenever we increase maximum, we also bring in a new population of more middle-income students. I know there's a lot of concern about the middle-income students today. They aren't nearly as vulnerable as that most-needy student, and we may need to think about targeting better in the future.

Senator WHITEHOUSE. Mr. Morgan.

Mr. MORGAN. Pell grants are essential to our lower income students being able to go. There's just no question about it.

Senator WHITEHOUSE. Dr. Preus.

Ms. PREUS. Extremely important.

Senator WHITEHOUSE. OK. Really important, really, really important and essential, and extremely important. Good. My other question is one that I invite you to take for the record, if you like, because in 2 minutes and 45 seconds, I'm not going to get answers to this from everybody. But it has to do with what many of you were saying about accountability and, particularly, how it's measured.

A woman who is a single mother in South Providence and who decides that she's going to improve her economic situation and go to CCRI and start taking credits might very well start off signing up for a bunch of credits and being optimistic. Then she'll go in, and she'll find out, "I was a little over-optimistic about how much time and energy I could devote to this. I'm going to have to drop a credit or so." And then maybe in the next term, there's a childcare issue, so she drops out entirely.

But she comes back again and takes another credit and then maybe two more. In the meantime, she is learning skills and has refocused her life, and, sure enough, boom, along comes a job in the field that she's interested in. She gets that job. She's got her economic foothold. So no more credits. She's satisfied. For her, that CCRI experience was a success: "I moved from where I was not happy to a job where I am happy."

When you look at her career from a purely university-based perspective, she dropped credits, she missed semesters, she never graduated, and she looks like a failure. In her life, it's a success. Mission accomplished: "I have a foothold job that gets me into the economy where I want. I can take care of my child, and I'm on my way."

Who does the best job of figuring out what real success is in terms of ultimate job placement? And how should we be looking at that question?

Mr. LONGANECKER. Well, I'm really glad you asked that question, because I think that is a success. Most of the people who face those same dilemmas don't ever get to the point of success. I think there are two or three things. One is we need to find a way in which we define success, both in terms of the completion of the education and in terms of why it was we completed the education, so moving into the workforce.

I think this is really a great example of where the Federal Government needs to bring together the activities of the Labor Department and the Department of Education and, if you will, perhaps the IRS or the Social Security Administration so that we can determine whether the people have achieved the success that we want them to. We're involved at WICHE with a four-state—we're working with four States to essentially blend their education data bases and their labor data bases, their UI data bases, so we can look at the success of students.

Now, we'll be able to do some really good policy work on that. But we won't be able to look at individuals because the privacy laws don't allow us to do that.

Senator WHITEHOUSE. My time is up. If anybody else would like to add thoughts in terms of an answer, I'd love to hear from you.

This has been a really terrific panel, and I want to thank the Chairman for bringing you all here together—an impressive panel.

The CHAIRMAN. We'll start a second round here. I'm sorry that Senator Alexander left, and I don't mean to speak in his absence. But I did want to respond a little bit on the Medicaid issue. An article in the *Washington Post* this summer, dated July 3d, quoting Kaiser Family Foundation, said that,

> "Despite beliefs that Medicaid is claiming a larger share of State budgets, the share of State general fund dollars for Medicaid has remained fairly stable, increasing from 14.4 percent in 1995 to 15.8 percent in 2010."

The most recent up-tick is largely due to the recession. I mean, who gets Medicaid—poor people and people who are out of work. The idea of maintenance of effort—the CBO estimated that if we repealed the maintenance effort, there would be 300,000 people added to the ranks of the uninsured, and that 400,000 beneficiaries would be pushed out of Medicaid and CHIP, two-thirds of whom would be children.

Again, if they're kicked out, it's like they don't disappear. They still get sick. They still have to be taken care of. They're going to be a bigger burden if the sicker they get, that's when they show up at the hospital or the emergency room. I hope we're not trying to pit poor kids against college students. It's poor kids. How do you get Medicaid? You've got to be really poor. So I hope we're not going to try to pit poor kids against college students.

The other thing I want to say about this is that—and I don't have the data now, but I've seen it in the past—that States in the past 20 or 30 years, when times are good, cut taxes. Governors love to run on cutting taxes. So they cut taxes. Then when they hit bad times, they can't raise taxes in bad times. Then you get into another cycle of good times and you want to cut taxes even more.

We have had a decreasing level of State revenues over the last 20 to 30 years in general funds. What do the States do? Lotteries, casinos—that's where they're making their money now. And who plays the lottery? Who goes to the casinos? Poor people. You don't see rich people at these casinos. Well, you see them in Las Vegas maybe. They might go there for other reasons besides just gambling.

When I hear States crying about their budgets and stuff, I say,

> "Well, show me what your revenues have done over the last 20 or 30 years. How are you collecting your revenues? Where are they going, and your budgets?"

You can't just say that just because—and the other thing is this 30 years—and Senator Alexander was right about this—I don't know if he alluded to this or not, but that we have a growing number of poor people in this country in the last 30 years. Look at it. Just look at the data.

There was a graph in the paper the other day about more and more income going to the top one-fifth—I forget what it was—like 50 percent of our income is now going to the top one-fifth of income earners, and less than 5 percent going to the bottom fifth. That's what's eating us up. It's this lack of revenues and the fact that we have a growing population of poor people in this country.

I didn't mean to get off on all that. But I just wanted to respond to that. Mostly, what I'm interested in, though, is pursuing—as I said, this is a great panel. We have the Higher Education Act next year. I think there's a lot of things we can do. I feel strongly that maintenance of effort is something that we really, really have to maintain.

Also, we've got to look at how we can incentivize States to do the kinds of things you're doing in Tennessee or what you're doing in Oregon, which really kind of gets my curiosity about how you have a seamless system and how you encourage these kids to get through the seamless system from community colleges to colleges.

The other thing we need to tackle is pay for performance. Well, what is performance? Is it 4 years? Well, you know, I went to a 4-year college. But it took me one extra quarter to finish because I changed my major. So I didn't have enough credits in my new major. I needed to go another—we were on the quarter system at the time, so I had to go an extra quarter.

There's a lot of that that goes on, where kids go to college, thinking they're going to do something, and find out that's really not where their aptitude lies. They change, and it requires them to go to school for an extra semester or so. Second, there's a lot of kids who go to college and because of economic situations they drop out. They go to work for a while, save some money, and go back to school.

Sometimes it does take longer than 4 years. I don't know what the proper—is it 5 years? Is it 6 years? A lot of people seem to have settled on 6 years. I don't know what the proper cutoff is for some kind of pay for performance, for getting these kids through in a short period of time. We know it saves money. That I know. The shorter period of time you're in college, the more money you save.

How do you accommodate these other things I spoke about in terms of finances, in terms of illnesses, in terms of changing your major? Once you start writing in exceptions, where do you end? So who's got the answer for me?

Mr. LONGANECKER. I've got the answer. One of the real advantages of these new outcomes-based funding programs like Tennessee has is they provide all the right incentives to the institution, but they don't tell the institution exactly how to do it. For example, the institution knows now that they aren't going to get paid for that person until he or she graduates. I mean, they're not going to get as much money. They're going to try and do everything they can to get that person to graduate.

The way you get a person to graduation is you break down those barriers, so that you have a childcare program for this person that was mentioned, so that she doesn't have to drop out of school.

The CHAIRMAN. That costs money.

Mr. LONGANECKER. Yes, it costs money. But it's worth it because you're going to get some money, and you're going to get it sooner. It really allows the institutions to find the one that fits their circumstances best. And you'd better believe they'll follow it. They sure followed us on enrollments. We said we wanted enrollments, and we got enrollments. We particularly got enrollments on the 14th day, not necessarily on the 30th day. A lot of students have dropped courses by then.

There are a lot of the right incentives if you pay for performance. Now, some States have sort of done a half a loaf, and it's not bad. They've said they're not going to pay on graduates, but they're only going to pay for completed courses. Well, then, you provide a disincentive for—gosh, that bright daughter I was talking about used to always sign up for 24 to 27 credit hours, because she knew she was going to drop the ones that didn't seem to be as fun, or she couldn't get the ones she really wanted so she signed up for others, hoping she'd get into the ones she wanted.

There was a lot of gaming that went on. That served her pretty well for convenience, but it sure cost the State of Virginia, which is where she was going at that time, a lot of money, because those courses got counted in their formula.

The CHAIRMAN. Mr. Morgan.

Mr. MORGAN. One thing I would add to that—and I agree with everything David said. But we can also structure our offerings in ways that are much friendlier to students who have outside-education obligations. They have families. They have work careers. They have other balancing acts that they have to perform. Historically, we haven't been very flexible in the way we structure programs.

We're looking very hard—and the outcomes-based formula drives us to look very hard—at how we craft programs that will fit the needs of individuals. Frankly, that's something we can learn from proprietary schools, because they've done a pretty good job at building programs that fit people's real-life needs. We just didn't do that very often in public education. I think we're doing that now.

Perhaps in Senator Whitehouse's example of the person who kind of comes and goes and finally gets what they need, had we had the right program structure on the front end, it may have been a much quicker route for that individual to be able to get to an ultimate result that would put them in the economy at the place they want to be. There are a lot of things that we can do better.

There's just one other point I'll make and then stop. In difficult budget times, historically, student services has been one of the first things to be cut. In an outcome-based world, suddenly student services becomes one of the last things you want to cut, because having adequate services that can really reach out to students, identify the problems that they have, counsel them about the career choices that they need to make so maybe they don't waste a quarter or a semester or a year exploring—if they had a little more guidance up front, they might have gotten on a path that would have led to a quicker completion and, therefore, saved resources.

One of the things that we're seeing in our system is that focus on outcomes has really developed a strong interest on the part of all the stakeholders at the institution in having the right student services available at the right time.

The CHAIRMAN. Thank you, Mr. Morgan.

Dr. Howard.

Ms. HOWARD. I just wanted to say that I also want us to keep in mind that our students today, on average, at many of our campuses are 23, 24, 25, 26 years of age, and they have other real-life responsibilities. This sort of perfect perspective we want to have in terms of how they move through their educational experience is not going to be as achievable for all adult learners. They're going to be, in the future, one of the largest groups that we educate in this country.

We are trying to adjust and be prepared for everyone that's going to be coming through higher education, and that's a big challenge for us. Many of our colleges and universities are beginning to have their own e-university within the walls of the traditional university so that we do have this hybrid world that students can take advantage of to garner the education that they need.

We have one system in Pennsylvania that's starting to look at a lot of the courses that are out there online and will look at how to evaluate and judge those courses as to whether they have quality and merit and students can take advantage of them and receive college credit for them. That'll be another lifeline that students can have in that State, for example, to begin to move forward with their education.

I was listening to him describe the student that he was talking about. Although she's happy now, it doesn't mean she's not going to hit the wall later, that her job or her career isn't going to require her to go back and receive additional education if she decides she wants to move up in that organization or she wants to change jobs again.

I do think in terms of higher education we're going to have to have a more expansive view of it and stop looking at it as an end and a beginning. I think we're all going to be involved in continuing education the rest of our lives when we look at the society that we're developing and how competitive it is. I do think we need to be sensitive to that and develop as many pathways as we can for individuals to be able to garner a higher education. We are working on that, and we also are looking at how we can make it most cost-effective, especially for our students.

We don't have a pat answer for you today, whether it should be four or six or whatever, because our population has changed. When I went through college, everybody was 17, and everybody traveled as a class. Very few of our students now and in the future are going to be coming in as a group and then complete as a cohort at the end. We have to be prepared for it when people have to go off in terms of other roadways. So I hope we won't lock ourselves back into a view that's kind of 25 years old that everyone's going to go through in the same amount of time and in the same way, because it won't happen.

The CHAIRMAN. Thank you very much.

Senator Enzi.

Senator ENZI. Thank you, Mr. Chairman. I think this has been an extremely valuable panel. I've made pages and pages of notes here and additional questions. Our work is really going to be cut out for us. I mean, not only do we have to do the Higher Education reauthorization, but we have to fix No Child Left Behind.

The CHAIRMAN. We've got to redo that, yes.

Senator ENZI. The Workforce Investment Act should have been done 6 years ago. I complain about it every year.

The CHAIRMAN. You've worked very hard on that.

Senator ENZI. I did hear the comment that we needed to redesign remedial. That fits in with fixing No Child Left Behind. If we don't bring them out of high schools better, then they won't need the remedial courses. High schools have to be somewhat responsible for that as well as colleges when it comes to the cost, I think.

I think we're going to have to pursue this technology a lot more, and it's going to be interesting—the age of those of us who will be making the law, compared to the age that really understands technology. I've said in my office, if the computers break down, we'd just go find a kid on the street, give him a movie ticket for fixing it, and it's done in 30 minutes. It's not quite that simple, and that isn't really how we do it.

Recently, I was in Sweden, looking at their educational system. In preschool, they're using i-Pads and doing educational programs, and that goes all the way up. As they get a little bit older, they communicate between each other doing team projects, which I hated when I was in school because there was always somebody that was the weak link that still got credit for my work. But when they're using computers, just two people linked up, the teacher can go back and check and see who is doing the work. That has some advantages to promoting teamwork, I think.

It was just fascinating to watch the ways that they were able to use this that I'd never even envisioned before. They didn't write stories. They filmed stories. We're going to have to adjust to that level of technology as we're making the new laws for this. The teachers liked the system once they adjusted to it, because it freed them up to work with the kids that actually needed help, and the kids that were really good were just zooming along on their own. Somehow we're going to have to adjust to that so we can allow others to adjust to it.

I have a whole range of questions, but we don't have the time to cover them. I will submit them in writing to you and would appreciate answers. You've just been a real treasure trove of information for us. There are a lot of areas we need to explore yet before we do the Higher Education reauthorization. I just want to thank you for your participation today and your great answers.

The CHAIRMAN. Thank you very much, Senator Enzi. And I'll just join you in thanking the panel, all of you, for being here and for all the work you do. As you can see, this is of great importance to this committee, because this is something we have to tackle next year.

We'll leave the record open for 10 days, until September 27. I want to thank all my colleagues for all their hard work on this issue and other issues before the committee.

Also, to all of our witnesses who are here, we hope that you will be available to us and to our staffs for correspondence and other types of information as we move along this fall and next year into the Higher Education Act reauthorization. Thank you very much for the work you do. Thanks for being here. The hearing is adjourned.

[Additional material follows.]

ADDITIONAL MATERIAL

Response by Muriel A. Howard, Ph.D., to Questions of Senator Enzi and Senator Blumenthal

SENATOR ENZI

Question 1. At our last hearing, we heard from president Tom Snyder of Ivy Tech, who described how his institution is looking to maximize operating efficiencies and cut costs. In what ways are States encouraging institutions to find operating efficiencies and cut costs? In what ways do State laws and policies impede institutions' ability to cut costs?

Answer 1. Given the dramatic rate of State disinvestment in public higher education in recent years, public colleges and universities have worked relentlessly to identify and implement cost containment strategies, which have led to improved operational efficiencies and productivity, while protecting students from additional tuition increases. Public, master's-level comprehensive universities remain, on a cost-per-degree completion basis, the most efficient sector of American higher education. Yet these institutions continually strive to reduce spending while maintaining academic quality. In an analysis of institutional cost-cutting efforts, detailed in *Cost Containment: A Survey of Current Practices at America's State Colleges and Universities*, AASCU found top sources of cost containment to include energy management, auxiliary operations (i.e., housing/dining), distance/online learning, and efficiencies in administrative staffing (see Appendix A, p. 33 of the report for a full listing).

Enhanced operational flexibilities for public college campuses is another avenue for further cost reduction. These include changes to capital construction processes, data reporting, regulatory burdens, and overly prescribed rules regarding institutional purchasing activities. Regarding the latter, an AASCU study found a number of State policy reforms that could lead to significant cost savings in purchasing goods and services; savings that can be reallocated to core teaching and learning pursuits. Recommendations on State procurement policy reforms are articulated in the Executive Summary (p. 8) of the report, *Public College and University Procurement: A Survey of the State Regulatory Environment, Institutional Procurement Practices, and Efforts Toward Cost Containment*.

Question 2. As you are aware, Congress will be taking steps to reauthorize the Higher Education Act in the next 2 years. With this in mind, how can steps now being taken by the States serve as a model for us? What types of things are being done in the States that can and should be incorporated into Federal efforts to improve affordability, access and completion?

Answer 2. As I highlighted in my testimony, States are providing institutions with some flexibility of State procurement requirements, as well as other State regulations, in order to allow institutions to achieve cost-saving efficiencies. The Federal Government should examine how Federal policies influence institutional costs and look at minimizing their footprint in those areas.

Question 3. In your written testimony, you discuss the need to give institutions more autonomy. However, given that public institutions are State agencies, how much autonomy is too much? Where should States draw the line?

Answer 3. One of the greatest attributes of the Nation's higher education system is its incredible institutional diversity. Just as our institutions possess distinct missions, so too do our States provide an array of governance and oversight approaches involving public postsecondary systems. Some States have strong, centralized systems (Wisconsin, New York, North Carolina), while others provide considerable autonomy (Colorado, Michigan, Virginia). In all States, a general consensus among university leaders is that greater flexibility to public universities can help maximize their ability to meet several important objectives. These include cost containment, revenue enhancement, operational efficiencies, economic development through public-private partnerships, and college affordability (through strategic tuition and financial aid policies).

It must be underscored that college and university leaders and the governing boards remain adamant about ensuring full accountability for taxpayer-provided State appropriations and student-paid tuition dollars. Institutional flexibility—granted through enhanced State—autonomy—and accountability—are not mutually exclusive. Both autonomy and accountability are ideals that can be realized through sound public policy measures and effective governance.

SENATOR BLUMENTHAL

Question 1. Dr. Howard, thank you for being here today. I am curious about the portion of your testimony when you suggested that States give greater flexibility to institutions as a strategy to increase college affordability. One of the main things that you call for is greater institutional flexibility in setting tuition policy, which you say will allow States to maximize efficiency and increase affordability.

Can you elaborate on the connection between institutional flexibility in setting tuition and college affordability?

Answer 1. As I mentioned in my testimony, in 40 States, institutions do not have the ultimate authority to establish their tuition rates. In many States, the State legislature has the ultimate control creating a challenging dynamic. The legislature will simply legislate a higher tuition when they are not able to increase State funding to institutions. Giving institutions more control over this function and allowing them to determine tuition price should result in tuition-setting policies at public 4-year institutions that are more sensitive to student-consumer costs.

Question 2. How specifically do you envision institutions using such flexibility to foster affordability?

Answer 2. The most common method by which institutions utilize tuition policy to increase student access is through allocating a portion of tuition revenues for need-based student financial aid. Institutional need-based aid is an effective college affordability strategy for low- and lower middle-income student populations; a group whose success in postsecondary education is paramount to national economic and workforce goals.

Further, flexible tuition policies can facilitate college affordability and student success. These include policies involving out-of-state students whose revenues are used to subsidize the cost of resident students, and differential tuition policies, which charge prices that more accurately reflect the costs associated with academic programs.

RESPONSE BY DAVID A. LONGANECKER, ED.D., M.A., B.A., TO QUESTIONS OF SENATOR ENZI, SENATOR BENNET AND SENATOR BLUMENTHAL

SENATOR ENZI

Question 1. At our last hearing, we heard from president Tom Snyder of Ivy Tech, who described how his institution is looking to maximize operating efficiencies and cut costs. In what ways are States encouraging institutions to find operating efficiencies and cut costs? In what ways do State laws and policies impede institutions' ability to cut costs?

Answer 1. States are using general approaches to encourage their systems of higher education to find operating efficiencies, thus cutting costs.

- The first, whether intentional or not, is the age-old technique of starving the beast. Simply by reducing funding, either in absolute levels as has been the trend in the West or in funding level "per student," States have forced institutions to find ways of providing their services for less. While institutions will contend that these "draconian" actions are decimating higher education, in actual fact institutions have found ways to manage well within reasonable cuts. In fact, one of the salutary impacts of this is the recognition of the value of marginal revenues from tuition (even without tuition increases), which for most institutions are sufficient to cover the marginal costs associated with new students, thus making new students attractive as revenue producers, thus, not surprisingly, we see unanticipated FTE student increases. Now, we hear that these new enrollments are exacerbating the funding crisis, when in truth they provide marginal revenues that are helping the institutions.
- The second general approach, much more intentional, is through performance funding, which provides strong incentives for institutions to redirect their funds to those goals reflected in the public agenda that drives performance funding reward and away from peripheral activities that excite the institution but no one else.
- The third general approach is incentive funding, which pays institutions for entering into new activities that evidence suggests will increase productivity. For example, South Dakota and Tennessee have provided seed funding to encourage institutions to adopt the blended instruction concept pioneered by the National Center for Academic Transformation. Incentive funding and performance funding are often thought of as the same thing, but they are far from being the same. Performance/Outcomes funding pays for a desired outcome and comes after the fact. Incentive funding pays for an input that is likely to provide the desired outcome and comes before the outcome is produced. They can often complement each other, but they are distinctly different strategies.

Question 2. As you are aware, Congress will be taking steps to reauthorize the Higher Education Act in the next 2 years. With this in mind, how can steps now being taken by the States serve as a model for us? What types of things are being done in the States that can and should be incorporated into Federal efforts to improve affordability, access and completion?

Answer 2. As I mentioned in my testimony, I believe the Higher Education Act could be re-crafted to create a more active partnership between the Federal Government and willing States. Given the primary responsibility that the States have constitutionally to provide education, such a partnership makes more sense than having the Federal Government try and cover for States' lack of adequate attention to assuring access to success in higher education. Doing this would be a radical departure, because currently the Federal Government essentially disregards whether States support the Federal goals in postsecondary education or not. The argument against the partnership approach I propose is that not all States care much about educational opportunity for all, and the citizens of those States would be harmed if the feds didn't step in. I argue that, while it is true that not all States are equally committed to equal opportunity, we are well pass the huge disparities of the civil rights era when the Higher Education Act was initially passed in 1965, and that the Federal Government simply can't afford and shouldn't afford to bail out States that don't do their share. If States chose to screw their residents, that is unfortunately their prerogative and the Federal Government shouldn't try and provide cover for them. Rather, the Federal Government should share its precious few dollars with States that share the national vision.

I noted in my testimony that I believe Oregon's "design for shared responsibility" best captures this philosophy. Oregon's design includes students, their families, philanthropy, institutions, and State and Federal Governments as shared partners in ensuring access to success for their students. Students, as the principal beneficiary of the education are expected to contribute what they reasonably can toward their education, and this student contribution can be provided from current work, savings from past work, loans predicated on future work, and/or earned scholarships. Families are expected to contribute, as they should before they expect other taxpayers to do so. Philanthropy's contribution is encouraged and incentivized because it goes to reward the student (in the student's share) for the student's effort to prepare well for college and does not replace the contribution of government. Institutions partner by keeping their costs and tuition under control, and the State and Federal Governments cover the remainder in grant aid because everyone else is tapped out. Note that much of what we currently call student aid is actually considered part of the student's contribution in the Oregon scheme. College Work Study is considered a portion of the student's earned contribution, and student loans, likewise, are considered part of the student's earned contribution, albeit from future earning, not current earnings. Indeed, in the Oregon plan, the amount students are expected to borrow is predicated on their projected earnings. It's a smart idea in which the feds could benefit from looking at and perhaps emulating or partnering.

SENATOR BENNET

I particularly liked your reference to Washington State's model of public/private partnerships. That's exactly the kind of collaboration we need so that we can provide more opportunities for kids to pursue important STEM fields in this 21st century economy.

Question 1. Are there best practices that have been developed in Washington State that we can try to replicate in other States?

Answer 1. First and foremost, thank you, Senator, for your kind introductory remarks.

With respect to the question above, the matching plan in Washington is, indeed, a plan that could be replicated elsewhere and is indeed being looked at by a number of States. The dilemma is finding a scheme that is attractive enough to attract significant private sector engagement. In Washington, the idea for this matching program actually came out of the private sector, with leadership coming from Microsoft, Boeing, and Costco, and the goal is to have a program that brings in $1 billion in private sector funds to match $1 billion in public funds. The dilemma is that, despite the private sector leadership on philosophy, the dollars haven't followed. To date the fund has about $20 million in private sector contributions, which when combined with the public sector funds, yields mighty slim pickings for distribution to students.

Alaska and Wyoming in recent years have used portions of their largess from gas, oil, and coal fee revenues to fund new "endowed" State-aid programs. It might have been interesting if they had established an enduring matching component to keep both the State and the private sector engaged, rather than essentially eliminating the need for this portion of the public agenda to be "taken care of" and no longer worthy of their concern.

Question 2. For example, how can Colorado work with companies who need STEM graduates like Lockheed Martin to partner with schools like Colorado School of Mines or Red Rocks Community College?

Answer 2. I'm currently intrigued by an idea being shopped in California to build on the Federal loan program, and its income contingent repayment options, to try and "partner" by buying down student loans for students staying in California. In general, I think this idea of intentionally building on the Federal programs has great merit.

Another grossly underutilized strategy in American higher education is the use of cooperative work-study. I'm not talking here about the usual use of the Federal dollars for college work-study, but rather programs pioneered at institutions like Northeastern University and Cleveland State University, where large portions of the student body, particularly in fields like Engineering, engage in intentional partnerships between their University and local industry to provide remunerated employment that imbeds the clinical part of their education and thus is an integral part of their degree program. Such programs have multiple benefits, including a wonderful way for students to pay for their education, an opportunity for the firms involved to gauge whether they want to hire these students (substantially reducing recruitment costs), and a much greater likelihood that these students, once educated at public expense in your State, will remain in-state because they'll have time to grade in a firm within the State.

SENATOR BLUMENTHAL

Mr. Longanecker, thank you for being here today. I applaud the work that you have done with the Western Interstate Commission, and I hope it continues. I was hoping you could speak further to the importance of the Pell grant. I am a strong supporter of the Pell grant, and believe it is a critical baseline for many students in need.

Question 1. I know that the western United States has a significant investment in public education, and I'd like to hear your thoughts on the ways the Pell grant has supported public institutions, and ways in which the program can be improved.

Answer 1. Despite the rhetoric of some, the evidence is clear that Pell grants make it possible for many people to attend college that would not have done so without these grants. I prefer not to think about the ways in which Pell grants help institutions, because they are intended to help students, not institutions, but without doubt many institutions that serve large numbers of Pell grant recipients would not be able to remain in business if the students didn't have the grants that make it possible for them to attend college. While many focus on the dependency of for-profit institutions on Pell grant recipients for the resources they bring, the case is no less true for more community colleges, 4-year public universities, and less selective private colleges.

What we now know, however, is that while Pell grants have made access possible, they have not contributed as much as is needed in promoting persistence and completion of Pell grant recipients. I believe the evidence is strong that adding kickers in the Pell grant program for students who achieve above expectations would lead to performance above current levels. Indeed, for a few years we had this with the Academic Competitiveness and Smart Grants, which provided students additional funds if they took a rigorous curriculum in high school and/or majored in a STEM field. We know from research that taking the right curriculum in high school is absolutely key to postsecondary success; nonetheless, we dropped the ACG and Smart Grants programs because institutions didn't like them and because States didn't like having to provide a viable high school curriculum. We also know from research that greater academic intensity (taking more courses and credit hours) leads to success, but we have no incentive for students to take more courses and to become more intensively engaged. In fact we ludicrously define "full-time" as 12 hours of study, though no student could receive an Associate Degree in 2 years or a Bachelor Degree in 4 years if they took 12 hours per term. Furthermore, students whose Pell grant students perform exceptionally well are treated no differently in the Federal programs than institutions whose Pell grant students never graduate. We need to imbed within the Pell grant programs incentives for students, institutions, and States to partner in achieving greater access to success, rather than accommodating access to failure.

RESPONSE BY JOHN G. MORGAN, B.A., TO QUESTIONS OF SENATOR ENZI AND SENATOR BLUMENTHAL

SENATOR ENZI

Question 1. At our last hearing, we heard from president Tom Snyder of Ivy Tech, who described how his institution is looking to maximize operating efficiencies and cut costs. In what ways is Tennessee encouraging institutions to find operating efficiencies and cut costs? In what ways do State laws and policies impede your ability to cut costs?

Answer 1. The implementation of the Complete College Tennessee Act of 2010 provided the greatest encouragement for institutions to find operating efficiencies and reduce costs. As mentioned in my testimony, a critical component of the CCTA is the revised funding formula that, for the first time, emphasizes outcomes instead of enrollment. The outcomes funding formula drives priorities within our institutions and encourages accountability and measuring what is important—student success.

As a result of the new funding formula and other components of the CCTA, our institutions are striving to improve efficiencies and help students manage their costs more effectively by (1) helping them complete their education goals faster, thus saving tuition dollars, and (2) consolidating services and operations.

Here are some specific examples:

1. Helping students complete their education goals faster.

a. Developing articulation agreements across our public institutions.

b. Creating the Tennessee Transfer Pathways, a set of 49 universal pathways in 29 academic disciplines. The pathways define a clear roadmap of courses guaranteed to transfer to all of Tennessee's public and many private institutions.

c. Launching a "Finish Faster!" initiative to create structured learning communities at institutions across the system. The initiative includes cohort, block scheduling and accelerated programs that provide predictable scheduling to minimize completion time. A total of 175 structured-learning community programs are being offered in our community colleges.

d. Creating and implementing the Degree Compass software that helps students stay focused on the courses they need and will be successful in completing.

e. Encouraging the development of dual credit and dual enrollment programs that allow high school students to complete college credits before they graduate.

f. Identifying completion points embedded within degree programs by offering certificates for students as they complete academic milestones.

2. Consolidating services and operations

a. Coordinating an e-procurement system to create efficiencies of scale and negotiate lower pricing for products and services.

b. Developing a consolidated system for all 13 of Tennessee's individual community colleges across the State.

c. Creating a marketing plan for Tennessee's Community Colleges to relay a consistent message and enhance the image of the 2-year schools to encourage more students to begin their college careers at a community college.

d. Encouraging campuses to consolidate academic units where possible and eliminate low-producing programs.

The greatest impediment to our progress in all of these areas has been the lack of a comprehensive financing strategy for higher education in Tennessee. Annual reductions in State funding for higher education and a lack of need-based aid for students are significant barriers to achieving our attainment goals. The former has contributed to a consistent rise in tuition, and the latter has kept many able students from completing their education goals.

Question 2. As you are aware, Congress will be taking steps to reauthorize the Higher Education Act in the next 2 years. With this in mind, how can steps now being taken by the States serve as model for us? What types of things are being done in the States that can and should be incorporated into Federal efforts to improve affordability, access and completion?

Answer 2. When funding is tied to accountability and measurable outcomes, it allows the State to guide priorities. Tennessee has the advantage of a current Governor who has demonstrated his commitment to increasing educational attainment as well as prior leadership that laid important groundwork through the CCTA. While Tennessee's approach has yet to be fully tested and may not be appropriate for other States, a Federal expectation that States should establish data-driven, performance-based approaches would be appropriate. The difficulties in implementing such a policy would be numerous, especially creating parity with private schools. However, it may be worth considering.

Changes in guidelines that regulate financial aid to encourage the implementation of alternative-schedule programs (those that run beyond the traditional fall and spring semester periods) may also allow institutions to focus more on providing the program formats that students need and demand.

While controversial and perhaps unrealistic, requiring all institutions that receive Federal aid directly or through student financial assistance to be accredited by agencies that use criteria at least as rigorous as the Southern Association of Colleges and Schools (SACS) and Council on Occupational Excellence (COE) would be a major step forward.

SENATOR BLUMENTHAL

Mr. Morgan, thank you for your testimony. I appreciate you sharing the experience of Tennessee and its ambitious efforts to address the issue of college affordability. I was particularly struck by the efforts you described to reduce the time it takes for each student to complete a program of study and receive a degree. One of the major factors that increases a student's time to degree is the fact that many students do not graduate from high school fully prepared to enter higher education. As I talk to educators and employers in my home State of Connecticut, I constantly hear that students who have practical working experience are much more likely to successfully transition into an institution of higher education. Because of these conversations, I am planning to introduce legislation that would expand high-quality internship and pre-apprenticeship programs in secondary schools.

Question 1. Can you speak to the way in which practical working experience can prepare a student to enter an institution of higher education? What role can internships and pre-apprenticeships play in reducing time to degree?

Answer 1. While I cannot provide evidence related to internships and apprenticeships at the secondary school level, our TBR institutions have many examples of the value of internships and cooperative education programs for enrolled students. Community college allied health programs require students to spend time in health care and emergency response agencies. Our education programs embed student teachers in secondary schools. Engineering programs offer cooperative training that allows students to work full-time at a company in the midst of their academic plans. These programs, and many more like them, have resulted in students who are more employable and better prepared to enter the workforce. Students who participate develop both soft skills and the hands-on training needed for their careers, refine their interests, focus their studies in the fields they want to pursue, and better understand the work environment.

Question 2. One of my great concerns surrounding college costs deals with transparency. I have heard time and time again that many students aren't adequately presented with the costs they will face, and end up saddled with debt that they are unable to repay. I was pleased to see from your testimony that the Tennessee Technology Centers are leading in transparency, by, for example, providing up-front lists of non-tuition costs such as books and supplies. What more can the Federal Government do to promote disclosure and standardization, so students know what to expect financially?

Answer 2. This issue is important—particularly as students compare public institutions with proprietary schools. In Tennessee, students can easily enroll in a proprietary program with the ease of a form and signature. Disclosure is critical as students consider their options; they need clarity and understanding of the difference between grants, scholarships and loans.

While I am not familiar with the details of Senator Franken's proposal as discussed in the hearing, the concept of requiring a uniform disclosure to students receiving loans that illustrates likely monthly repayment obligations and total repayments over the loan life is worth further consideration.

RESPONSE BY CAMILLE PREUS TO QUESTIONS OF SENATOR ENZI, SENATOR BENNET AND SENATOR BLUMENTHAL

SENATOR ENZI

Question 1. At our last meeting, we heard from president Tom Snyder of Ivy Tech, who described how his institution is looking to maximize operating efficiencies and cut costs. In what ways is Oregon encouraging institutions to find operating efficiencies and cut costs? In what ways do State laws and policies impede your ability to cut costs?

Answer 1. The community colleges in Oregon are chartered by the State but are independent jurisdictions with locally elected board members. This statement is by way of explanation and context, not an excuse. Given the "great recession," Oregon like many other States, has reduced its State support for postsecondary education resulting in many negative impacts such as increases in tuition, reduction in program offerings. These funding reductions have also generated a number of administrative and service efficiencies as institutions look to balance increasing student success with reduced revenue. Efficiencies within the institutions include actions such as centralizing and streamlining student services, eliminating redundancies in data collection and reporting. At the State level we have incented institutions to reduce program development costs by underwriting development of new programs across institutions, expanding and sharing on-line program delivery, disseminating and instituting promising practices.

Question 2. As you are aware, Congress will be taking steps to reauthorize the Higher Education Act in the next 2 years. With this in mind, how can steps now being taken by the State serve as a model for us? What types of things are being done in the States that can and should be incorporated into Federal efforts to improve affordability, access and completing?

Answer 2. Institutional accountability no longer represents responsibility for a student only while s/he is enrolled in your institution. Stakeholders, institutions, and policymakers now want to know how the student educated in one educational sector did in the next step of the educational journey. One way to track student progression is through the exchange of data from one educational institution to another. Currently, FERPA allows this exchange to systematically happen in only one direction, forward, a high school may send student record information to a college but the college would need to obtain permission from student to send his or her college information back to the very high school from which s/he graduated. Oregon is adapting its educational structure to create a more seamless Pre-K through 20 system including accountability across all educational organizations. A Federal change to existing FERPA guidelines to explicitly allow the sharing of student data backward down the education pipeline would greatly assist in the tracking of student preparedness and progress.

SENATOR BENNET

Question 1. You mentioned development of a coordinated pre-school through graduate school system of public education in Oregon.

1. What types of issues have you focused on in early and K–12 education in order to make sure that students are college- and career-ready?

Answer 1. For early learning, the key issues are ensuring that children are raised in stable and attached families and are receiving the foundations necessary to guarantee they are arriving at Kindergarten ready to learn. The creation of "early learning coordination hubs," and focus on implementing some early screening and assessment of risk factors for children, are aimed at ensuring communities are able to coordinate and deliver more services to families based on their needs. At the K–12 level, several issues emerge in the area of ensuring students are college- and career-ready—certifying students are reading at grade level in elementary school, engaging and empower parents (particularly parents in underserved communities) to support students in reading and in creating a sense of future for their children, exposure in middle grades to college culture, to career and vocational opportunities, hands-on learning, problem solving and higher levels of problem solving. Important work is also being done to confirm that high school students have access to college credits and real world experiences, such as internships, by more effectively bridging the 11–14 grades.

Question 2. For example, in Denver, the Children's Corridor works to make sure that all children are prepared for college and their careers by providing a variety of affordable health, wellness and education services to support each child. What would we need to do to bring this kind of coordination to scale?

Answer 2. In Oregon, the Early Learning Council is currently working on a Global Children's Budget that will be presented to the Oregon Education Investment Board and Legislature in October 2012. This budget describes the State investment necessary to support the health, wellness and educational services for all early learners in Oregon.

SENATOR BLUMENTHAL

I was particularly struck by the portion of your testimony when you described the rapid growth of high skill jobs. Unfortunately, the degrees and certificates offered by our higher education system do not always reflect the prevalence of these emerging industries. I hear about this trend all the time as I travel across my home State. Connecticut employers frequently tell me that they can't find graduates with the skill sets that are required to enter emerging, high-growth industries. For that reason, I introduced the Community College Innovation Act, a bill that would encourage community colleges to develop job training programs that lead to an industry-recognized credential in a high-growth industry.

Question 1. Do you see a need to expand job training programs that encourage students to enter high-growth industries?

Answer 1. It is critical to the health of our economy that community colleges offer high-quality technical training programs in high-growth industries. Indeed, it is a fundamental part of our mission, in an ongoing effort to respond to local and regional economic needs. However, this work presents constant challenges, both in the identification of the most promising opportunities, when only a limited number can be addressed and in identifying resources to meet them. Compared to traditional transfer programs, technical training programs are generally far more costly to deliver, as they usually involve expensive technology and must have limited class sizes. For these reasons, and because of the extreme negative impact from recent funding cuts in Oregon and virtually on all community college campuses across the Nation, additional financial support is needed to expand these important efforts. Therefore, the Community College Innovation Act would be extremely beneficial to our institutions if it were enacted and subsequently funded. The Federal Government also can play a constructive role by ensuring that community colleges and State agencies have the wage/earnings data they need to evaluate the impact of their training programs.

Thank you again for the opportunity to appear before the committee and please do not hesitate to contact me if I can be of further assistance.

[Whereupon, at 12:17 p.m., the hearing was adjourned.]

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