KEEPING COLLEGE WITHIN REACH: THE ROLE OF FEDERAL STUDENT AID PROGRAMS

HEARING

BEFORE THE

SUBCOMMITTEE ON HIGHER EDUCATION
AND WORKFORCE TRAINING

COMMITTEE ON EDUCATION
AND THE WORKFORCE

U.S. HOUSE OF REPRESENTATIVES

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KEEPING COLLEGE WITHIN REACH: THE ROLE OF FEDERAL STUDENT AID PROGRAMS

Tuesday, April 16, 2013
U.S. House of Representatives
Subcommittee on Higher Education and Workforce Training
Committee on Education and the Workforce
Washington, DC

The subcommittee met, pursuant to call, at 11:05 a.m., in Room 2175, Rayburn House Office Building, Hon. Virginia Foxx [chairwoman of the subcommittee] presiding.

Present: Representatives Foxx, Petri, Walberg, Salmon, Heck, Brooks, Hudson, Messer, Hinojosa, Tierney, Bishop, Bonamici, Holt, and Davis.

Also present: Representative Kline.

Staff present: Katherine Bathgate, Deputy Press Secretary; Heather Couri, Deputy Director of Education and Human Services Policy; Amy Raaf Jones, Education Policy Counsel and Senior Advisor; Brian Melnyk, Professional Staff Member; Krisann Pearce, General Counsel; Nicole Sizemore, Deputy Press Secretary; Emily Slack, Legislative Assistant; Alex Sollberger, Communications Director; Alissa Strawcutter, Deputy Clerk; Juliane Sullivan, Staff Director; Tylease Alli, Minority Clerk/Intern and Fellow Coordinator; Kelly Broughan, Minority Education Policy Associate; Jody Calemine, Minority Staff Director; Jamie Fasteau, Minority Director of Education Policy; Brian Levin, Minority Deputy Press Secretary/New Media Coordinator; Rich Williams, Minority Education Policy Advisor; and Michael Zola, Minority Deputy Staff Director.

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

John Donne famously asked a long time ago for whom the bell tolled, and we know that we are—when there is a tragedy we are all touched by it in our country. The people of Boston, especially the victims and their families, remain in our thoughts and prayers today.

We are thankful for the first responders and brave citizens who bravely ran to the scene to help others in the midst of chaos and uncertainty. Terror and cowardice will be met with justice and resolve.

Mr. Tierney, who is a member of our committee and this subcommittee represents the state of Massachusetts, and I especially want to express to him that our hearts go out to him and all of the people of Massachusetts today for what happened in Boston yesterday.

Good morning. Welcome to our subcommittee hearing to explore the role of federal student aid programs in the nation's higher education system. We have an excellent panel of witnesses with us today.

And thank you all for joining us.

In the coming months we will work together to reauthorize the Higher Education Act. Established in 1965, this law is intended to help low- and middle-income students earn a degree. The 2008 reauthorization of the law includes several provisions to help enhance transparency, requiring colleges and universities to make information about price, demographics, financial aid, and graduation rates available to the public for the first time.

However, more work must be done. College costs continue to skyrocket and too many students struggle to navigate our financial aid system. Families face uncertainty about repayment options and confusion about the differences between various aid programs.

Under the Higher Education Act there are several student financial aid and college access programs, from Pell Grants and Stafford Loans to GEAR UP and Federal Work-Study programs. Each program has unique characteristics, eligibility requirements, and funding streams.

As we begin exploring ways to strengthen the Higher Education Act we must first take a hard look at federal student aid programs to determine what is and is not working for students, families, and taxpayers.

Without a doubt there are opportunities to strengthen the current system. The Bill and Melinda Gates Foundation's Reimagining Aid Design and Delivery project recently released several reports from business, higher education, civil rights, and public policy leaders that offer proposals to improve federal financial aid so more students can realize the dream of a college education.

The reports offer a wide range of suggestions, including reducing the current aid system to a "one grant and one loan" structure, eliminating program inefficiencies and simplifying the federal aid application process by linking it with IRS information.

The reports also raise the question of whether the federal government should maintain its traditional focus on improving access to higher education or should move toward a system that ties federal student aid to student outcomes: job placement, or graduation rates. President Obama has indicated his support for the latter, proposing campus-based federal aid only be allocated to higher education institutions that limit tuition increases and provide good value.

In this debate we find ourselves at a crossroads between accountability and limited government. The federal government spends more than $140 billion on financial aid programs annually. Given the significant amount of taxpayer money being spent and our nation's budgetary challenges, we all want to ensure dollars are actually helping more students earn college degrees.

However, we must also be mindful of the consequences that could come with expanding the federal government's role in the allocation of financial aid. Federal financial aid programs intended to help low-income Americans pay for college should never be used as bargaining chips to impose federal price controls, nor should we take any action that could limit students' ability to choose the institution that best suits their needs. Additionally, adding more reporting mandates could create more costs and red tape for institutions, which could trickle down to students in the form of higher tuition.

We are fortunate to have with us today a panel of higher education leaders who can discuss the merits of various proposals for reform as we begin a larger discussion on the appropriate federal role in higher education, and I look forward to their testimony.

Before I yield to my distinguished colleague, Ms. Bonamici, who is substituting currently for Mr. Hinojosa, I would be remiss if I did not mention the President's fiscal year 2014 budget proposal, which was released last week after much delay and anticipation. While the plan as a whole is disappointing, there is one bright spot in the higher education arena.

I am very pleased to see that the President seems to have embraced Republicans' proposal to shift the calculation of student loan interest rates away from Washington politicians and toward a market-based formula. As you may recall, this was the subject of a recent hearing before the full committee where we heard from economists and higher education experts about the way this plan will help provide more stability for borrowers and taxpayers. I hope we can work together with the administration to find common ground on a student loan interest rate plan.

Again, I would like to thank our witnesses for joining us today. And I now recognize Ms. Bonamici, the senior—one of the Democrat members of the subcommittee, for her opening remarks.

[The statement of Chairwoman Foxx follows:]

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

Good morning, and welcome to our subcommittee hearing to explore the role of federal student aid programs in the nation's higher education system. We have an excellent panel of witnesses here with us today. Thank you all for joining us.

In the coming months, we will work together to reauthorize the Higher Education Act. Established in 1965, this law is intended to help low- and middle-income students earn a degree. The 2008 reauthorization of the law included several provisions to help enhance transparency, requiring colleges and universities to make information about price, demographics, financial aid, and graduation rates available to the public for the first time.

However, more work must be done. College costs continue to skyrocket, and too many students struggle to navigate our financial aid system. Families face uncertainty about repayment options and confusion about the differences between various aid programs.

Under the Higher Education Act, there are several student financial aid and college access programs—from Pell Grants and Stafford Loans to GEAR UP and Federal Work-Study programs. Each program has unique characteristics, eligibility requirements, and funding streams.

As we begin exploring ways to strengthen the Higher Education Act, we must first take a hard look at federal student aid programs to determine what is and is not working for students, families, and taxpayers.

Without a doubt, there are opportunities to strengthen the current system. The Bill and Melinda Gates Foundation's Reimagining Aid Design and Delivery project recently released several reports from business, higher education, civil rights, and public policy leaders that offer proposals to improve federal financial aid so more students can realize the dream of a college degree.

The reports offer a wide range of suggestions, including reducing the current aid system to a "one grant and one loan" structure, eliminating program inefficiencies, and simplifying the federal aid application process by linking it with IRS information.

The reports also raise the question of whether the federal government should maintain its traditional focus on improving access to higher education, or should move toward a system that ties federal aid to student outcomes, job placement, or graduation rates. President Obama has indicated his support for the latter, proposing campus-based federal aid only be allocated to higher education institutions that limit tuition increases and provide good value.

In this debate, we find ourselves at a crossroads between accountability and limited government. The federal government spends more than $140 billion on financial aid programs annually. Given the significant amount of taxpayer money being spent and our nation's budgetary challenges, we all want to ensure dollars are actually helping more students earn college degrees.

However, we must also be mindful of the consequences that could come with expanding the federal government's role in the allocation of financial aid. Federal financial aid programs intended to help low-income Americans pay for college should never be used as bargaining chips to impose federal price controls, nor should we take any action that could limit students' ability to choose the institution that best fits their needs. Additionally, adding more reporting mandates could create more costs and red tape for institutions, which could trickle down to students in the form of higher tuition.

We are fortunate to have with us today a panel of higher education leaders who can discuss the merits of various proposals for reform as we begin a larger discussion on the appropriate federal role in higher education, and I look forward to their testimony.

Before I yield to my distinguished colleague, Mr. Rubén Hinojosa, I'd be remiss if I did not mention the president's fiscal year 2014 budget proposal, which was released last week after much delay and anticipation. While the plan as a whole is disappointing, there is one bright spot in the higher education arena.

I am very pleased to see that the president seems to have embraced Republicans' proposal to shift the calculation of student loan interest rates away from Washington politicians and toward a market-based formula. As you may recall, this was the subject of a recent hearing before the full committee, where we heard from economists and higher education experts about the ways this plan will help provide more stability for borrowers and taxpayers. I hope we can work together with the administration to find common ground on a student loan interest rate plan.

Again, I'd like to thank our witnesses for joining us today, and I will now recognize Mr. Hinojosa, the senior Democratic member of the subcommittee, for his opening remarks.

Ms. BONAMICI. Thank you very much, Chairwoman Foxx. And I am making this statement on behalf of ranking member Hinojosa, and I know we would join you in keeping the families and victims of Boston in our thoughts and prayers.

To begin, I would like to thank our distinguished panel for joining us this morning. I am eager to hear your testimony regarding federal financial aid programs.

As we are aware, the Higher Education Act of 1965 made college more accessible to all students through grants and loans. We are proud of the federal investments that Congress has made since 1965 to expand accessibility and affordability in higher education.

Over the years, landmark investments in federal higher education programs have improved the lives of low-income and middle-income students and workers by creating ladders of educational and economic opportunity. But Democrats believe that Congress can do much more.

First of all, the purchasing power of the Pell Grant has eroded over the past several years. While Pell Grants used to cover three—excuse me—two-thirds of the cost of a 4-year public institution, Pell Grant awards now cover less than one-third of the cost, the lowest purchasing power in the history of the Pell Grant. Bolstering improvements in Pell Grants and ensuring the program's long-term sustainability is vitally important to expanding access, affordability, and student success.

We have worked throughout Congress with colleagues on this committee to increase and protect investments in the federal Pell Grant program because Pell Grants are the lifeline for more than 9 million students. And while we are members of this chamber we will continue to do so.

I am also concerned that millions of students and families are being saddled with an inordinate amount of student loan debt to pay for a college education. Last year the Consumer Financial Protection Bureau announced that student loan debt had surpassed $1 trillion, exceeding credit card debt for the first time. In fact, April 25th marks the first-year anniversary of student loan debt surpassing $1 trillion.

Due to cuts in state appropriations and skyrocketing tuition costs, students and families have had to shoulder a greater share of the cost, resulting in high debt load that adversely affects their quality of life. To make matters worse, student loan interest rates are set to double, from 3.4 percent to 6.8 percent for 8 million students who rely on subsidized Stafford Loans.

While I commend President Obama for increasing the maximum Pell Grant award to $5,785, I strongly believe that all federal student loan programs must ensure that students have affordable college loans now and into the future.

Our federal loan program was created to provide access to college and low interest rates to help manage college costs. It is imperative that we keep this in mind and work to do better for our students.

Over the next decade, the family sustaining jobs of the future will require students and workers to have a college degree or an industry-recognized credential. To remain globally competitive and prepare a highly-trained workforce, America must continue to invest in federal financial aid programs that support student access and success. Every year employers continue to tell me and my colleagues on this committee that they have difficulty filling millions of jobs that require specialized skills or training.

Finally, America is becoming increasingly diverse, and this committee and this Congress must ensure that all students, including students of color and immigrants, are able to afford a college education. By strengthening our federal student aid programs, Congress can ensure that all students, regardless of income or racial or ethnic background, have greater access to the American dream.

In closing, it is my hope that members of Congress from both sides of the aisle will work together to reauthorize the Higher Education Act.

With that, I yield back to Chairwoman Foxx.

[The statement of Mr. Hinojosa follows:]

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

Thank you, Chairwoman Foxx. To begin, I would like to thank our distinguished panel for joining us this morning! I am eager to hear your testimony regarding federal financial aid programs. As many of you are aware, the Higher Education Act of 1965, made college more accessible to all students through grants and loans.

As Ranking member of this Subcommittee, I am proud of the federal investments that Congress has made since 1965 to expand accessibility and affordability in higher education. Over the years, landmark investments in federal higher education programs have improved the lives of low-income and middle income students and workers by creating ladders of educational and economic opportunity. But Democrats believe that Congress can do much more.

First of all, the purchasing power of the Pell Grant has eroded over the past several years. While Pell grants used to cover two thirds of the cost of a four-year public institution, Pell Grant awards only cover less than one third of the cost, the lowest purchasing power in the history of the Pell Grant.

In my view, bolstering investments in Pell Grants and ensuring the program's long-term sustainability is vitally important to expanding access, affordability, and student success.

During my tenure in Congress, I have worked with my colleagues on this committee to increase and protect investments in the federal Pell grant program because Pell Grants are the life line for more than 9 million. While I am a Member of this chamber, I will continue to do so.

I am also concerned that millions of students and families are being saddled with an inordinate amount of student loan debt to pay for a college education. Last year, the Consumer Financial Protection Bureau (CFPB) announced that student loan debt had surpassed $1 trillion, exceeding credit card debt for the first time. In fact, April 25th marks the 1st year anniversary of student loan debt surpassing $1 trillion dollars. Due to cuts in state appropriations and skyrocketing tuition costs, students and families have had to shoulder a greater share of the cost, resulting in high debt loads that adversely affect their quality of life.

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Over the next decade, the family sustaining jobs of the future will require students and workers to have a college degree or an industry recognized credential. To remain globally competitive and prepare a highly trained workforce, America must continue to invest in federal financial aid programs that support student access and success.

Every year, employers continue to tell me and my colleagues on this committee that they have difficulty filling millions of jobs that require specialized skills or training. Finally, America is also becoming increasingly diverse, and this committee and this Congress must ensure that all students, including students of color and immigrants, are able to afford a college education.

By strengthening our federal student aid programs, Congress can ensure that all students, regardless of income, or racial or ethnic background, have greater access to the American Dream.

In closing, it is my hope Members of Congress from both sides of the aisle will work together to reauthorize the Higher Education Act.

With that, I yield back to Chairwoman Foxx.

Chairwoman FOXX. Thank you very much.

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

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

Mr. Terry Hartle is the senior vice president of the division of government and public affairs for the American Council on Education. Prior to joining ACE in 1993, Mr. Hartle served for 6 years as education staff director for the Senate Committee on Labor and Human Resources, then chaired by Senator Edward M. Kennedy.

Ms. Patricia M. McGuire has served as president of Trinity Washington University since 1989. Before coming to trinity Ms.

McGuire was the assistant dean for development and external affairs for Georgetown University Law Center, where she was also an adjunct professor of law.

Mr. Dan Madzelan began his federal career with the Office of Education in 1978 as a program analyst in the campus-based aid program area. He retired last year as the Senior Director of the Strategic Planning, Analysis, and Initiatives staff in the Office of Post-Secondary Education at the Department of Education.

Ms. Moriah Miles is currently serving as the state chair for the Minnesota State University Student Association, which represents over 75,000 students attending Minnesota's seven state universities. She currently attends Minnesota State University Mankato, where she is pursuing a bachelor of arts in international relations.

Before I recognize you to provide your testimony, let me briefly explain our lighting system. You will have 5 minutes to present your testimony.

When you begin the light in front of you will turn green; when 1 minute is left the light will turn yellow; when your time is expired the light will turn red. At that point I ask that you wrap up your remarks as best as you are able. After you have testified, members will each have 5 minutes to ask questions of the panel.

I now recognize Mr. Terry Hartle for 5 minutes.

STATEMENT OF TERRY W. HARTLE, SENIOR VICE PRESIDENT, DIVISION OF GOVERNMENT AND PUBLIC AFFAIRS, AMERICAN COUNCIL ON EDUCATION

Mr. HARTLE. Thank you very much, Madam Chairman. I greatly appreciate the opportunity to be here.

I was asked to summarize the history of the Higher Education Act, and I have done that in my written statement. This morning I thought I would focus on several observations about the evolution of federal student aid policy that might be helpful to the members of the committee.

I think there are three core characteristics that we have seen in federal student aid policy since the original Higher Education Act in 1965. First characteristic is that the goal of federal student aid was access for low-income students and aid to middle-income families.

The initial formulation was grants for low-income families and low-interest loans for the middle class. Over time we have seen some shifts in emphasis and there has occasionally been tension between these two goals, but this basic theme has been present from the start.

The second central characteristic of federal student aid policy is that to promote access, student aid is a voucher which is given to students and they decide where to spend it. Harvard, a community college, a for-profit school—where it gets spent depends on the decision that the student makes. The money belongs to the student, not the institution.

Third central characteristic is that federal student aid is designed to serve all students, both traditional and nontraditional, using the same programs. When the Higher Education Act was enacted there were 8 million college students, the vast majority of whom were between the ages of 18 and 22, financially dependent on their families, enrolled full-time, and residing in campus housing.

Today, just 15 percent of college students meet those characteristics. Serving both populations equally well with the same set of programs has become a complex issue of program design.

Four quick observations for you: One, when the Higher Education Act was enacted it was built upon the premise that states would keep tuition affordable at public colleges, which would free the federal government to help low- and middle-income families. This is really no longer a good assumption.

Historically, the bulk of funding for public colleges, which is where more than 80 percent of college students are enrolled, has come from the state. In the last 40 years state support has fallen steadily; it has dropped 23 percent in the last 5 years alone.

Tuitions have increased to make up the difference. Federal student aid has helped insulate many families from some of these increases, but I don't think we can any longer count on the states to perform their historic role.

Second point: The complexity of post-secondary education has made decisions about institutional eligibility a lot harder. In 1965 there were about 2,000 institutions of higher education, most of them traditional 4-year colleges. Today there are more than 6,000 institutions and they vary enormously.

From the beginning it was assumed that the states would ensure that schools would be licensed to operate as educational entities, the federal government would establish a set of conditions for institutional eligibility to participate in student aid programs, and accrediting agencies would attest to the academic quality of the institution. Unfortunately, the federal and state roles have never been fully realized, and we now rely on accreditors to be the primary gatekeepers.

A third: The role of federal regulation has grown dramatically. Until recently, most federal student aid regulations were almost entirely designed to ensure that students—that institutions were good stewards of federal funds. But in the 1990s the federal government began to impose regulations on institutions for a variety of purposes that are totally unrelated to student aid, from the number of fire alarms in dorms to gifts from foreign countries.

In addition to the costs, campuses cannot be sure that they are in full compliance with all the rules, the regulations, and the subregulatory guidance issued by the Department of Education. Unfortunately, the department has never implemented a provision in the 2008 reauthorization, which required it to create and publish an annual calendar showing key compliance dates for institutions. This would at least give every campus a checklist of their federal regulations.

Finally, simplification has become the holy grail of each reauthorization of the Higher Education Act for the last 25 years. Unfortunately, the desire to simplify federal student aid is complicated by two different reasons.

First, simplification can be expensive. We could streamline the FAFSA dramatically, but this would increase eligibility and drive up costs.

Second, the desire to simplify often runs headlong into the goal of creating more options for students and families. The federal government now gives seven repayment options to borrowers. This provides more choices for borrowers, but it dramatically increases the complexity those borrowers face.

This is not to say that simplification is bad. It is a terrific goal. Rather, it is simply to call your attention to a real paradox: Simplification in federal student aid policy is a pretty complex issue.

Madam Chairman, the central point of my testimony is simply to note that there are a large number of lessons we have learned over the long history of the Higher Education Act and that it would behoove us to keep these lessons in mind as we embark on another—the ninth, I believe—reauthorization of the Higher Education Act.

Thank you for the opportunity to be here.

[The statement of Mr. Hartle follows:]

Prepared Statement of Terry W. Hartle, Senior Vice President, American Council on Education

I am Terry W. Hartle, senior vice president at the American Council on Education, a trade association representing 2,000 public and private, two-year and four-year colleges and research universities. Thank you for inviting me here today. I have been asked to provide an historical overview of federal higher education policy and to draw upon that history to identify lessons learned as we look forward to the next reauthorization of the Higher Education Act.

The first significant aid to education, including the Higher Education Act (HEA), was created in 1965 as part of the Johnson administration's War on Poverty. The HEA authorized a program of need-based grants, student support programs (Upward Bound and Talent Search), and the Guaranteed Student Loan program. In addition, it incorporated two other programs—the College Work-Study Program, which had been enacted a year earlier as part of the Economic Opportunity Act of 1964, and National Defense Student Loans, created in 1958. All of these programs, although substantially altered, remain part of the Higher Education Act today.[1]

From the start, the federal government sought to help both low- and middle-income families consider and finance a college education. The Defense Loans, Opportunity Grants and Work-Study were designed to help low-income students while Guaranteed Student Loans were intended to help middle-income students and families manage college costs through low-interest loans. Initially, federal funding was modest and relatively few students took advantage of the programs. In 1970, just over $1 billion was issued in guaranteed student loans and just $365 million in the Educational Grant and Work-Study Programs.

The architecture of the Higher Education Act as we know it today was completed during the 1972 reauthorization, when Congress created the Basic Education Opportunity Grant (BEOG) Program.[2] This initiative fundamentally shaped higher education policy because it awarded the money to students as a voucher they were free to spend at any eligible school of their choosing. Institutional officials, including representatives of my organization, argued in favor of giving money directly to the institutions. The ultimate decision was to move in favor of direct government aid to students. In retrospect, that was clearly the right decision and it remains a central and abiding aspect of federal student aid. In the case of federal loans and Pell Grants, the money goes to students who are free to spend it at any approved postsecondary educational institution.[3]

The 1972 reauthorization marked the point when students at for-profit schools were first made eligible to participate in federal student aid programs. In a related step, the legislation eliminated the references to "higher education" and replaced

[1] Collectively, these programs have become the Federal TRIO Programs, the Federal Work-Study Program, the Perkins Loan Program, the Federal Direct Student Loan Program and the Federal Pell Grant Program.

[2] The Basic Education Opportunity Grant program was renamed the Federal Pell Grant Program in 1980.

[3] Funds are distributed directly to the institutions. However, funds are sent in the name of students who then must sign them over to their institutions.

them with the term "postsecondary education" to signify the act was meant to make a broader array of training and educational experiences eligible for federal aid.

The 1972 reauthorization was based on a model that assumed states were responsible for financing public higher education and would adequately fund public colleges and universities in order to maintain the very low tuition that had historically been a key feature of the sector. But to encourage states to provide need-based student aid, Congress established the State Student Incentive Grant (SSIG) program to award federal matching funds to states that created or expanded such efforts. While all states did eventually put need-based student aid programs in place, some remained very small. The SSIG program was rebranded as the Leveraging Educational Assistance Partnership (LEAP) Program in the 1998 HEA Amendments. It has recently been defunded, and we are seeing states pull out of need-based student aid as a result.

Throughout the 1970s, Congress was confronted with evidence that despite the federal guarantee on student loans, many banks were reluctant to lend money. To address this problem, Congress took several steps that brought a large number of new actors into the program. First, in 1972, it established the Student Loan Marketing Association (Sallie Mae) as a government-sponsored enterprise. Sallie Mae, which would later be privatized and become a hugely profitable company, was designed to provide a secondary market that would buy student loans from banks (thus injecting liquidity into the federal loan program) and service the loans when the borrowers entered repayment. In 1976, Congress established the "special allowance payment" for lenders, which was designed to provide a financial incentive to encourage banks to lend, and authorized the creation of state guarantee agencies to act as a bridge between lenders, students and institutions. The steps were well intended and necessary to smooth the functioning of a growing student loan program. But by creating a large number of new actors, Congress was adding to the complexity and political immutability of the student loan program, a development that would complicate federal efforts to shape policy for many years to come.

The desire to help middle-income families finance a higher education was also an increasingly central issue for policymakers in the 1970s. At the request of the Carter administration, Congress approved the Middle Income Student Assistance Act of 1978 (MISAA) which let any student or family regardless of income take out a federal student loan at a very generous interest rate. Not surprisingly, student loan volume expanded sharply and we soon learned what has become another enduring lesson of federal education policy: Federal programs create incentives and individuals respond to them. Indeed, the expansion of borrowing in the federal student loan program was so dramatic that Congress terminated most of MISAA in 1981, just three years later.

Another milestone in federal education policy occurred in 1979, when, at the request of the Carter administration, Congress approved legislation to create the Department of Education. The higher education community generally did not support this legislation because of widespread concern that such an agency would inevitably begin to dictate the academic affairs of colleges and universities and come to regard itself as a federal ministry of education. Given the significant role that education now plays in national policy discourse, few would question the wisdom of having a federal agency focused solely on the important education issues of the day. However, as this Committee knows, concerns about federal intervention into academic affairs have only increased in recent years.

Federal student aid expanded slowly in the 1980s—the 1986 reauthorization of the Higher Education Act largely preserved the status quo. But by the last years of the decade, the cost of the student aid programs (particularly student loans) began rising dramatically, in large part as the number of for-profit schools participating in the program grew. While many of these schools provided high quality education, others did not and the cost of federal student loan defaults increased sharply. The default rate peaked at 22 percent in 1990, and in the same year, if student loan defaults had been given their own appropriation, it would have been the third largest expenditure at the Department of Education.

Through successive budget reconciliation bills, Congress imposed new requirements through the Higher Education Act on institutional eligibility in an aggressive effort to weed out the "bad actors." Other changes were made to curb defaults and achieve cost savings. A large number of schools closed and the student loan default rate dropped sharply from 22 percent in 1990 to 6 percent in 1999.

The surge in institutional participation in the late 1980s was facilitated by the ease with which schools could become eligible for the federal student loan program. From the beginning, eligibility required a school to meet three tests: 1) It had to be accredited by an accrediting agency recognized by the federal government; 2) It needed to be authorized to do business by the state in which it was located; and

3) It had to be judged "eligible" by the U.S. Department of Education. This system was relatively reliable when a small number of schools participated in student aid programs. However, as the number of schools and students increased, this eligibility network, called the triad, proved inadequate to protect students and taxpayers.

Extensive hearings into student loan defaults by the Permanent Subcommittee on Investigations of the Senate Government Affairs Committee, then chaired by Senator Sam Nunn (D-GA), demonstrated that the three-part mechanism designed to ensure that only high quality schools could participate in federal student aid programs was barely functional. As a result of extensive investigation, the Committee concluded that too many "schools" were more interested in making money than in educating students.

The Nunn Committee made 22 recommendations for addressing the shortcomings and virtually all them were adopted in the 1992 reauthorization. In short, accreditors were given detailed and specific responsibilities, as was the Department of Education. The states were handed a broad grant of authority under an initiative called State Postsecondary Review Entities (known as SPREs) in an effort to increase state oversight of postsecondary institutions. While Congress wanted SPREs to focus on problem schools, some states and the Department of Education saw them as a much broader mechanism to oversee institutional quality. However, after a series of embarrassing missteps, Congress quietly killed the program in 1995.

A number of other developments occurred in this ambitious reauthorization. First, Congress created two new loan programs—the unsubsidized loan program and the parental loan program (PLUS). These were designed to be "loans of convenience" to help middle-income families finance higher education. The loans carried a market-based interest rate and borrowers did not receive the subsidies that were available under the traditional subsidized loan program.

Second, Congress created a direct loan pilot program. Direct loans were designed to take banks out of the federal student loan business. In the traditional student loan model, the federal government paid a subsidy to banks, banks lent the money to students, borrowers repaid the banks and, in the case of default, the federal government paid the bill. Under direct lending, however, the Department of Education made the loans directly to the students and the borrowers repaid the federal government. In the event of non-payment, the government would use all the resources at its disposal to collect.

Finally, for the first time, Congress moved student loans from a fixed interest rate that had characterized the program since its creation and adopted a variable interest rate.[4] Under the new policy, the interest rates on student loans would be reset every July 1 and would be based on the 91-day Treasury Bill rate. The interest rate would reset annually throughout the life of the loan.[5]

The arrival of President Bill Clinton brought more changes in federal higher education policy. In 1993, the federal government was, as it is now, plagued by slow economic growth and a large federal budget deficit. Upon discovering that, under federal budget rules, direct lending saved money, the administration moved to turn all federal student loans into direct loans.[6] Congress was unwilling to take such a dramatic step and simply made every school eligible to participate in direct lending, rather than the sharply limited number of institutions permitted to do so in the direct loan pilot that had been approved the year before. Importantly, this new policy was largely driven by the desire to reduce federal spending. The administration and its congressional allies certainly expected that the plan would be better for students, but it was actually the prospect of significant cost savings that led Congress to take this step.

Second, under the Clinton administration, the federal government began to make use of the tax code to help students and families finance a higher education. Prior to 1992, the federal government had few tax benefits in place to help families finance a college education. In 1993, however, President Clinton recommended Congress establish a federal program modeled after the Hope Tax Credit Program, established in Georgia by Governor Zell Miller. It proved impossible to recreate the Georgia program exactly and as a result Congress established two separate tax benefits—one aimed at traditional aged students (Hope Scholarship Credit) and one focused on adults (Lifelong Learning Credit). In both cases, the federal government

[4] The variable interest rates were capped to protect student borrowers.

[5] To help students manage differential interest rates, the federal government created the consolidation loan program to give student borrowers an opportunity to combine all their student loans so that they could avoid juggling multiple payments, make one payment each month and count on a fixed interest rate.

[6] The assumption that direct loans would save money was vigorously disputed by proponents of bank-based lending and remains a controversial topic to this day.

sought to help middle-income families. Indeed, low-income families were largely excluded from participation because neither credit was refundable.

Once it began to make use of the tax code to help families finance a college degree, Congress quickly enacted additional benefits. Today, the tax code authorizes at least nine specific tax benefits to help families save for college (Section 529 College Savings Plans, Coverdell Education Savings Accounts, and tax-free status of U.S. Savings Bonds if used to pay for college), pay for college (American Opportunity Tax Credit, Hope Scholarship and Lifetime Learning Tax Credits, the "above the line" tuition deduction, Sec. 127 Employer-provided Educational Assistance, Sec. 117 Qualified Scholarships exemption), and to repay student loans (Student Loan Interest Deduction).[7]

Legislation governing higher education, and especially student aid, has increased significantly in the last few years. Beginning with the College Cost Reduction and Access Act of 2007 (CCRAA), eight major pieces of legislation affecting student aid have been passed into law. In just this short period, we have seen major expansions of Pell Grant funding and eligibility (the College Cost Reduction and Access Act of 2007, the American Recovery and Reinvestment Act of 2009, the Health Care and Education Reconciliation Act of 2010), and then sizable reductions in Pell Grant funding and eligibility (the Consolidated Appropriations Act of 2012). The interest rate on Subsidized Stafford loans was lowered over time from 6.8 percent to 3.4 percent. Two new loan repayment programs were created, loan forgiveness options have been added and expanded, and the in-school interest exemption was eliminated for graduate and professional students. Two new grant programs were created, one of which (the TEACH Grant) contains an unprecedented and controversial feature: If the terms of the grant are not met, the grant is converted to a loan with interest accruing from the moment the money was awarded.

Most notably, in the 2010 Affordable Care Act, Congress eliminated the federal guaranteed student loan program and put every institution into direct lending. According to the Congressional Budget Office (CBO), this step saved roughly $60 billion. Most of these funds were used to pay for the expanded Pell Grant Program and the remainder went to finance health care reform and reduce the federal budget deficit.

These changes to the federal student aid programs are in addition to significant changes in tax provisions, including the creation of the American Opportunity Tax Credit, which has become the single largest higher education tax benefit.

Frequent changes in complex programs means that even experts have difficulty keeping track of what has happened. Campus officials are often hopelessly confused and one can only imagine what student and parents will make of it. Changes are often made to current law before there has been sufficient time to fully understand the impact of previous changes. What's more, many of these changes have occurred not in legislation originating with the authorizers, but through (often times fast-tracked) funding legislation, where fiscal matters rather than best policy are the primary concern.

The Obama administration has also changed the playing field in higher education policy by increasing regulation of higher education institutions in new and very complex ways. We now, for example, have a federal definition of credit hour and, sadly, it's not a very good one. Aside from our strong belief that the Department of Education should not be regulating academic standards, the definition is based on time spent "in class" which, in an era when distance education is expanding very rapidly, means it is obsolete. In addition, the department has published complex regulations on gainful employment and state authorization that have created enormous confusion and, at least temporarily, have been blocked by the courts.

As always happens when the economy slips into a recession, college enrollments increased in recent years as millions of Americans sought to improve their education and skills. This, coupled with the increased eligibility for federal student aid, meant that the cost of the federal student aid programs has increased sharply. In 2007-08, the cost of the Pell Grant Program was $14 billion and roughly 6 million Americans received awards. Three years later, the cost had more than doubled to $31 billion and 9.6 million individuals benefited. Over that same time period, total federal lending grew from $75 billion to $110 billion.

The story of federal student aid is obviously long and complex. This summary just touches on the major developments. But more important than the history itself perhaps are the lessons and insights that we can draw from it.

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[7] Several of these were reauthorized on January 1, 2013, in the American Taxpayer Relief Act of 2012.

Federal student aid programs have worked remarkably well. But the world has changed and that change should be acknowledged and incorporated in the architecture and design of student aid.

For almost 50 years, the central goal of federal student aid was to increase access to postsecondary education for all students without regard to income or a family's ability to pay. Universal opportunity was a uniquely bold and American experiment and it worked. From this vantage point, taking stock of historical evidence, it is obvious that the farsighted goals and the design of the core student aid programs contributed to the success of the programs. However, in this century and in this year, it is incumbent upon Congress to debate whether this goal ought to be amended or expanded in ways that acknowledge current realities and contemporary challenges. Regardless of whether or what changes or additions to the core federal goal are desirable, it is important that we maintain the goal of facilitating access to higher education.

While the higher education policy landscape has changed in many ways over the last 50 years, there are eight lessons worth noting that will impact HEA reauthorization discussions:

First, the student population served by the programs has changed dramatically. When Congress enacted the Higher Education Act in 1965, the vast majority of nation's 7.4 million students were 18 to 24 years old, predominantly dependents who attended higher education full time, lived in campus housing, and were seeking a bachelor's degree. Today, college students are much more likely to be older and financially independent. Many of them work part-time and a substantial number of these students have families of their own. They may be pursuing a four-year degree or seeking short-term training that leads to a certificate rather than a degree. They may not even be seeking a credential, just taking a few specific courses. Today, the traditional students who were the focus of the original Higher Education Act represent just 15 percent of the nation's 21 million students. It is vitally important to recognize these differences and to shape federal policy that helps all students achieve their postsecondary education goals.

Second, there has been a marked shift in the policy arena that elevates completion above access. Higher education is increasingly central to economic and social well-being in American society. While many students start a postsecondary education, a significant number do not finish. In recent years, numerous observers have suggested that graduation, or completion, ought to be equally central to federal policy. Designing policies around a completion metric is complicated, especially as participation and completion varies considerably by socio-economic status, because such policies are highly susceptible to the laws of unintended consequences, and also because they skirt complex issues regarding the role the student plays in achieving success versus the role the institution plays. This is not to say that we should not have a vigorous debate about what we want federal student aid to accomplish. We must. But we should do so in a way that compliments, but does not abandon or retreat from, the central purpose of federal student aid.

Third, federal student aid policy has been built upon the premise that states would support public higher education and keep tuitions affordable, freeing the federal government to ensure equal educational opportunity and a measure of choice in the selection of a college. This assumption has fallen by the wayside as state governments have slashed funding for public colleges and universities and sharp tuition increases have followed.

Since 80 percent of American college students attend public institutions, this has meant much higher college costs for millions of families. As partial compensation for this trend, there has been dramatic growth in the total amount of federal financial aid expenditures. But even while the federal investment has grown, it has not been enough to make up for the decrease in support from states for higher education and unless the trends in state support change, tuition increases and public concerns about paying for college will continue to grow. Unfortunately, the federal government has few tools available to ensure states continue to play their historic role in making higher education available at a modest price and there is a real question as to whether the federal government, acting virtually alone in the student aid policy sphere, has the resources to ensure meaningful access to college.

Fourth, postsecondary education has become much more complex, and this has complicated decisions about institutional eligibility. In 1965, there were just over 2,000 colleges and universities in the United States. The mid-1970s witnessed a rapid increase in the growth of community colleges throughout the country. Today, there are more than 6,000 two- and four-year, public and private non-profit colleges, research universities, for-profit career colleges, and online as well as brick and mortar schools. All of this poses enormous challenges regarding decisions about institutional eligibility and the design of student aid programs.

Fifth, once institutional eligibility is settled, there remains the issue of oversight. Historically, the HEA has relied on the so-called "triad" consisting of states, the federal government and regional (and national) accrediting agencies to ensure proper stewardship of federal resources. As I noted earlier, within the triad, roles were clear: The states were to ensure schools were licensed to operate as educational entities within their borders and to receive consumer complaints; the federal government was to ensure institutions met a clear set of conditions for eligibility to participate in federal student aid programs and to oversee compliance with those conditions; and the accrediting agencies were to evaluate and attest to the quality of the academic programs consistent with the mission of the institution. Unfortunately, the state and federal roles never have been fully realized. The states have always had differences among them in the way they relate to their higher education institutions and many have been indifferent to their responsibilities under the federal aid programs. The federal government itself has a spotty record of oversight. The practical effect of these realities means that over time, accreditation has become overwhelmed with added, and some would say inappropriate responsibilities. Instead of being a barrier to federal regulation, accreditation has become a portal to it.

Sixth, Congress should consider the role federal regulation plays as a cost-driver in tuition growth. As the size and complexity of student aid has increased, government regulation of colleges and universities has grown exponentially and changed considerably. Until the early 1990s, federal student aid regulations were almost entirely designed to ensure campuses would be good fiscal stewards of federal funds. But in the 1990s, Congress began to impose regulations on institutions for a huge variety of purposes that are totally unrelated to student aid. At present, for example, colleges and universities must provide information about salaries of athletic coaches, provide the Department of Education with an annual list of gifts accepted from foreign governments and corporations, and conduct activities to commemorate Constitution Day every September 17th. These are all worthy things, but they impose compliance costs and someone must pay for them.

Moreover, even the most conscientious campus can never be sure that it is in full compliance with all the rules, regulations and "sub-regulatory guidance" published by the Department of Education. The department has a strong bias toward regulation but seems unwilling to look for the simplest and most direct ways to accomplish its responsibility to ensure the laws are faithfully executed. Indeed, the department's reluctance to address the compliance burden created by government regulations has led it to ignore a specific legislative requirement in the 2008 reauthorization [HEA Sec. 482 (e)] which required publication of an annual calendar showing key compliance dates for institutions.

Seventh, "simplification" has been the holy grail of each successive reauthorization and remains so today. Unfortunately, efforts to make federal student aid simpler rarely succeed. The reasons are two-fold. First, simplification can be expensive. It would be easy to streamline the Free Application of Federal Student Aid (FAFSA) by simply asking for less information from applicants, but doing so would inevitably make more individuals eligible for aid and increase the cost of the federal programs. Second, efforts to simplify the federal student aid system often run headlong into a desire to create more options to help students and families. For example, the federal government now offers student loan borrowers seven different loan repayment options. Multiple options may well make for more choice for borrowers, but it significantly increases program complexity. This is not in any way to suggest that "simplification" is undesirable. Rather, it suggests that genuine simplification in federal student aid is actually complex.

Eighth and finally, experience has taught us that federal policy creates incentives and individuals and organizations will respond to them. In the 2008 reauthorization, to enable students to shorten their time to a degree, Congress made it possible for students to receive a Pell Grant to attend school year-round. So many students responded to this incentive and took advantage of "summer Pell grants" that more than $4 billion per year was added to the cost of the program. Unfortunately, the sizable cost increase of the program proved unsustainable, and in 2010, less than two years after approving the provision, Congress repealed it. Once again, students who wish to study year-round cannot use Pell grants for that purpose. It is a pattern we have seen before—public policy creates incentives and people act accordingly. It's vitally important that we understand those incentives before changing public policies because we will get what we ask for.

There are many more insights and lessons that flow from the long and complex history of the Higher Education Act. As this committee embarks on reauthorization, I hope you will keep this history in mind. I believe that doing so will improve the design and implementation of the many changes you will make to this vitally important legislation.

Chairwoman FOXX. Thank you very much, Mr. Hartle.
I now recognize Ms. Patricia McGuire for 5 minutes.

STATEMENT OF PATRICIA MCGUIRE, PRESIDENT, TRINITY WASHINGTON UNIVERSITY

Ms. MCGUIRE. Chairwoman Foxx, thank you so much for inviting me here to discuss this vitally important topic of federal financial aid today.

My university, Trinity, in Washington, has been the proud alma mater of two women members of Congress, a member of the President's Cabinet, and many public officials over the years. Today's Trinity women are somewhat different from the mostly young, middle-class, Catholic women who attended Trinity when I was a student, and yet, our new populations have every bit as much ambition, if not more so, to earn their degrees and go on to great achievements, particularly in service to our nation.

About 90 percent of Trinity's 2,600 students today are African-American and Latina. Seventy-five percent of our freshmen receive Pell Grants, and their median family income this year is just $25,000.

About 50 percent of Trinity students today are residents of the District of Columbia, most from the eastern half of the city where poverty rates are high. I am proud of the fact that Trinity educates more D.C. residents than any private university in the nation, but these students need a great deal of support to achieve their dreams.

Trinity operates with great efficiency and effectiveness. Our full-time undergraduate tuition of $20,550 in 2013 is the lowest among the private colleges and universities in the Washington region by far, and Trinity returns an average of 40 percent of that tuition price to our full-time students in the form of institutional grants based on need.

The characteristics of Trinity's full-time undergraduates are emblematic of the new populations of students driving the future of higher education. By 2021, the population of Hispanic students in college will increase by 42 percent, African-Americans by 25 percent, Asians by 20 percent, while the more traditional white population will increase by only 4 percent in college.

These students will come into higher education with considerably greater needs than any prior population. Congress and colleges must work together to find good solutions to ensure continuing access for talented, low-income students.

Let me mention just five considerations to shape the reauthorization of federal financial aid. First, do no harm. Federal financial aid is one of the most reliable, durable pillars of the framework we create for low-income students who have few other sources of support to help them leverage their lives from places of despair to platforms of real success.

We can all agree that the current system can use some reform to make it better, but the system is hardly broken, as some critics claim. Rather, it needs updating for the new population of students who attend schools in ways that are quite different from the traditional students of the past.

Second, do not impose the wrong measures of success. No one quarrels with accountability, but some of the notions about accountability are quite destructive.

Allowing measures of return on investment that rigidly monetize the value of majors will be harmful to the nation. We need teachers, counselors, and nonprofit leaders as much as computer scientists and engineers.

As well, beware of using the current federal graduation rates as measures of success. The IPEDS graduation rate is deeply flawed, treating transfers as dropouts and rewarding seat time in place of real achievement.

Moreover, too much emphasis on the graduation rate could have the unintended consequence of social promotion, reducing rigor while raising graduation rates; or alternatively, raising entrance barriers for more low-income students who are most at risk of completing in different ways.

Encourage more effective outcomes measures and incentives. Recognize and support nontraditional learners who are the majority of undergraduates today. To promote degree attainment, make financial aid more flexible for the entire calendar year and support all credit-bearing enrollments.

Incentivize students to focus on completion, such as the Pell Well concept that the National Association of Student Financial Aid Counselors is advancing. Incentivize institutional programs that support at-risk students. Trinity, and many institutions like mine, have great programs in place to help students come to completion.

Simplify, simplify, simplify. Everyone involved in financial aid agrees on one thing: It is too complicated and too expensive to administer. Reducing complexity, improving simplicity will achieve great results.

Finally, engage the students and practitioners. If you ask my students, as I did—and their comments are in my longer testimony and on our Web site—they would tell you the system is too complicated, there are too many forms and acronyms, and they need interest rates that are fair, that are certain, and that are not collected while they are still in school.

I know how constrained the federal budget is. I live in a world of highly constrained budgets.

We are very frugal at Trinity. Just this week a dean was complaining to me that we don't serve cookies at faculty meetings and I said to the faculty member, "Who pays for the cookies? Our students go into debt to be in college. We cannot be eating their tuition."

We are very frugal at Trinity. I urge Congress to keep our national priorities in the right place for low-income students.

Thank you.

[The statement of Ms. McGuire follows:]

Prepared Statement of Patricia McGuire, President, Trinity Washington University

On the threshold of reauthorization of the Higher Education Act, Congress has an unparalleled opportunity to ensure fulfillment of national goals for collegiate degree attainment by making the federal financial aid system even stronger and more effective in advancing the educational horizons of new generations of students, particularly those from low income families and students of color who will be the citizen leaders of the late 21st and even 22nd centuries.

Trinity in Washington is one of our nation's most effective universities for the education of low income students who have high ambition but extremely challenging personal and financial circumstances. Historically known as Trinity College, now a comprehensive university, Trinity was founded by the Sisters of Notre Dame de Namur to educate women who had few other educational options in the nation's capital in 1897.

About 90% of Trinity's 2,600 students today are African American and Latina; 64% receive Pell Grants. About 50% are residents of the District of Columbia, most from the eastern half of the city where poverty rates are high. (See more on Trinity and our commitment to D.C. in my extended written testimony.) Trinity educates more D.C. residents than any private university in the nation.

With an institutional budget of just $34.6 million in Fiscal 2013, and a small endowment of just $12 million, Trinity operates with a high degree of efficiency while also delivering highly effective academic programs and related services. Trinity's full-time undergraduate tuition of $20,550 in 2013 is the lowest among the private colleges and universities in the Washington region, and Trinity returns on average 40% of that tuition price to full-time students in the form of institutional grants based on student need.

Notable characteristics of Trinity's full-time undergraduates include:

- 75% of freshman in Fall 2012 received Pell grants;
- $25,000 is the median family income for the Fall 2012 freshmen;
- Most are daughters of single mothers;
- Majority are self-supporting even in their late teens;
- 15% or more of the freshman class have children of their own;
- 40% start college with health issues that might impede their academic progress.

The characteristics of Trinity's full-time undergraduates are emblematic of the new populations of students driving future enrollments in higher education. According to data from the National Center for Education Statistics (Projections in Education to 2021), from now to 2021 the population of Hispanic students in college will increase by 42%, African Americans by 25%, Asians by 20% while the more traditional White population will increase by only 4%.

These students will come into higher education with considerably greater needs than any prior population, and they will come in larger numbers. To achieve national goals for greater degree attainment, even in this time of considerable fiscal constraint, Congress and colleges must work together to find good solutions to ensure continuing access and success for talented low income students. That's why I welcome this discussion today because we all know that ensuring success for low income college students will return more to the nation in the future through improved earnings (hence, an improved tax base), a more capable workforce for economic growth, and significantly less reliance on federal and state support for social programs that address the conditions of poverty.

How will the federal financial aid system ensure that higher education opportunities remain available for these students in the future? Five key considerations should shape the reauthorization of the federal financial aid programs:

1. Do No Harm: Federal financial aid is one of the most reliable, durable pillars of the framework we create for low income students who have few other sources of support to help them leverage their lives from places of despair to platforms of real success. We can all agree that the current system can use some reform to make it better. But the system is hardly "broken" as some critics claim. Rather, it needs updating for the new populations of students who attend school in ways that are quite different from the traditional students of the past.

Accompanying my written testimony are statements from Trinity students about the value of federal loans and Pell Grants in their ability to reach their large goals for themselves and their families. In many different voices, they have one clear message: federal financial aid is key to ensuring economic stability and success not only for themselves, but for their children as well.

2. Do not impose the wrong measures of success: No one quarrels with accountability for the considerable federal investment in higher education, but some of the notions about what constitutes accountability are potentially quite destructive.

We are hearing a lot of talk right now about the "ROI" for federal financial aid. Policymakers looking for evidence of the "return on investment" should come talk to the young mothers at Trinity whose decision to enroll is intensely driven by their desire to make sure their babies have more opportunities and experience fewer of the consequences of poverty than they knew growing up. For my students, as for millions of others, the return on investment yields in their lifelong intellectual fulfillment, improved economic security for their families, greater opportunities for their children and considerable professional contributions to their clients, patients, students, communities and places of work. Such returns go beyond the mere listing of starting salaries of recent graduates, a trend that warps the values of higher education in startling ways. Our nation needs teachers and counselors as much as it needs computer scientists and engineers, but the rank-ordered listing of jobs and salaries that some proponents of accountability now favor does great harm to the idea that worthy employment might be found in the service professions or nonprofit careers.

Some policy analysts suggest that colleges need a cudgel to force them to improve graduation rates. These analysts do not know what they're talking about. The current graduation rate, established in IPEDS (the federal government's data system for higher education, formally, the Integrated Postsecondary Education Data System) to measure the academic performance of athletes, is a measure of brand loyalty (first-time full-time freshmen staying at the same institution for 4-6 years) that should not be used to penalize institutions that, quite willingly, take the risk of educating students whose life circumstances are different from older norms.

As well, beware the temptation that some schools will feel to revert to social promotion to improve completion rates! Too much pressure on improving graduation rates at the expense of rigor and genuine learning outcomes will have the opposite effect that federal policy should desire, namely, more people with credentials who have less knowledge and fewer skills. Be careful what you wish for! K-12 is paying dearly these days for this very problem.

The other real danger of the inappropriate use of the graduation rate measure is that some schools will decide to enroll fewer low income students since those are the students at greatest risk of not completing on the traditional timetable. Our national goals for collegiate attainment need more opportunities, not fewer, for low income students.

3. Encourage More Effective Outcomes Measures and Incentives: Certainly, colleges want our students to be wildly successful, and we do want them to finish their degrees. But because students attend in very different patterns from the way the old measures assume, we have to develop new ways to measure success.

- Recognize and support non-traditional learners: The majority of undergraduates today have characteristics that are quite different from the traditional students of yesteryear. But our financial aid policies still largely focus on traditional students, discouraging working students, students with their own children, students who want to or need to attend in different ways, including summer enrollment. To promote degree attainment, embrace the idea of new "non-traditional" attendance and learning patterns.
- Incentivize students to focus on completion: Rather than penalizing students or institutions for non-traditional attendance patterns, recognize that modern students will attend and complete on very different timetables, often through multiple institutions, and provide incentives to help the student reach degree completion. Remove barriers like the ban on summer Pell Grants or artificial numbers of semesters for participation; replace barriers with pro-active incentives like the "Pell Well" concept promoted by NASFAA that provides each low-income student an amount of Pell Grant to draw down as they progress toward a degree—whether they attend part-time, during summers, taking 3 years or 12 years. The same concept could be applied to student loan programs.
- Look at the totality of degrees awarded: more than half of the students who earn degrees at Trinity transfer into the university from elsewhere, but they are treated as dropouts in the IPEDS data system, rather than great success stories. This is simply wrong. Every student counts, no matter his or her pathway to the degree. Let's change IPEDS from emphasizing seat time in one place to actual degree attainment.
- Incentivize institutional programs that support at-risk students: Trinity and many colleges like us have extensive programs to promote student success. These programs often receive little public attention, though we are pleased that the U.S. Department of Education has begun to gather the "promising practices." Incentives to spread effective academic strategies will do more to encourage national degree attainment goals than reams of negative reports calling for even more complicated rules.

4. Simplify, Simplify, Simplify: Everyone involved in federal financial aid agrees on this one thing: it's too complicated. Every reauthorization seems to make it worse, not better. For low income students, often without strong families to help them—and many who do not speak English at home—the terminology, forms and expectations about disclosures can be daunting and discouraging. Every new regulation seems to come with new expectations for measuring, counting and managing students in the system. The sheer complexity and time-consuming nature of admin-

istering the federal financial aid programs requires increasingly large campus-based staffs, which drive up college costs. Reduce complexity, achieve simplicity, promote continuous enrollment and efficiency in financial aid management.

5. Engage the students and the practitioners: One of the most notable features of most of the proposals for changing federal financial aid is that they are devoid of the voices of real students with real needs. This is why I so appreciate this invitation to testify today. If you asked my students, they would tell you that the system is too complicated, that there are too many forms and acronyms, that they do not attend school in ways that regulators think is the best way to attend, that seat time is not the best way to learn in college, that they want more respect for different formats for learning, that they are suspicious of the manipulation of interest rates, and that the restoration of the interest rate grace period is essential

My final message is: Thank you! I know how strained the federal budget is. I also live in a world of highly constrained budgets. Just this week, a dean complained that the faculty are unhappy that we don't serve cookies at meetings. "Who pays for our cookies?" is a question I often ask, rhetorically, when we discuss the demand for more amenities. I point out that every cookie we eat on the school dime comes at the expense of a student who takes on debt, skips her own lunch to buy books, cuts costs at every turn to stay in school. Our students need so much support, we cannot justify eating their tuition. The faculty must bring their own cookies!

We operate quite frugally at Trinity and we provide a great deal of aid to our students while keeping our tuition price low, and yet, our students need even more. I urge Congress to keep our national priorities in the right place for low income students with great promise and high need, ensuring strong and durable federal financial aid programs so that students today and far into the future can continue to achieve not only degrees, but great returns in their lives and the life of the nation.

Trinity in Washington is one of the nation's most effective universities for the education of low income students who have high ambition but extremely challenging personal and financial circumstances. Historically known as Trinity College, now a comprehensive university, Trinity was founded by the Sisters of Notre Dame de Namur to educate women who had few other educational options in the nation's capital in 1897. Trinity today continues the women's college at the heart of the university while also welcoming men as well as women into adult professional and graduate programs.

About 90% of Trinity's 2,600 students today are African American and Latina; about 50% are residents of the District of Columbia, most from the eastern half of the city where poverty rates are high. Another 30% of Trinity's students are from the nearby Maryland suburbs, particularly Prince Georges County that has characteristics quite similar to far northeast and southeast D.C. 64% of all Trinity undergraduates (enrolled full-time and part-time in day, evening and weekend programs) receive Pell Grants, a marker for a student body with very high need.

Trinity educates more D.C. residents than any private university in the nation. (See Trinity and DC: Partnership for Success on Trinity's website.) About one-third of the 1,300 D.C. residents at Trinity reside in the wards east of the Anacostia River, a geographic boundary that also delineates the neighborhoods with the highest rates of poverty, chronic illness, lowest-performing schools, violent crime and numerous other social and economic challenges. Trinity is the only university offering a degree program east of the river. About 60% of Trinity's full-time undergraduate D.C. residents have zero "expected family contribution" (EFC) in the federal financial aid analysis.

With an institutional budget of just $35 million in Fiscal 2013, Trinity operates with a high degree of efficiency while also delivering highly effective academic programs and related services. Trinity's tuition of $20,550 in 2013 is the lowest among the private colleges and universities in the Washington region, and Trinity returns on average 40% of that tuition price to full-time students in the form of institutional grants based on student need. Part-time tuition rates are also deeply discounted. Trinity's total volume of institutional aid is more than $8.5 million, almost all of which is simply tuition forgiveness since Trinity's endowment is quite small, just about $10 million.

Notable characteristics of Trinity's full-time undergraduates include:

- 75% of freshman in Fall 2012 received Pell grants;
- $25,000 is the median family income for the Fall 2012 freshmen;
- Most are daughters of single mothers;
- Majority are self-supporting even in their late teens;
- 15% or more of the freshman class have children of their own;
- 40% start college with health issues that might impede their academic progress.

The characteristics of Trinity's full-time undergraduates are emblematic of the new populations of students driving future enrollments in higher education. According to data from the National Center for Education Statistics (Projections in Education to 2021), from now to 2021 the population of Hispanic students in college will increase by 42%, African Americans by 25%, Asians by 20% while the more traditional White population will increase by only 4%.

Because black and Hispanic children in the United States suffer more poverty and related social problems, and have more significant educational challenges because of under-performing K-12 schools in their impoverished neighborhoods, the rising tide of low income students of color in college will require creative solutions on the part of both Congress and colleges to ensure that higher education remains accessible to them.

The changing demographics of this nation also reshape the conventional notions of who goes to college and how they attend. Regardless of age, low income students are more likely to have non-traditional attendance patterns and completion timetables because of their work and family responsibilities, health conditions and need for remediation. Department of Education data reveals that more than 70% of all college students have at least one "non-traditional" characteristic which includes not only age (being 25 or older in college), but also attending part-time, working full-time, parenthood, being self-supporting.

Support for non-traditional and adult students is an issue of special concern for Trinity, since, as a university founded for and with a still-vibrant mission to women, we know that many women stop out from the traditional collegiate timetable to care for children, support spouses in their careers, attend to the needs of elderly parents. Thousands of older women (and some men—Trinity's student body is about 10% male in adult and graduate programs) have returned to college at Trinity over the last 30 years to complete long-deferred degrees. These students, too, need Pell grants and other forms of federal financial aid.

- 57% of the full-time and part-time undergraduates in Trinity's School of Professional Studies (for older working students) receive Pell Grants;
- 85% of the students in Trinity's Associate Degree program at THEARC in D.C.'s Ward 8 receive Pell Grants—Trinity is the only university offering a degree program "east of the river" in Washington's most impoverished neighborhoods. These students enroll in Trinity's program to get on track for better employment opportunities, to secure economic security for their children and to improve the stability of their homes.
- Many of these students have gone on to earn bachelor's and master's degrees as a result of getting back on track with Trinity's AA program.

Federal financial aid policies need to be more sensitive to the attendance patterns and financial realities of the burgeoning population of students whose characteristics are quite different from the more traditional student populations of the past. Sadly, recent changes in federal policies have actually worked against the goal of helping these students to enroll and complete college degrees. For example, many students with work and family obligations attend on a part-time basis but prefer to take classes continuously, including during the summer months, so they can stay on pace to finish their degrees as soon as possible. Yet, federal policy has now eliminated summer Pell Grants, apparently buying into the outmoded agrarian idea of the summer as a time to stay home on the farm. More students would complete degrees more quickly if they could get the financial aid they need to stay enrolled in the summer.

Similarly, last year's change to reduce the number of semesters of eligibility for Pell grants from 18 to 12 applied retroactively to all current students means that many of my students who have attended various colleges over the years, and who now have settled on Trinity for their Nursing or OTA (Occupational Therapy Assistant) degrees, are suddenly discovering that they will soon run out of eligibility even though they are trying to start fresh in their quest to earn degrees in fields that are direct pipelines to acute workforce needs and significant starting salaries. Thousands of students who start college as teenagers stop out for a period of years, and when they return they have the maturity and intense focus necessary to earn the degrees that life interrupted. The change in the Pell Grant eligibility rules assumed the most traditional timetable for completion, abandoning large numbers of adult students whose contributions to the professional workforce would be immediate and exceptional if they could only get the aid they need to finish their long-deferred degrees.

Let's consider why federal financial aid, and particularly the Pell Grant program, are so vital to our national goals for economic growth.

Federal financial aid has consistently proven to be one of the most effective federal investments in the long-term economic health and productivity of our nation. For almost 70 years, since the first G.I. Bill in 1944, Congress and the president have agreed that the nation's economic health and long-term social stability depends heavily upon a well-educated population of citizens and leaders whose contributions to the workforce, to research and development, to innovation and social transformation have ensured this nation's economic power, safety and security.

Now, with the changing demographics of the national population, sustaining and increasing educational investments is essential to continue to meet our national goals—not only goals for degree attainment, but for improved economic conditions among even more diverse citizens, ensuring a robust workforce equal to the challenges of rapid innovation, and educating new generations of citizen leaders for a nation whose characteristics will be increasingly different from anything we have previously known.

Policymakers looking for evidence of the "return on investment" should come talk to the young mothers at Trinity whose decision to enroll is intensely driven by their desire to make sure their babies have more opportunities and experience fewer of the consequences of poverty than they knew growing up.

Hear the pride in the voice of the 40-year-old Pell Grant recipient in our associate's degree program in Anacostia who was once homeless, but now, because of her education with Trinity, she is employed and has her own apartment, and now she's going to finish her baccalaureate degree and enroll in the master's program. She's seeing to it that her children are also enrolled in school and making progress toward their degrees.

Listen to the sheer exhaustion of 20 year-old students who have no permanent place to call home, who sleep from couch to couch, who dream of becoming nurses but too often must choose between having dinner or riding Metro to some friend's house for the night. They stress about not having textbooks that they can't afford to buy, and sometimes struggle to find space in the computer lab because these are students who cannot afford iPads. Hunger, homelessness, teen pregnancy, abysmal academic preparation in their lower schools, the absence of any conventional social structure—these are the challenges my students face every day.

Federal financial aid is one of the reliable, durable pillars of the framework we create for such students to help them leverage their lives from places of despair to platforms of real success.

Consider the stories of these students, in their own words, whose success not only in school but in life became possible because of federal financial aid: (each student gave permission for the use of her or his name; more comments are on Trinity's website)

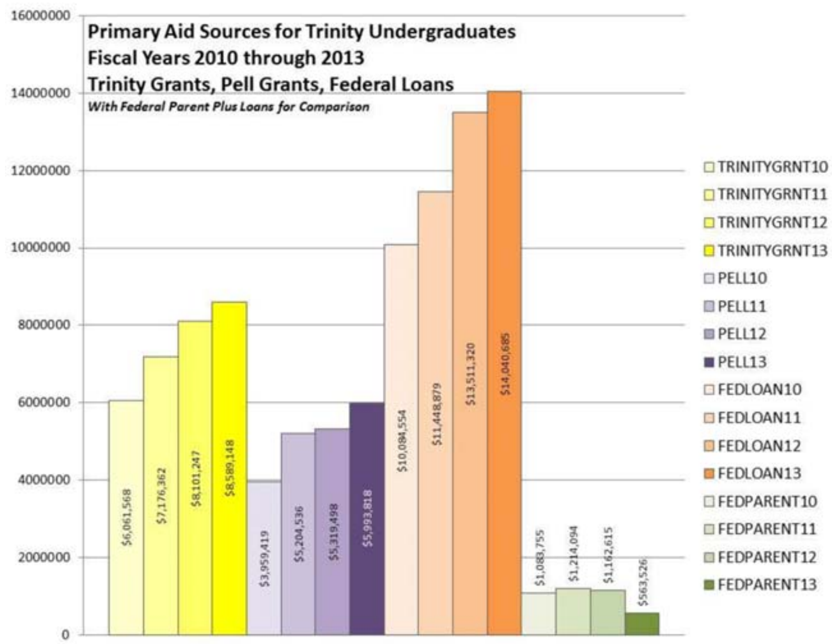
"Because of federal loans I am able to obtain my second-degree in nursing while juggling the duties of being a mother, wife, student and employee." (Tamina Umana, Second Baccalaureate student in Nursing)

"Because of my federal loans I am able to continue my education as a single parent. My federal loans have prevented me from becoming a statistic. My federal loans will allow my child to see a strong, empowered woman who will one day become an educator." (Leontia Collins, Junior, Education)

"Pell Grants and federal loans give me the opportunity as the first generation member in my family to attend college. * * * Financial Aid changed my life because it gives me the opportunity to create, build, reform and make my dreams come true. If I work hard to make my dreams come true, then I will become a valuable member to our society. With my intellectual knowledge and skills I will be able to give back to my community and to the society * * *" (Minette Achankeng, Junior, Political Science)

"Because of my Pell Grant and student loans I am able to finish my bachelor's degree at the age of 55 after a severe battle with cancer and other disabling diseases. It gives me the hope as well as the knowledge to be able to go back to the workforce * * *" (Rose M. Zuffi, Freshman, Communications)

For almost all Trinity students, college is only possible with federal financial aid in the form of Pell Grants and loans, combined with Trinity's own grants and discounted tuition levels. The chart below shows the volume of Trinity's three major sources of support for students during the last four years:



Other sources of financial aid not indicated on the chart include a small amount for federal work-study grants, and aid to District of Columbia students through the D.C. Tuition Assistance Program and private grant programs such as the D.C. College Access Grants and D.C. Achievers Scholarships.

Several issues are immediately clear from this picture:

- Trinity's own grants, which are unfunded discounts on the tuition price (tuition forgiveness) are growing rapidly in relation to both enrollment growth as well as declining financial strength in the student body;
- Parent loans, while always few in number and relatively small in volume, have declined precipitously in the last year, evidence of the increasing fiscal stress among many families.

The parent loan data is clear evidence that most Trinity students, even those of traditional-age, are self-supporting and not relying on parents to help pay for their college education.

Not shown on the chart, but important to note, of Trinity's total student body of 2,600 students, very few qualify for private loans—only 65 private loans this year, for a total of about $612,000. Trinity students by and large do not have the resources to borrow against home equity or other assets. Federal financial aid, and Trinity grants, are the pillars of their ability to attend college.

During the four year period depicted on the chart above, Trinity's student body grew by 31%, from 2034 to 2664. Enrollment in the full-time undergraduate program (CAS) grew by 28%. Over that same four year period, Trinity's full-time tuition grew just 6%, from $19,300 to

$20,500. But the volume of Trinity grants, which go mostly to full-time undergraduates, grew by 42% and the Pell Grant volume grew by 51%, compared to the federal loan growth of 39%. What this means is that while Trinity is holding the line on tuition price and continuing to provide significant discounts, the financial need of the student body is growing rapidly. Demand for seats at Trinity is high in the full-time undergraduate program, and particularly in Nursing and programs in the health professions and related fields.

Yet, despite considerable institutional and public financial aid, many accepted students are unable to attend, or find that they must stop out after a semester or two of enrollment. Trinity retains about 70% of full-time freshmen from first to second year; financial barriers are the single greatest cause of student failure to re-enroll in any given semester.

If this nation is to meet its oft-stated national goal to achieve a college degree attainment rate in excess of 50% of the adult population, then strengthening federal financial aid is essential, including redirecting more aid to the neediest students.

Trinity students who persist and graduate become great success stories, alumnae like Maisha Leek, Class of 2005, one of the youngest chiefs of staff on Capitol Hill with Congressman Chakka Fattah. Maisha was able to attend Trinity with the help of federal financial aid.

A recent survey of Trinity graduates from 2002 to 2012 shows that 95% are employed or in graduate school, and their median salaries are in the $50,000-$60,000 range. 60% enrolled in graduate school after completing Trinity degrees and 30% have already earned advanced degrees with another group still in graduate school and attending such notable universities as Georgetown, Howard and American Universities, the London School of Economics, the University of Pennsylvania and others.

Clearly, the investment of federal financial aid in Trinity students over the years has resulted in excellent returns for these students, for their families and communities, and for the corporations and organizations where they work and have considerable influence.

Congress should make a particular effort to engage students in the deliberations over the future of federal financial aid. Consider the voices of Trinity students like these:

"Because of Federal loans I am able to be the first woman in my family to attend college. Federal loans provide me with the opportunity to receive not only a Bachelor's Degree, but continue my education and pursue my Ph.D in psychology which will enable me to help my community." (Jelisa E. Glanton, Junior, Psychology)

"Federal loans are the only way that I am able to put myself through school. Without it, I would not be able to serve my country and its aging population as a young nurse by the year 2014." (Marissa Rose Torres, Junior, Nursing)

"Because of my federal loans I was able to fulfill my dreams by going off to college and receiving my Bachelor's Degree in Child Development and Family Studies. I am also able to currently work towards my MAT in Early Childhood Education." (Sharneice Jones, MAT Program)

"Because of my federal loans, I was able to continue pursuing my Masters degrees after losing my job. * * * I am able to concentrate on my education without having to worry how to pay for it right now." (Meg Ann Imig MSA Nonprofit Management and Community Health)

"Because of my Pell Grant and loans, I am able to remain in college, accomplish my dream goals to better assist my community (District of Columbia) and my family. You see, I come from a low-income family where none of my parents are high school nor college graduates due to the poverty they had suffered in their home countries. * * * I will also be the first in my family seeking and hopefully attaining a college degree. Thanks to federal aid I am steps closer to those goals!" (Diana Contreras, Junior, Human Relations) See Trinity's website *www.trinitydc.edu* for the complete set of student comments.

Congress has a remarkable opportunity and awesome responsibility to be sure that the opportunities this nation has historically ensured for students to earn college degrees remain strong, not only for the sake of the students and their families, but also for the sake of the nation. As Congress prepares to reauthorize the Higher Education Act, I urge you to consider the points addressed in this testimony:

1. Do no harm to what works best in the current financial aid system.
2. Do not impose the wrong measures of success.
3. Encourage more effective outcomes measures.
   - recognize new patterns of attendance and new ways of learning
   - incentivize students to focus on completion
   - recognize the totality of degrees attained
   - incentivize institutional programs that support at-risk students
4. Simplify the system.
5. Engage the students and practitioners, those who know how the system actually must work!

Thank you for inviting me to share thoughts on federal financial aid on behalf of the thousands of Trinity students and graduates whose lives are changed so dramatically by the opportunities they discover on their way to earning degrees.

Chairwoman FOXX. Thank you very much.

I now recognize Mr. Dan Madzelan for 5 minutes.

STATEMENT OF DAN MADZELAN, FORMER EMPLOYEE (RETIRED), U.S. DEPARTMENT OF EDUCATION

Mr. MADZELAN. Thank you, Chairwoman Foxx, Ranking Member Hinojosa, and members of the committee for this opportunity to share my perspective on the appropriate role of the federal government as you consider the reauthorization of the Higher Education Act. I will be brief with my comments, but I have prepared a longer written testimony that I ask be included in today's hearing record.

A little more than a year ago I retired from the federal civil service after more than 33 years at the Department of Education. My work at the department over the years largely, though not exclusively, involved issues related to helping families financially afford the benefits of higher education for their children. I think my own experience as a first-generation college student focused me to help these benefits were made available to all who would pursue them.

Five years ago I thought that my fifth HEA reauthorization would be my last, but I have found that it is difficult to quit this line of work cold turkey, and I am honored that I have been asked to assist in my sixth such effort.

I also worked this past year on Gates Foundation-supported Reimagining Aid Design and Delivery reports by the National Association of Student Financial Aid Administrators and HCM Strategists.

I will briefly describe four ideas that would improve the federal financial aid system without generating new cost or increasing burden on students, their families, and institutions.

First, the financial aid application process can be made simpler for students and families. I know this firsthand. Earlier this year I complete my 13th and last Free Application for Federal Student Aid.

We still ask applicants too many questions that are too complicated. For example, "Which federal income tax form could you have filed?"

I believe we can build on the successful electronic data-sharing arrangements the department has implemented in recent years and modify statutory requirements that would further simplify the aid application process.

Second, we have an immediate opportunity to simplify and streamline the student loan program. I believe it is time to end the multiple loan programs with different eligibility requirements, interest rates, and repayment terms.

I think we should carefully consider an automatic enrollment of borrowers in a single, improved, income-based repayment plan. Ideally, this approach would implement real-time income reporting, perhaps via payroll withholding, rather than relying on the after-the-fact approach necessitated by income verification based on previously filed income tax returns.

Our current system asks young adults—especially low-income individuals—to manage complicated loan portfolios for no good reason that I can see other than policymakers continually responding to near-term budget pressures.

Third, we should have accountability for all federal aid dollars through a multipronged determination of institutional eligibility for Title IV financial aid that considers measures of access and equity, loan repayment, and risk adjusted completion rates. Institutional and government data systems continue to improve, so a more balanced set of metrics that measure access, completion, and value are more feasible than ever and could help protect students and taxpayers from the most egregious cases of debt-with-no-degree while also promoting overall transparency for consumers.

Fourth, we know we face significant challenges in higher education. None of us has all the answers. I believe we need to experiment to find the best solutions. Congress has periodically authorized focused demonstration programs and the department has ongoing authority to experimental sites to test and rigorously evaluate new approaches to delivering financial aid on campus in the most cost-effective manner possible.

The current experimental sites authority provides for administrative flexibility; it does not authorize funding. Perhaps the authority could be expanded to allow for additional experimentation as long as individual students were held harmless in terms of federal financial support received.

Today, one in three Pell Grant recipients report using their grant to pay for remedial education. Across the country, states, colleges, and other educational providers are searching for more cost-effective ways to customize and accelerate remedial education. A small-scale experimental site might test funding for remedial education through Pell Grants while providing alternative funding for students for their remediation needs.

In terms of a larger-scale programmatic approach, a modest level of savings redirected from changes in federal needs analysis or the loan program could fund the college readiness demonstration. A limited number of participating states could enter into performance-based agreements with remedial education providers. The goal: Serve an agreed upon number of students in high-poverty schools, do it in a competency-based way, and evaluate what difference financial incentives make for students and taxpayers.

Thank you for the opportunity to testify today. I am happy to answer any questions the members of the committee may have.

[The statement of Mr. Madzelan follows:]

Prepared Statement of Daniel T. Madzelan, U.S. Department of Education (Retired)

Thank you Chairwoman Foxx, Ranking Member Hinojosa and Members of the Committee for the opportunity to share my perspective on the appropriate role of the federal government in higher education. As a now-retired senior civil servant in the U.S. Department of Education, I had the privilege to serve nine secretaries of Education and participate in five reauthorizations of the Higher Education Act.

Over the past year, I have had the opportunity to advise a number of efforts focused on finding ways to serve more students, and serve them better, with federal financial aid. These include the American Dream 2.0 coalition, and Gates Foundation-supported Reimaging Aid Design and Delivery (RADD) reports produced by the National Association of Student Financial Aid Administrators and HCM Strategists. Today, however, I am sharing my own thoughts and ideas on this important topic.

Why are we hearing so much about financial aid reform and why does the federal government care? I think the higher education landscape has changed significantly since the last Higher Education Act (HEA) reauthorization. The performance of higher education—the outcomes institutions achieve on behalf of their students—is at the forefront of the public's mind. According to recent polling conducted by Hart Research, earning a college degree or credential is very important to 84 percent of engaged voters, 95 percent of African American parents, and 97 percent of Hispanic parents.

To meet these expectations, the federal government continues to spend billions of dollars on college aid and the results of our investments are simply inadequate. If today's economy requires valuable postsecondary credentials to attain and retain good, middle class jobs, we can imagine what tomorrow's economy will demand. The high premium on college completion is remarkably different today compared to nearly 50 years ago when federal college opportunity grants were first created. Graduation rates are too low and gaps between student who succeed and those who drop out are profound. More than half of Hispanic students—our country's fastest growing population—who enter postsecondary education have not earned any type of credential six years later. Just one-fourth of young adult Pell Grant recipients ever complete a bachelor's degree, and even fewer ever complete an associate's or certificate program. Among adult Pell recipients who complete college, only three percent earn a bachelor's degree, while nine percent earn an associate's and 25 percent complete a certificate program.

At the same time, students and families are finding college necessary but increasingly unaffordable. More students are accruing education debt but attaining no degree. The student loan default rate for students who did not attain their credential is four times higher than that for those with a bachelor's degree. We must ask ourselves—is this what we intended when we designed the federal financial aid system?

Financial aid can and I believe should be used more effectively to improve student success. The federal investment in financial aid is at an all-time record level. Over the past decade, the number of Pell Grant recipients has doubled to more than 9 million undergraduate students—nearly half of all such students. Today, nearly 75 cents of every financial aid dollar available in this country comes from the federal government. Revenues from Pell Grants pay an average of nearly 20 cents of every tuition dollar received by a college, university or other postsecondary institution in this country.

There are a number of excellent ideas percolating that will improve the federal financial aid system without generating new costs, nor increasing burden on students, their families, and institutions. I will briefly describe four such ideas.

First, the financial aid application process can be made simpler for students and families. For example, why do we ask them to figure out which federal income tax form they could have filed? And a simpler system can help us better focus resources on our neediest students. We can accomplish this with a three-tiered approach to aid application but simplified through better leveraging of existing technology to enhance the Department's electronic processes, including FASFA-on-the-Web.

The first tier in this approach would automatically make any student eligible for a full Pell grant if they, or their family, participated in another federal need-based program. However, this "bypass" approach unequivocally demands reliable, independent third-party verification of that participation. The second tier, for most other students, would ask for minimal income information, not unlike the current simplified needs test, but with all financial data provided automatically via agency-to-agency arrangement with the Internal Revenue Service, not unlike the current IRS data retrieval option available in FAFSA-on-the-Web. The third tier would seek additional income and asset information (also from the IRS) for families with more complicated financial circumstances as indicated by their filing of one or more of the several schedules associated with filing the long-form, i.e. 1040, tax return. By just simplifying the application process in this way, the Brookings and Urban Tax Policy Center estimates 10-year savings of at least $37billion.

Second, Congress faces an immediate opportunity to vastly simplify the student loan program and spend those federal resources more efficiently. It is time to end the multiple loan programs, with different eligibility requirements, interest rates and repayment terms. There is a growing chorus supporting the automatic enrollment of borrowers in a single, improved income-based repayment plan. The current system asks young adults—especially low-income individuals—to be managers of complicated loan portfolios for no good reason that I can see, other than policymakers continually responding to near-term budget pressures.

I ask your indulgence and allow me to digress for a moment. The 1986 HEA Amendments authorized a five-year Income Contingent Loan demonstration program for ten college and university participants. The Department ended the demonstration after four years because by that time we learned one critical piece of information—individuals are extremely reluctant to disclose their personal income information. Consequently, several years later when developing the income-contingent repayment plan for the new direct loan program, the Department required IRS verification of a borrower's income as a condition of participation in that repayment plan.

Ideally, then, a single, income-based repayment program would be implemented in a way that ensures reliable income reporting by borrowers. One way would be a payroll-based payment system, that is, employer withholding not unlike federal payroll taxes. This approach would also have the advantage of "real time" income reporting rather than relying on the after-the-fact approach necessitated by income verification based on previously filed income tax returns. Loan payments for borrowers not subject to wage withholding could be tied to their required quarterly self-employment tax reporting.

The borrower's interest rate for these loans should be market-based. Many of the reform proposals issued recently recommend establishing the 10-year Treasury note as the reference rate and then adding a few percentage points to set the borrower's interest rate. Congress would set the value of the add-on percentage as a way to specify the overall level of federal budget support for the student loan program.

Moving to a market-based rate would save money that could be invested in Pell Grants. The New America Foundation, using fair value accounting, estimates this proposal would cost $17 billion in the first five years, chiefly because the gap between borrower interest and Treasury borrowing rates is historically wide. This proposal would save $25 billion over a 10-year budget window because that gap is expected to narrow considerably in the future, reflecting historic trends. In 2011, CBO estimated that a similar proposal would save $52 billion over 10 years.

Third, there should also be accountability for all federal aid dollars spent. This can be achieved through a multi-pronged assessment of institutional eligibility for Title IV financial aid that considers measures of access and equity, loan repayment, and risk-adjusted completion rates. Today, the Department essentially uses a check-off box approach—cohort default rate, financial responsibility, 90-10 rule, and the like—to ensure federal funds are appropriately spent. It terms of institutional accountability, it simply does not look at student outcomes.

In the late 1980s when policymakers first advanced the notion of using student loan default rates as an institutional accountability measure for federal student loans, institutions objected, largely on the grounds that the Department did not have reliable school-level data. But the enacted provision included a transition period, which allowed most schools to respond positively to the new measure while the bad actors were removed. Institutional and government data systems continue to improve, so a more balanced set of metrics that measure access, completion and value are more feasible than ever. These metrics can protect the taxpayers and students from the most egregious cases of debt with no degree while also promoting overall transparency for consumers.

Fourth, we know we face significant challenges in higher education. In my view, we need to experiment to find the best solutions. Congress has periodically authorized focused demonstration programs. The Department has ongoing authority through experimental sites to test and rigorously evaluate new approaches to delivering financial aid on campus in the most cost-effective manner possible. However, this authority precludes waiving award rules, maximum grant and loan amounts, and need analysis requirements. I completely agree with this prohibition. I would never want to see a Pell recipient lose her grant because the federal government was sponsoring an experiment of some sort at her school.

The current experimental sites authority provides for waivers—it does not authorize funding. Perhaps the experimental sites authority could be expanded to allow for additional waivers as long as individual students were held harmless in terms of federal financial support received.

Today, one in three Pell Grant recipients reports using their grant to pay for remedial education. Across the country, states, colleges and nontraditional providers like Straighterline are showing us that there are likely more cost-effective ways to customize and accelerate remedial education. A small-scale experimental site might test eliminating funding for remedial education through Pell Grants while providing alternative funding to students for their remediation needs.

In terms of a larger scale, programmatic approach, a modest level of savings redirected from changes in federal needs analysis or the loan program, a college readiness demonstration could be funded. Perhaps a $100 million investment could finance a limited number of participating states that would enter into competency-based performance agreements with remedial education providers and serve an agreed-upon number of students in high-poverty high schools. These agreements could also cover young adults just out of high school as well as low-income working adults returning to college seeking to acquire new job skills. These agreements would have built-in bonuses for early attainment of college readiness so we can test and evaluate ways to provide incentives to students to gain competencies at an accelerated pace.

In closing, I think we are seeing a remarkable convergence. The general public and employers agree that the most effective jobs program is one that ensures that more students graduate with a post-secondary credential—whether a certificate, 2-

year or 4-year degree. At the same time a number of organizations have been thinking creatively about ways to increase the number of well-educated graduates by improving the way the federal government spends the dollars it already invests in higher education.

Thank you for the opportunity to testify today. I am happy to answer any questions that Members of the Committee may have.

Chairwoman FOXX. Thank you very much.

I now recognize Ms. Moriah Miles for 5 minutes.

STATEMENT OF MORIAH MILES, STATE CHAIR, MINNESOTA STATE UNIVERSITY STUDENT ASSOCIATION

Ms. MILES. Thank you Chairwoman—rookie mistake.

Thank you, Chairwoman Foxx and committee members, for having me today. I would like to address a few issues with you.

The cost of college in Minnesota and across the country is rising dramatically. The tuition at the seven Minnesota State Universities has increased by more than 100 percent in the last decade. This, coupled with the disinvestment by our state, has caused student debt to rise to unreasonable amounts.

Approximately 1 year ago the student loan debt in the United States surpassed credit card debt, now averaging $28,566 per university student. This issue is one of the most important challenges facing students across the country and we must address it.

There are many things Congress can do to assist students and position our generation for success. First, Congress needs to address the impending doubling of the subsidized Stafford Loan interest rate.

Students are already delaying purchasing homes, starting families, and fully contributing to the economy because of the massive amounts of debt they incur in their efforts to get ahead. Reducing interest rates now and providing affordable loans in the future will greatly benefit our country by allowing these students to contribute more money to the economy.

I also urge the House to protect the Pell Grant. The Pell Grant was designed to provide access to a new generation of low- and middle-income students. While tuition has risen across the country, the Pell Grant has not kept up.

The most recent Ryan budget proposal would devastate funding for the students by freezing the maximum Pell Grant for 10 years, eliminating $86 billion in mandatory funding for the Pell Grants. Millions of students will rely on this funding to escape poverty and to make better lives for their families. Disinvestment in this area not only harms students, but will also hurt the U.S. economy by reducing the workforce.

As Congress works on the proposals to help students, it is important to remember that reducing the Pell Grant funding is not the direction we should take. Instead, we must invest in future generations and provide additional support for low-and middle-income students. Investment in the Pell Grant is the most important tool America can use to enhance the workforce of the future and increase the number of post-secondary graduates.

Many students rely on some form of financial aid, whether it is loans, scholarships, or grants. Often the amount of financial aid a student receives can vary from institution to institution and can impact a student's decision on where they attend college.

Students and their families report difficulty in deciphering college financial aid award letters. This is because colleges write their own letters and use their own terminology, abbreviations, and acronyms to describe different types of aid, such as federal student loans.

The terms they use can be so confusing students may not even know certain forms of financial aid are loans. This makes it hard for families to compare financial aid offers among different schools.

Congress and the Department of Education can solve this problem with a uniform award letter that will provide families the ability to effectively compare available options.

Another cost that students face—another cost facing students within our system is under-regulated financial aid disbursement companies and banks, such as Higher One. These financial institutions are getting rich off taxpayer dollars that are intended for students.

These companies disburse billions of dollars of student aid and leave students to pick up the tab. There needs to be a serious discussion in Congress and the Department of Education to ensure our students are protected.

Finally, passing the DREAM Act will allow America to remain an economic leader. We must encourage the talent already residing in our country to stay. This is especially true when it comes to children who have grown up here and benefitted from a strong K-12 education system.

It is imperative we encourage these students to continue their education and training at one of America's many fine higher education institutions. The best way to do this is to ensure they are not forced to pay higher tuition rate based solely on where they were born. Congress should pass the DREAM Act and provide stability to a new generation of leaders.

We have provided additional testimony, information, and student comments on these issues as well as information about the effects of sequestration on Minnesota. We are excited to work with this subcommittee and the full House committee to ensure students' voices are heard throughout this process.

Again, thank you very much for inviting me today.

[The statement of Ms. Miles follows:]

Prepared Statement of Moriah Miles, State Chair, Minnesota State University Student Association; Student, Minnesota State University, Mankato

BACKGROUND

The cost of college in Minnesota and across the country is rising dramatically. The tuition at the seven Minnesota state universities has increased by more than 100% in the last decade. During the same period our state has dramatically cut the appropriation our universities rely on to keep college accessible and affordable to all students regardless of income. Meanwhile, student debt has risen dramatically. Approximately one year ago, the total student loan debt in the United States surpassed credit card debt, now averaging $28,566 per university student. Addressing this issue is one of the most important challenges facing students across the country.

There are many things Congress can do to assist students and position our generation for success. First, Congress needs to address the impending doubling of the subsidized Stafford Loan interest rate.

Students are already delaying purchasing homes, starting families and fully contributing to the economy because of the massive amounts of debt they incur in their efforts to get ahead. Reducing interest rates now and providing affordable loans in the future will greatly benefit our country by allowing these students to contribute more money to the economy.

I also urge the House to protect the Pell Grant. This program was designed to provide access to a new generation of low and middle income students. While tuition has risen across the country, unfortunately the Pell Grant has not kept up. The most recent "Ryan" budget proposal would devastate funding for students by freezing the maximum Pell grant for ten years, eliminating $86 billion in mandatory funding for Pell grants (which will likely result in a substantial cut to the maximum award), increasing student indebtedness by eliminating the in-school interest subsidy and allowing interest rates to double for subsidized student loans, and narrowing eligibility for need-based student aid. This proposal will hinder student success for years to come. Millions of students rely on this funding as tool out of poverty and to make better lives for their families. Disinvestment in this area not only harms students, but will also hurt employers by diminishing the workforce.

As Congress works on proposals to help students, it is important to remember that reducing the Pell Grant funding is not the direction we should take. Instead, we must invest in future generations, and provide additional support for low and middle income students. Investment in the Pell Grant is the most important tool America can use to enhance the workforce of the future and increase the number of post-secondary graduates.

Many students rely on some form of financial aid whether it is loans, scholarships or grants. Often, the amount of financial aid a student receives can vary from institution to institution and can impact a student's decision on where to attend college. Students and their families report difficulty in deciphering college financial aid award letters. This is because colleges write their own letters and use their own terminology, abbreviations, and acronyms to describe different types of aid, such as federal student loans. The terms they use can be so confusing students may not even know certain forms of financial aid are loans. This makes it hard for families to compare financial aid offers among different schools. Congress and the Department of Education can solve this problem with a uniform award letter that will provide families the ability to effectively compare all available options.

Tuition is not the only financial burden students are facing. Students are continuously concerned with the dramatically increasing cost of textbooks. In 2012, our association conducted a survey on textbook costs and the findings were pretty dramatic. Almost 1,500 students responded to the survey and hundreds left comments about their personal experiences with textbooks. One of the most important things we found from this survey is that textbook cost is an issue affecting students across the state. 94% of student respondents indicated the price of textbooks and course materials impacts their ability to afford college, with nearly one-third stating that textbook costs greatly impacted their ability to fund their education. More than half of those responding said they have simply chosen not to purchase a textbook at all in order to save money. Congress must work together with all stakeholders to find creative ways to cut the costs of these materials.

Another cost issue facing students within our system is under regulated financial aid disbursement companies and banks, such as Higher One. These financial institutions are getting rich off of taxpayer dollars that are intended for students, and through unfair fees, instead end up in the pockets of wealthy investors. There needs to be a serious discussion in Congress and the Department of Education to ensure students are not continually taken advantage of.

Passing the DREAM Act will allow America to remain an economic leader. We must encourage the talent already residing in this country to stay. This is especially true when it comes to children who have grown up here and benefited from a strong K-12 education system. It is imperative we encourage these students to continue their education and training at one of America's many fine higher education institutions. The best way to do this is to ensure they are not forced to pay a higher tuition rate based solely on where they were born. Congress should pass the DREAM Act and provide stability to a new generation of leaders.

MSUSA has provided additional written testimony on each of these issues as well as information on the effects of sequestration in Minnesota. We have also provided student comments that have been collected over the last year from student surveys, emails and other outreach efforts. We are excited to work with this Subcommittee and the full House Committee to ensure students voices are heard throughout this process.

Sincerely,

Moriah Miles, STATE CHAIR,

Minnesota State University Student Association.

I. Federal Student Loan Programs and Student Debt

Unless Congress acts decisively, the interest rate on new federal subsidized Stafford student loans will double from 3.4 percent to 6.8 percent on July 1, 2013. A 2007 college affordability plan gradually reduced the interest rate from 6.8 percent to 3.4 percent through 2012, when the rate was scheduled to revert to 6.8 percent. Last year, in the midst of the election cycle, motivated primarily by sluggish economic conditions, President Obama and Congress led a successful effort to extend the low 3.4 percent rate for one more year.

Students have already suffered from a variety of aid restrictions and limitations that have resulted in students contributing $4.6 billion to deficit reduction. Since the federal government makes 36 cents on every dollar loaned, increasing interest rates simply increases the government's profits from students. We need to overhaul the student loan system so it is equitable to all borrowers. Such a comprehensive approach will take time and must provide ample opportunity for participation by borrowers and the general public.

In Minnesota, state appropriation and federal aid have failed to keep pace with the rising cost of college. As a result more students than ever rely on student loans. The Project on Student Debt shows the average borrower at a MnSCU University graduates with over $28,500 in student loan debt.

And now, in the midst of more borrowing and continuous increases in tuition, on July 1st the federal student loan interest rate will double, from 3.4% to 6.8%, for over 300,000 Minnesota students.

If Congress does not take action, the average subsidized Stafford loan borrower will have $2,800 in increased student loan debt over a 10-year repayment term. Those who borrow the maximum of $23,000 will see their interest payments increase approximately $5,000 over a 10-year repayment period and $11,000 over 20 years. These loans are provided to almost eight million low and moderate-income students each year and do not accumulate interest while the borrower is in school.

Heavy student loan debt carries crippling consequences for students. High debt can affect where graduates live, the kind of careers they pursue, when they start a family or whether they purchase a home. We simply cannot afford to balance the budget on the back of students.

In 2011 MSUSA completed a survey on Financial Literacy. Please view the results here: *http://www.msusa.org/vertical/sites/%7B8F60E86D-EE41-444E-926B-0493E70B13F9%7D/uploads/Student—Financial—Literacy—Report—(1).pdf*

Also, in 2013 we completed a survey of part-time students at our universities. Please view the final report here: *http://www.msusa.org/vertical/sites/%7B8F60E86D-EE41-444E-926B-0493E70B13F9%7D/uploads/Part—Time—Survey—Report—.pdf*

Student Comments on Debt

"I have two children currently attending college along with myself attending part-time. I exhausted the money I had saved for my children's college in the first two years of their attendance. I was amazed at how expensive the tuition was and the associated fees. I wish my paycheck increased at the same rate as the college tuition. * * * We have given up family vacations, dinners out, and numerous other activities. I just bought my 15 year old a prom dress at a consignment store. She loves it * * * I just wish I could buy her a dress that was new. Don't get me wrong, the sacrifices are worth my children having a good quality education. I just wish it was not such a financial struggle."

Student, St. Cloud State University

"With working full-time and being a part-time student, it makes it very difficult to pay the amount that I need to when payments are due. This semester I got a grant for $112—that is nothing when tuition + fees is $1570. * * * they claim I make enough to pay tuition, yet I do have other bills to pay—I do have to eat, have a place to live, and I need a car (and all the things that go with having a car) to get me to school and work. None of those things are free/cheap * * * I do not currently take out loan to pay my college expenses, but the first two years of college I had to. I have gotten two paid off but I have my largest loan left which is currently sitting at $16,000. I waited until I was almost 25 to return to college so I could get help, and that didn't help me! I want to know what it takes to get help for college."

Student, Winona State University

"The rising cost of higher education has affected me dramatically. I am a single mother of three children, and I pursued my education to provide a better life for them. With the debt I accrued being so high, I have no idea how or if I will ever be able to afford paying it off or be able to move forward in life."

Student, Winona State University

"I did not return to college until age 28 for fear of owing on student loans. After completing three years of schooling from 2004-07 & receiving my ADN (Associate Degree in Nursing) I was deeply in debt. Fear of increasing my financial aid total (over $40,000 then) originally kept me from finishing my BSN when I began pursuing it from 2007-09, and I instead accepted full-time work. After losing my job in December 2011, I returned to school and am now on my 3rd consecutive semester & will graduate in May. I want to go to grad school for my DNP (Doctor's of Nursing Practice) but the cost may be prohibitive, as I don't qualify for a Minnesota Grant (too old? too many credits? I can't recall why) and the loans I will take will be unsubsidized. As a single mother, things are even harder. I will note that grants are slanted against "non-traditional" student like myself, who had some college earlier in life, and then returned when I actually knew what I wanted to do, then was turned down due to high credit load."

Student, Minnesota State University Moorhead

"It's a constant, sickening pressure to know I will be in crushing debt the rest of my life repaying these loans while I raise my daughter by myself with very minimal child support. I fear I will have a harder time in grad school since I'll have to work a lot to support us, although I know from experience this is hard for me to do. I would do better in school if I could work part time, but would hate to take out loans to pay for rent again, as that's how I got in this mess in the first place. So I will have a poorer academic experience than I would like because I will be working more than I would like to, so I don't have to add to my already-crushing student loans."

Student, Minnesota State University Moorhead

"I have been emotionally distracted at times. I thought about dropping out several times. It affects my future by maintaining a steady fear of debt and additional fees, with the worry of never being able to pay it off or get ahead in life."

Student, Winona State University

Recommendations on Student Loan Debt and Interest Rates

With such little time left before July 1st, Congress should keep interest rates low for students now, and during the reauthorization process take a deeper look into long-term solutions. Keep Debt Low and Repayment Manageable: Student debt levels are at record highs, as is the default rate on student loans. High loan debt has serious economic impacts on a graduate's ability to move forward in life, whether purchasing a home, starting a family, or continuing their education.

- Maintain Low Interest Rates on Student Loans: Unless Congress and the President act decisively, the interest rate on new subsidized Stafford student loans will double from 3.4 percent to 6.8 percent on July 1, 2013. That will drive up loan costs by $1,000 per student, per loan, for over 7 million students
- Strengthen Income-Based Repayment: IBR is an important safety net for borrowers struggling to make their payments. Unfortunately, far too few distressed borrowers are participating. Right now, there are only approximately 1.1 million students enrolled in IBR, while 5.4 million borrowers are currently late on their payments.

II. Pell Grant

In 2010-11, about 153,000 students attending Minnesota institutions received $513 million in Pell Grants. The growth of the Pell Grant program has placed it in the budget crosshairs in Washington, D.C. It's important to understand that the Pell program is not unsustainable. In fact, it's doing exactly what it's supposed to do—meet the demand for higher education. Someone once told me that if the economic slump was a tornado, the Pell grant would be disaster relief. Eliminating thousands of Minnesotans from the Pell grant program is yet another disastrous financial hardship for students already struggling with increased higher education costs. We need to do better than to give students a choice between not attending school or assuming even greater debt.

To restore our economic health, Minnesota businesses need a labor pool of unmatched skill and expertise. This requires a college education for its citizens. A recent study from Georgetown University showed that the Minnesota economy will need 70% of its workforce to hold a post-secondary degree by 2018. Currently fewer than 45% of Minnesotans hold a post-secondary degree. To remain economically competitive, we must ensure higher education institutions are accessible and affordable for the Minnesota workforce.

In 2011 while the US House was debating cuts to the Pell Grant MSUSA in partnership with the Minnesota State College Student Association (MSCSA) completed a petition with more than 4,000 signatures in opposition to the cuts. During this process we also collected many student stories about how the Pell Grant has helped them. Please view the full petition and comments here: *http://www.msusa.org/vertical/sites/%7B8F60E86D-EE41-444E-926B-0493E70B13F9%7D/uploads/Pell—Petition—(1).pdf*

Pell Grant Student Stories

"My husband and I found out while I was attending SCSU that we were going to have our first child. As with children one of our concerns was, how are we going to be able to afford me to go to school. As the school progressed we were very worried about it and considered the possibility of not continuing and getting a full time job. The next time I did our FAFSA, I was surprised to see that we were eligible for a Pell grant that would pay for my semesters in college. I have continued my education and will be graduating Fall of 2013 with a degree in Biology and a Chemistry minor. It has been nothing but helpful for so many reasons!"

"I am a freshman student at St. Cloud State University, and I receive no financial aid from my parents. I have to rely only on grants and scholarships to pay for my college expenses. The Pell Grant is the single largest source of funds I depend on for financial aid. I consider it a lifeline because it covers nearly a third of my tuition. Without the Pell Grant, I probably would not be able to afford college unless I were to borrow against my future by taking out a loan. According to my judgment, post-college success is directly connected to college debt.

"I hope I can depend on the Pell Grant in the future for supporting me the way it has thus far. By staying at SCSU, I believe I am using the federal monies more efficiently because the grant can cover a higher proportion of tuition expenses. Thank you, MSUSA, for advocating on my behalf."

Brody Hagemeier, Saint Cloud State University

"My name is Emalee Arends, and it would have been financially difficult for me to attend college without the funds from the Pell Grant. A couple years before college, my dad contracted a rare tick virus that put him in the hospital in critical condition for three months. My family was swarmed with thousands of dollars in doctor's bills. With the help of the Pell Grant, we only had to pay around $4000 dollars for my first year of college! Paying for my second year of college is going to be even more difficult. This past Christmas, we found out that my dad has bone marrow cancer and kidney failure. He is going through expensive dialysis and chemo treatment. Once again, my family is hammered with doctor's bills. Now that I have used all my scholarships from High School for the 2011-2012 school year, I am going to have to take out a lot of loans to help cover my sophomore year and future years of college. I will have little help from my parents financially. Without help from the Pell Grant, I will be covered in even more debt and student loans, and it will be extremely difficult to survive financially while in college. Thank you for listening"

Sincerely, Emalee Arends

"I am in my last semester of my collegiate experience at Metropolitan State University where I am double majoring in History and Gender Studies. I also previously attended Winona State University for about a year and a half before transferring to Metropolitan State University. For the five years that I have been attending college I have been receiving the Pell Grant as a part of my financial aid package. Without the Pell Grant I would have had to taken out bigger loans while I was attending Winona State University and would have had to take out loans while attending Metropolitan State University.

"The Pell Grant has been a live saver in not having to rack up huge student loans as most college students end up with after receiving their post-secondary education. I believe that it would be huge mistake to take away the Pell Grant for future post-secondary students that are just trying to further their education. Everyone should have access to a post-secondary education regardless of their economic background, ethnicity, or sexuality. Please keep the Pell Grant!"

Elizabeth Pretzel, Metropolitan State University

"I am a full-time student in Moorhead, MN. I am attending school to obtain my Bachelor's degree in photography. I am currently finishing up my fifth year, and will have one more full year and summer semester before I can graduate. School has been a long journey and very difficult for me as I have two disabilities that make college harder for me than the average student. I have been registered with disability services since I started attending school. The Minnesota Pell-grants I have received have made a huge impact on my ability to afford school because I have been in school longer than four years solely because of my health issues, and college is already very expensive. I am extremely grateful for any and all pell-grants that have made it possible for me as a Disabled student to get a four year college degree!"

Angela N. Buchanan, Minnesota State University-Moorhead

"The Pell Grant funded most of my education costs and allowed me to attend college. It would have been difficult to get through without it!! I am now a productive member of society, and I get to work in a professional capacity and make informed decisions for a $200B+ corporation! Thanks!"

Aaron Hall, St.Cloud State University

"I grew up in a single parent home. When I was in sixth grade my mother was diagnosed with Radiation Cancer from the Gulf War. At this point in my life I was already thinking about college, however with the change in my mother's health I started to question if college would be an option for me. My mother was quick to talk to me about college. She told me wanted me to go to college and get the degree she was never able to get. My mother believed that money should never be a reason not to go to college. She said that she wanted me to reach my potential and have a chance to follow my dreams. I remember her talking to me about my dreams to be a leader and helping others.

"Thanks to the Pell Grant I was able to attend college where I not only excelled in my classes but was able to lead through extracurricular activities and grow as a leader. Without the Pell Grant I would have had to work full-time and only been able to go to school part-time. I would have lost the leadership opportunities that college has to offer. College offered me the opportunity to have hands on learning and leadership development. Without these opportunities I would not be the person I am today. Thank you."

Sarah Shepard, Bemidji State University

III. Lender and Institution Requirements Relating to Education Loan Program

Minnesota SELF Loans are better for many students—The Minnesota SELF Loan annually provides 14,000 students with loans that have a 3.3% current variable interest rate or a 7.25% fixed rate option. In contrast, the federal PLUS loan interest rate is 7.9%.

The preferred lender requirement—Since 2010, the Higher Education Opportunity Act of 2008 (34 CFR 682.212 and 682.401) requires colleges to use a preferred lender process in order to provide students with information on any non-federal student loans, including state student loans. The preferred lender process is essentially a request for proposals in which lenders submit to the schools information about the terms and conditions of their loans. Schools that go through the process have a checklist of several things they have to do in order to select lenders.

Once a school has gone through the preferred lender process, they can list lenders on their website and direct students to the list. However, the list has to have more than one lender on it, even if the school thinks only one lender has a program they want to recommend. In addition, the order of lenders on a school's preferred lender list must be rotated so one lender is not always the first one listed.

Many colleges choose not to go through this process—Many are wary of the time and administrative costs of complying with these requirements on an annual basis. As a result, most colleges are prohibited from telling students about SELF Loans and are only able to provide information on federal PLUS loans, which currently have a higher interest rate. Also, only parents of undergraduate students with good credit can be borrowers of federal PLUS loans. In some cases, a student may be better equipped to repay the loan than a low-income or unemployed parent.

Many students are not aware of the Minnesota SELF Loan and other state education loan programs—Colleges who do not go through the required process are prohibited from providing guidance and information on state education loan programs, leaving students and parents to fend for themselves. Minnesota SELF Loan volume decreased by $42.5 million from 2009 to 2011 at Minnesota State Grant eligible colleges while federal PLUS Loan volume increased by $42.4 million.

Minnesota is part of a coalition of state education loan programs in 16 states with borrower-friendly terms—

At least 80% of state education loan programs in these states share the following terms:

- interest rates are the same regardless of the type of college students attend and fixed interest rates are available,
- colleges must certify the loans,
- applicants are informed about federal and state grants and federal loans and
- Compensation for loan staff is not based on loan volume.

Some states offer loan forgiveness and innovative beneficial repayment options like:

- loan forgiveness for on-time graduation (Texas B-on-Time Loan and the Georgia Student Access Loan) and
- Deferment for active duty military service and modified payment plans for periods of economic hardship.

The 16 states are—Alaska, Connecticut, Georgia, Iowa, Kentucky, Maine, Massachusetts, Minnesota, New Jersey, New York, North Carolina, North Dakota, Rhode Island, South Carolina, Texas and Vermont.

MINNESOTA SELF LOAN—INTEREST RATES 2002 TO 2013

Year	Quarter 1	Quarter 2	Quarter 3	Quarter 4
VARIABLE				
2002	....	4.6%	4.6%	4.5%
2003	4.3%	4.3%	4.2%	4.1%
2004	4.2%	4.4%	4.6%	5.1%
2005	5.6%	6.1%	6.6%	7.1%
2006	7.5%	7.9%	7.9%	8.1%
2007	7.7%	7.4%	7.4%	7.4%
2008	7.0%	6.0%	5.8%	5.9%
2009	5.7%	4.7%	4.3%	3.9%
2010	3.8%	3.8%	3.9%	3.85%
2011	3.8%	3.8%	3.8%	3.8%
2012	4.0%	4.0%	3.5%	3.4%
2013	3.3%	....	....	....
FIXED				
2010	....	....	7.25%	7.25%
2011	7.25%	7.25%	7.25%	7.25%
2012	7.25%	7.25%	7.25%	7.25%
2013	7.25%	....	....	....

Recommendation on Lender and Institution Requirements Relating to Education Loan Program

PUBLIC LAW 110—315

HIGHER EDUCATION OPPORTUNITY ACT (DRAFT REVISIONS)

PART E—LENDER AND INSTITUTION REQUIREMENTS RELATING TO EDUCATION LOANS

[SEC. 151. DEFINITIONS]

Existing Language	Proposed Language
(8) PREFERRED LENDER ARRANGEMENT.—The term ''preferred lender arrangement''——	(8) PREFERRED LENDER ARRANGEMENT.—The term ''preferred lender arrangement''——
(A) means an arrangement or agreement between a lender and a covered institution or an institution-affiliated organization of such covered institution——	(A) means an arrangement or agreement between a lender and a covered institution or an institution-affiliated organization of such covered institution——
(i) under which a lender provides or otherwise issues education loans to the students attending such covered institution or the families of such students; and	(i) under which a lender provides or otherwise issues education loans to the students attending such covered institution or the families of such students; and
(ii) that relates to such covered institution or such institution-affiliated organization recommending, promoting, or endorsing the education loan products of the lender; and	(ii) that relates to such covered institution or such institution-affiliated organization recommending, promoting, or endorsing the education loan products of the lender; and
(B) does not include——	(B) does not include——
(i) arrangements or agreements with respect to loans under part D of title IV; or	(i) arrangements or agreements with respect to loans under part D of title IV; or
(ii) arrangements or agreements with respect to loans that originate through the auction pilot program under section 499(b).	(ii) arrangements or agreements with respect to loans that originate through the auction pilot program under section 499(b).; or
	(iii) private education loans made under a State-Based Loan Program.
(9) PRIVATE EDUCATION LOAN.——	(9) PRIVATE EDUCATION LOAN.——
The term ''private education loan'' has the meaning given the term in section 140 of the Truth in Lending Act.	The term ''private education loan'' has the meaning given the term in section 140 of the Truth in Lending Act.
	(10) STATE-BASED LOAN PROGRAM.—The term ''State-based Loan Program''——
	(A) means a private education loan program that——
	(i) is provided by a state agency, state authority, or not for profit corporation, separately or jointly;
	(ii) makes loans not funded, insured or guaranteed by the federal government; and
	(iii) is authorized or established by state statute and is fully or partially funded by state funds or tax-exempt indebtedness issued pursuant to requirements of the Internal Revenue Code (Title 26 of the United States Code).

IV. Uniform Award Letter

Students seeking to enroll in postsecondary education face a series of hurdles, chief among them, how to pay for college. Many students must rely on some form of financial aid whether it is loans, scholarships, grants or some combination. Often, the amount of financial aid a student receives can vary from institution to institution and can impact a student's decision on where to attend college. Students and their families report difficulty in deciphering financial aid award letters from colleges because they write their own letters and use their own terminology, abbreviations, and acronyms to describe different types of aid, such as federal student loans. The terms colleges use can be so confusing that students may not even know that certain forms of financial aid are loans. This makes it hard for families to compare financial aid offers among schools.

At a time when college costs continue to increase and the average college senior graduates with $25,250 in student loan debt, we need to make it easier for students and their families to understand financial aid offers and exactly how much it will cost to attend college. And we need to establish an apples-to-apples comparison of college costs so that students can compare the offers they receive from different institutions. This legislation would do just that by requiring institutions to use a uniform financial aid award letter. The legislation would require the Department of Education to work with colleges, students, school guidance counselors, and consumer groups to develop standard definitions that would be used in the award letters. The legislation would also ensure the letters are useful to students by requiring the letters to be consumer tested before being put into use.

Specifically, the Understanding the True Cost of College Act would:

- Require institutions of higher education to use a uniform financial aid award letter.
- Call on the Department of Education to work with colleges, consumer groups, students, and school guidance counselors to develop standard definitions of various financial aid terms for use in the uniform financial aid award letters.
- Establish basic minimums of information that must be included in the uniform financial aid award letters, such as: cost of attendance; grant aid; the net amount a student is responsible for paying after subtracting grant aid; work study assistance; eligible amounts of federal student loans; expected federal loan monthly repayment amounts; and disclosures related to private loans, front-loading of grants, and treatment of scholarships.
- Require the Department of Education to establish a process to consumer test the uniform financial aid award letter and use the results from the consumer testing in the final development of the uniform financial aid award letter.

V. Textbooks

Textbook prices are rising four times faster than inflation, leaving the average student now paying over $1,100 every year for textbooks. After working to end many tricks the publishing industry used to increase prices unfairly, MSUSA is fostering real competition in the textbook market place by promoting more affordable options like open textbooks and open education resources. In July, 2012 MSUSA completed a survey of students at its seven universities. Please go to this link to view the final report: *http://www.msusa.org/vertical/sites/%7B8F60E86D-EE41-444E-926B-0493E70B13F9%7D/uploads/Textbook—Survey—Report.pdf*

Student Comments on Textbooks:

- "The cost of certain textbooks has caused me not to take certain classes even though the material covered was of great interest to me and would have filled requirements * * *"
- "[Textbook cost] has had an impact on the courses I chose later in my college career. When the classes became more of a choice rather than required, I would sometimes choose a course over another because of the cost of the text."
- "I cannot buy all my books at once, and some classes I end up not buying all the books I need because books are so expensive. I do not receive enough financial aid to cover textbook costs, so I pay for my books out-of-pocket."
- "I try and locate and purchase the cheapest textbooks in good condition. At the end of the semester, I sell my textbooks on eBay or Amazon for the price I purchased them; this helps me recycle my money so I can afford textbooks for the upcoming semester."
- "Most classes require purchasing a textbook, and sometimes more than one. When a student gets deeper into their major, books tend to be hard cover and cost a lot; hundreds of dollars. And once the semester is over, one tries to return the book and get some money back and you usually don't even get half the price you paid for it."
- "I always end up borrowing extra money for books. If I didn't have loan eligibility it would be very difficult to afford books."
- "Textbooks usually influence the amount of credits I take per semester because I add that into the amount I can afford [every semester]."
- "It would be much more cost effective to use other resources like Amazon, but I often don't have the money to order them in advance. I rely on financial aid to pay for these things. That, coupled with the fact that overage doesn't get sent out until later in the semester, means that I'm forced to pay the inflated prices at the campus bookstore."
- "Sometimes I just can't find that extra $500 to buy books. Most times, I hope the teacher put a book in reserve or something. I had in the past made copies from other students who had bought their book already."
- "This semester I chose not to buy two books because I couldn't afford them. I ended up splitting the costs with a friend because you need books whether you can afford them or not."
- "I have been in classes where I know of a few other people in the class. We will sometimes pool our money together and just buy 1 or 2 books for the group of us to use."
- "I can only afford so many textbooks so I don't buy them right away and only buy the ones that are absolutely necessary."
- "Coming into my senior year, and the major I am in has one book that I am supposed to purchase-will cost me over $250."

• "It seems that most instructors are becoming more aware of how the cost of course materials impacts their students. I've noticed that some instructors have worked hard to limit these costs."

VI. Dream Act

The DREAM Act would enable children of undocumented immigrants to pay resident in-state tuition at Minnesota state universities and colleges and receive federal and private financial aid. In addition, it would encourage those students without lawful immigration status to seek out legal status at the soonest possible convenience.

In order for Minnesota to remain an economic leader, we must encourage the talent already residing in the state to stay. This is especially true when it comes to children who have grown up here and benefited from the state's K-12 education system. It is imperative we encourage these students to continue their education and training at one of Minnesota's many fine higher education institutions. The best way to do this is to ensure they are not forced to pay a higher tuition rate based solely on where they were born.

This has been an important concern of MSUSA for many years. As you know, 80% of students who attend a Minnesota State Colleges and University institution stay in Minnesota to work upon graduation. Considering this fact, we feel it is vital to encourage the type of low-income, at-risk students this law would most benefit to stay in Minnesota for their education. By offering them the same tuition rates and financial aid opportunities many Minnesotans already receive, it would ensure a state university or college education would remain accessible for this important population. This increased accessibility would translate into a larger, better-educated workforce in this state for years to come.

While we understand there will be costs associated with the DREAM Act, we believe they are far outweighed by the benefits. At a time when Minnesota not only has to compete with other states for talent and resources, but other countries as well, it is vital we retain our best and brightest. Many of the students this law would benefit grew up in the United States and consider this their home. We owe it to them and the state to give them the same incentives and opportunity as everyone else.

VII. Sequestration Effects in Minnesota

Federal supplemental grants to students (FSEOG)—In 2010-11, 33,100 undergraduates in Minnesota received $21.2 million in FSEOG awards. Approximately $15.9 million (75 percent) of the money came from federal funds and 25 percent came from institution matching funds. Sequestration would mean fewer students would receive the grants, or the awards would be smaller. The federal government is estimating 920 fewer students would receive FSEOG grants.

Federal Work-Study—In 2010-11, 15,000 postsecondary students in Minnesota received $26.3 million in earnings from federal work-study jobs. Approximately $19.7 million (75 percent) of the money came from federal funds and 25 percent came from institution matching funds. The federal government is estimating 500 fewer students would have Federal Work-Study jobs.

Get Ready—The Office of Higher Education receives $3.1 million a year in federal funding for the Get Ready/GEAR UP program. The program works with approximately 4,700 low-income K12 students each year to prepare them for education after high school. Assuming the reduction would be about 5.3 percent in the 2013-14 academic year, the agency would protect direct services to students, so purchases of supplies would be reduced. The agency also would probably reduce or eliminate opportunities for science, technology, engineering and math (STEM) grants to schools that began this year. A 5.3 percent reduction would be about $164,000.

College Access Challenge Grants—$1.5 million a year in federal funds are used to foster activities to increase the number of low-income students prepared for postsecondary success. The activities include making software available to extend the efforts of high school counselors at low-income schools and competitive grants to organizations such as College Possible that work with students to encourage and support college attendance. A 5.3 percent reduction would be about $80,000. The agency would reduce expenditures on the activities.

Improving Teacher Quality Program—$847,000 each year is used for grants to about 16 institutions of higher education to provide teacher professional development in core academic areas. The program's funding was cut two years ago and the Office of Higher Education cut the amount for each grant at that time. Reducing the amount available a second time would mean smaller awards for each recipient or a reduction in the number of recipients. A 5.3 percent reduction would be about $45,000.

BIOGRAPHY: MORIAH MILES, STATE CHAIR, MINNESOTA STATE UNIVERSITY STUDENT ASSOCIATION

Moriah Miles was raised in Sioux Falls, SD and attended South Dakota State University and later transferred to Minnesota State University, Mankato. She is a senior majoring in International Relations and serves as the State Chair of the Minnesota State University Student Association (MSUSA). MSUSA is a 501(c)(3) organization that advocates on behalf of the 75,000 students attending one of the seven state universities in the Minnesota State Colleges and University (MnSCU) system. She has previously served as the Vice President of Minnesota State University, Mankato Student Association and President of the Model United Nations at MSU-Mankato.

Moriah Miles has been a student leader throughout her time in college. She lead a group of students on a 90 mile walk from Mankato to the steps of the Minnesota Capitol in Saint Paul to meet with Governor Dayton and highlight the importance of higher education funding. She has testified to the state legislature numerous times as a student representative on issues ranging from expanding internship opportunities to increasing state grants for working part-time students. Moriah also serves as the Chair of the Student Advisory Council and works with students from all systems in Minnesota to advise the Director of the Minnesota Office of Higher Education and ensure student voices are heard at the highest levels of state government.

Chairwoman FOXX. Thank you very much.

I appreciate very much all of the comments that the witnesses have made.

I would now recognize the chairman of the full committee, Mr. Kline, for 5 minutes for any questions that he has.

Mr. KLINE. Thank you, Madam Chair.

And thanks to the witnesses for being here today, and my colleagues. A busy day here in the Capitol, with hearings occurring all over the place, so I apologize for missing so much of the hearing.

I want to thank Ms. Miles for making the trip. I know it was a hardship to leave that balmy weather in Mankato. I haven't seen the grass in my front yard since somewhere around Thanksgiving, and I am sure you are about the same. But we very much appreciate your testimony and your making the trip here today.

Ms. McGuire, you mentioned, as others have, the importance of simplifying federal student aid programs. It is a major goal of mine—I can say of ours, as we move to reauthorize the Higher Education Act. Have you got some specific suggestions for simplifying the current system, and what would that mean to students and taxpayers?

Ms. MCGUIRE. Thank you so much for asking that question. I think first of all, for students, as several of the panelists suggested, simplifying the form itself for the application would make a great deal of sense. So many students—particularly low-income students—find the form daunting.

I should also point out that so many students who are from families where they are the first ever to attend college don't have any parent in the family who knows how to fill out the form, and if students don't speak English in their households the problem is more complex. Similarly, the requirement for parental tax forms and other kinds of documentation adds to the burden on students and at some point they just give up or they don't do it and that is complex.

Secondly, putting a financial aid package together requires so many different components and so many acronyms and so much verbiage that it becomes very confusing for students and families alike, and even for financial aid administrators. Remember, on top of federal aid we not only have institutional aid, but frequently a lot of state grants, as well.

Looking at the system in order to decide how to streamline the processing so the student gets one number or two numbers and not 10 numbers would enhance the ability of students to understand both the debt they are taking on, the grants they are receiving, and the amount they have to pay. Right now it is an extremely confusing process for most.

Mr. KLINE. Yes. Thank you. You make a good point about not having a parent that has been through the process, but I can imagine there are many, many, many, many parents who really can't help the process. It is getting to be like doing your taxes. You almost have to go have——

Ms. MCGUIRE. That is absolutely true.

Mr. KLINE. Thank you, again, very much.

And, Madam Chair, I yield back.

Chairwoman FOXX. Chairman yields back.

I now recognize the ranking member, Mr. Hinojosa, for 5 minutes.

Mr. HINOJOSA. Thank you.

Ms. Miles, I was very impressed with your statement——

Ms. MILES. Thank you.

Mr. HINOJOSA [continuing]. And I congratulate you for having such an important position, representing thousands and thousands of students.

Ms. MILES. Thank you.

Mr. HINOJOSA. In your testimony you indicate that the Ryan budget proposal would devastate funding for students by freezing the maximum Pell Grant for 10 years, eliminating $86 billion in mandatory funding for Pell Grants, allowing the interest rates to double on subsidized loans and eliminating the in-school interest subsidy. How will these proposed cuts to Pell Grants affect students in your state and across the country, and how will it affect student debt levels in your state and across the country?

Ms. MILES. Thank you very much.

The research my organization has done on Pell has shown that the students that receive Pell rely on that to attend an institution of higher education. Many of them reported to us that without the Pell Grant they would not attend higher education.

And so a cut to the Pell Grant program would be extremely detrimental to the students that need education. They are the students that are driven to find a way to make it into college, and if we don't provide that Pell Grant we open this door to opportunity where they can go to other private loan options, which, if you, very well aware of the student debt in our nation, is not the best option for our students, and frankly, in my opinion, if the Pell Grant is available they should receive the Pell Grant.

Mr. HINOJOSA. What I hear you say is that affordability and accessibility would be shut out for many, many students, and that is exactly what the chancellors and the presidents of universities told me during the period that I was chairman of this subcommittee——

Ms. MILES. Yes, sir.

Mr. HINOJOSA [continuing]. And I agree with you.

Thus, in your expert testimony you urge Congress to pass the federal DREAM Act. Can you tell us why you believe it is vitally important that Congress pass that particular initiative which is known as the DREAM Act?

Ms. MILES. Yes, sir.

I am sorry, was there a question? I am sorry. I didn't hear you.

Mr. HINOJOSA. Yes, the question was tell my why you believe it is vitally important.

Ms. MILES. Why it is vitally important? Access and affordability, again, and I am going to go back to that. We have students in our state that need this DREAM Act. In fact, they filled up an entire hearing room a few weeks ago asking for our state to also find a way to support this.

We need to support the workforce of our future, and this DREAM Act allows those students that want to be a part of that to become a part of that and create that opportunity for them. By not allowing the DREAM Act to go through, I myself have identified many people that want to be a part of creating a better economic future for this country but won't be allowed to take that opportunity.

Mr. HINOJOSA. I agree with you.

I want to ask the next question to Terry W. Hartle.

In your expert opinion, what are the student demographics of our nation's higher education system and how have they changed since President Lyndon Johnson signed the Higher Education Act into law?

Mr. HARTLE. Thank you for the question, Congressman. The biggest change, I think, would be that when the Higher Education Act was created we had a modest enrollment in higher education—8 million students, most of whom were what we would call traditional students—18 to 22 years old, financially dependent on their parents, attending full-time, living in college housing.

Today, those students are less than 15 percent of all college and university enrollments. So we have a much more diverse, much more nontraditional student population.

In addition, the population has gotten much larger. At the present time we have 21 million students enrolled in higher education, the highest it has ever been. And that compares for—just to put it in context, there are only 15 million students in high school in the United States.

We have 21 million students in college, entirely attributable to the propensity of adults to seek further post-secondary education and training. And designing programs that meets the need of the huge array of students attending that vast number of institutions is an increasingly complicated task.

Mr. HINOJOSA. In your statement you pointed out that the federal government has few tools available to ensure states continue to play their historic role in making higher ed available at a modest price. And you also said that there is a real question as to whether the federal government, acting virtually alone in the student aid policy sphere, has the resources to ensure meaningful access to college.

So in your opinion, what can the federal government do to ensure that the states do their part?

Mr. HARTLE. I think that is a very challenging question because federal student aid funds—the beauty of them is they go directly to the students and let the students decide where to spend them. The drawback is they do not go through state governments so you find it very difficult to condition what state governments have to do for their citizens to get those funds.

I think the strength of student aid, the fact that it goes directly to the students and it is so strong on student choice, undermines the ability to hold the fire—the feet—states' feet to the fire on this particular issue. I think the increases in federal student aid that Congress has provided in the last 5 years have helped insulate many students and families from these huge tuition increases, but the chance to really force the states to recognize and to honor the obligations they have is very limited from the federal policy direction.

Mr. HINOJOSA. We will take your considerations and your statement into consideration as we are working on this reauthorization.

Thank you.

Chairwoman FOXX. Thank you, Mr. Hinojosa.

Mr. Walberg, you are recognized for 5 minutes.

Mr. WALBERG. Thank you, Madam Chairman.

Let me just ask a question directly that may be strange in this setting, but do too many students go to college or university right now? And maybe added to that, should we set higher entrance requirements? What are your thoughts briefly on that?

Ms. MCGUIRE. If I may answer that?

Mr. WALBERG. Sure.

Ms. MCGUIRE. First of all, I think it is imperative in the knowledge economy this nation has to make sure that every student who wants to and is able to go to college really can. Most of the jobs that are begging right now are jobs that do require post-secondary education, if not a baccalaureate or even an advanced degree.

So in order for this nation to remain productive, to support innovation, to support the future goals that we have, the idea of college access that must not be repressed. There are not too many students going to college; there are a lot of students who need a great deal of support.

Mr. WALBERG. Let me ask, at Trinity what is your remediation rate for freshmen entering students?

Ms. MCGUIRE. What is our remediation?

Mr. WALBERG. Remediation.

Ms. MCGUIRE. Well, we don't call it remediation; we call it education.

Mr. WALBERG. Well, whatever you call it.

Ms. MCGUIRE. And our students come in at varying education levels and our——

Mr. WALBERG. Why?

Ms. MCGUIRE [continuing]. Goal is to bring them up to——

Mr. WALBERG. Why?

Ms. MCGUIRE [continuing]. The ability to do—pardon me?

Mr. WALBERG. Why?

Ms. MCGUIRE. Well, because half of them come from public schools that are not up to snuff, and that is——

Mr. WALBERG. Okay.

Ms. MCGUIRE [continuing]. Another whole discussion, so——

Mr. WALBERG. Let me go on with my next——

Ms. MCGUIRE. But our goal is to educate them and to——

Mr. WALBERG. Right.

Ms. MCGUIRE [continuing]. Have them achieve college.

Mr. WALBERG. I appreciate that and it is a great work you do. I am concerned about the fact that there is so much remediation that goes on at our colleges, universities, our community colleges. We push kids to dream about education in the long run. That is great.

But let's make sure that we have the students pushed in understanding that it takes academic qualifications and it takes excellence to continue on this world, and let's not just manufacture students. Let me go on.

Last week I was fortunate enough to host Chairwoman Foxx at a field hearing in Monroe, Michigan in my district in which we highlighted how partnerships with employers and educational entities are making significant positive result impacts in getting education and ultimately jobs for students in all different fields.

One of the witnesses was Mr. Douglas Levy, who is the director of financial aid at Macomb Community College. He commented on the need to address fraud in the Pell Grant system.

In the 2007-2008 academic year the cost of the Pell Grant program was roughly $14 billion and used by 6 million Americans. Just 3 years later that program has swelled to $31 billion and used by 9.6 billion.

Many of these students need this funding, granted. However, I have numerous examples of these funds by misspent on areas other than educational expenses, including keeping foreclosures from happening.

My first question would be to Mr. Madzelan: How can we ensure that we keep this vital program strong and healthy and intact for those who use it for its intended purpose, and beyond that, how do we do that while reducing intentional fraud or misuse of the program?

Mr. MADZELAN. Well, I think one of the beauties of the federal financial aid programs, as Terry Hartle mentioned about providing the assistance, the vouchers directly to students, but coupled that with there is always a financial aid administrator between the federal government and the student's money. So we do have, you know, internal controls, if you will, built in.

I think where challenges are coming forward in the near term is around distance education, which I think we are all supportive of, be we tend to kind of move away from that notion, with respect to federal aid, of having, you know, a real person standing between the federal government's dollar and the individual students.

I know just before I left the department our inspector general became very concerned about that. The department indicated it would be working on some—perhaps pursuing some regulatory solutions. I would be, you know, interested hearing what, you know, those ideas are, but I really don't have, you know, a solution right now how to better protect the integrity of the program.

Mr. WALBERG. Mr. Hartle?

Mr. HARTLE. Let me simply begin by saying fraud has absolutely no place in federal student aid programs, and where there are examples of it we need to identify what the systemic problems are and to root them out. One of the challenges institutions face in federal student aid policy is that federal student aid is an entitlement right to the student, and we have very limited authority to deny those rights to students because the money goes to the student.

I know of many institutions, including, particularly, community colleges, that would prefer that their students not borrow money to finance their education because they are afraid that the students won't complete the education, the students will get in over their head with debt and will end up with an obligation they might not be able to repay. But institutional authority to deny students the right to borrow is very limited.

So that is sort of the tradeoff that I think the committee will have to wrestle with is how much authority you would like to put in the hands of people like the financial aid administrator at Macomb to interfere or to limit student entitlement rights that Congress has established.

Personally, I think it would be a very good idea if institutions had some discretionary authority to deny certification for loan eligibility to broad groups of students. Not talking here about by race, or sex, or gender, or anything like that; simply talking about broad groups of students—perhaps students in certain programs that are not likely to result in high earnings, perhaps students that need a substantial amount of developmental or remedial education before they will be ready to do college-level work. Those sorts of situations.

Mr. WALBERG. That would be super——

Chairwoman FOXX. Thank——

Mr. WALBERG. Correct.

Thank you, Madam Chairman.

Chairwoman FOXX. Thank you both.

Ms. Bonamici?

Ms. BONAMICI. Thank you very much, Chair Foxx and Ranking Member Hinojosa, for holding this important hearing, and to the panel, especially Ms. Miles, for bringing that very important student voice to the conversation.

President McGuire, thank you so much for raising the issue of how we measure success. I share your concern about assessing a return on investment by looking at the salaries of graduates. As you rightly point out, worthwhile employment is often found in the service or nonprofit or public sectors.

So if, as you suggest, assessing the return on investment based on salaries is inappropriate, how should we be determining which colleges and universities offer a good investment, or is that the wrong question?

Ms. MCGUIRE. I don't think that is the wrong question at all, but I think the criteria must be broader than what the starting salaries are of recent graduates.

At Trinity, 95 percent of our graduates from the last 10 years are employed or have gone on to graduate school. Many recent graduates go on and don't work for quite some time or work in part-time jobs because they are earning master's degrees, or law degrees, or other advanced degrees. And they will eventually, in fact, return much higher salaries.

I represent an institution that is a historic women's college, and we know that many women have to interrupt their careers in order to raise families and care for children. They should not be penalized, nor should institutions with large populations of female students be penalized, both because of the kinds of careers they choose or the fact that they stop out to care for families. Women are also caught in the middle, frequently, with caring for elder parents, as well as children, and so forth.

I think each institution that is credible does, in fact, a good deal of research on satisfaction of graduates, satisfaction of current students. There is a tremendous amount of data that we already collect and that we already use internally, and I think to be able to educate both policymakers and others about how we know the success of our students and how we, in fact, represent that to the public is something that we should share.

Ms. BONAMICI. Terrific. Thank you very much. We need to keep that in mind as we go forward.

I happen to be a graduate of a community college. Went to community college for many reasons. Had a great program I was interested in, and of course, affordable tuition—I was working my way through. So I was fortunate enough to be able to transfer most of my credits to the university and finish in 4 years, and that experience really helped me understand that community colleges play a critical role.

I am very concerned, Mr. Madzelan, in your testimony you state that only one-quarter of Pell Grant recipients complete a bachelor's degree, and the numbers for completion of an associate's or certificate program are even lower.

And, Dr. Hartle, you testified that 85 percent of students today could be considered nontraditional, and many of those students earn their degrees at community colleges.

So I am concerned—of course access is critical, but also about completion. How much of the completion issue is attributable to financial aid and tuition challenges? Is that the main reason for noncompletion?

And I will start maybe with Mr. Hartle and Mr. Madzelan but also want to ask the other two witnesses, as well.

Mr. HARTLE. Well, thank you for the question.

The goals of federal higher education policy have shifted. For most of the last 50 years the principal goal has been access. In the last couple of years there have been a number of calls to make completion or graduation or attainment a coequal goal of federal higher education policy.

That is a very desirable goal. We want people to finish with their degrees, or certificates, or whatever it is they started out to achieve—to realize. It is a complicated issue for multiple reasons.

As President McGuire indicated, the first reason is simply that the federal government can't accurately count graduates. If one of her students transfers, say, to Georgetown or G.W., not that they would ever want to do that, but if they did they would be counted as a dropout to Trinity University. If one of her graduates, as many do, takes longer than 6 years to finish their degree they are immediately counted as a dropout.

So I think one thing that would be very helpful would be if we could figure out a way to count accurately completion rates.

I think completion is complicated for a second reason, because there is clearly an institutional responsibility and clearly a student responsibility. Everyone knows people who went to college or graduate school and didn't finish because they couldn't or wouldn't do the work.

There are also questions where individuals go to college and the institution doesn't provide the courses for them in a timely fashion and inadvertently puts up roadblocks to their finishing their education. And we need to address both sides of that equation.

Ms. BONAMICI. Right. Right. And because my time is about to expire, what I am interested in is how many of the non-completion is attributable to the cost or because of those other factors that you mentioned.

Anybody else in the——

Mr. MADZELAN. Well, I think it is very difficult to figure out why someone has failed to complete. We do have data limitations at the department. The numbers that I referenced in my testimony are based on survey information that is conducted by the department's National Center for Education Statistics, and that is by, you know, design and budget, just periodic surveys of individual students.

I think if there is a way to begin to, and I think there is, I think the department has begun moving in this direction, to begin to collect some completions information through program administration records. For example, the Pell Grant program, to have colleges tell the department when a student is no longer a Pell recipient. Why? Did they complete the program? Did they just leave? And once we begin to get more census rather than survey data I think we can move in that direction.

Ms. MCGUIRE. May I just say, we track every student who stops out, and money is the number one reason why students must stop out. Eventually they come back.

Ms. BONAMICI. Thank you. My time is——

Ms. MILES. I agree with that.

Ms. BONAMICI. Thank you.

Chairwoman FOXX. Thank you all.

I now recognize Mr. Petri, for 5 minutes.

Mr. PETRI. Madam Chairman, thank you very much for holding this important hearing.

And thank the witnesses, I would like to thank the witnesses.

I would make a small statement and then a question, if I could. One point that was mentioned repeatedly in the witnesses' testimony is the importance of simplicity. As everyone knows and as Mr. Hartle highlighted very well in his testimony, our financial aid system has evolved over the years, often with very good intentions, into something that is extraordinarily complicated for students and even for administrators to negotiate.

Regarding student loans in particular, despite all of the repayment options, deferments, forbearances, and other protections we have put in place over time, over 13 percent of students will default on their federal student loans within 3 years of entering repayment, often unmanageable amounts of debt. This is often financially ruinous for those students and is costly for the government.

While certainly not a solution to all of the problems we face with student loans, I have always felt that simple, universal, income-based repayment has the potential to accomplish the goals of the various protections we have created, but in a way that is intuitive and automatic for borrowers and that doesn't force them to navigate our current labyrinth of paperwork and bureaucracy. Many students will fail to navigate our current bureaucracy and will fall to default despite the fact that they could have repaid their loans under a system that was more responsive.

So, Mr. Hartle, your testimony provided a helpful history of the federal financial aid programs based on your extensive experience in this area. Recognizing, as you mentioned in your testimony, that simplification is always more complicated than it seems, I was hoping you could share your thoughts on the potential of universal, income-based repayment, paid through the employer withholding system, to simplify and improve our student repayment system, as is currently done in Great Britain, Australia, and New Zealand.

Mr. HARTLE. Thank you for the question, Congressman.

Full disclosure, the American Council on Education a couple weeks ago held a meeting, basically, a conference to talk about Congressman Petri's proposal for universal, income-based repayment with a wage withholding done by employers as a way to facilitate student loan repayment. We brought several observers from other countries who had firsthand experience in designing and implementing income-based repayment plans and their opinion seemed to be that the proposal you have put forward is the most complete and thoughtful plan that they have seen.

And certainly we would hope that the committee would look very, very carefully at the ideas you have put forward. You have obviously been working on income-contingent repayment for 25 years, and I think, frankly, we have made progress, we have put it in place, but this is the most complete and thorough proposal we will ever have.

Two points: One, it very much does move in the direction of simplification because it puts students in one repayment plan; it limits the explanations that students have to receive. It is a very big step in the direction of simplification.

On the other hand, it means that a number of repayment options that students currently have would disappear. So it would reduce student choice, but it would greatly simplify their repayment process at least in part because they would no longer have to write checks to the Department of Education every month.

Second, I think there are three central issues that need to be addressed with federal student loans: the over-borrowing by some students, the extent to which future earnings are burdened by student loans, and defaults.

I think your proposal fixes the issues related to defaults and burden. Those issues go away, largely, under your proposal. On the other hand, your proposal could become an incentive to over-borrowing.

And so we could fix two problems and make one problem worse. No one wants to do that.

I think given the issues related to unintended consequences we need to be very mindful of what those might be, but yours is a very thoughtful proposal, and I look forward, as does my staff and the other higher education organizations, of working with you to continue to refine this going forward.

Chairwoman FOXX. Thank you.

Mr. Holt, you are recognized for 5 minutes.

Mr. HOLT. I thank the chair.

I think I have heard some people say in effect this morning that one of the problems with the student loan program is that too many people might use it. I go back to why we have it, which is to encourage more students to get higher education for the sake of our society at large, as well as for their individual sakes.

Mr. Hartle, I thought you said that simplifying FAFSA would encourage more people—would bring more people into the student loan programs. Did I hear you say that? And then I think you said further, "and that might be a problem."

Mr. HARTLE. If we eliminate questions from the FAFSA we undoubtedly make more people eligible to receive financial aid, so you run the possibility that by asking fewer questions you simply increase eligibility. That could have significant cost implications depending on what questions you eliminated.

Also, from a complexity point of view, if you——

Mr. HOLT. Well, let me actually pursue that, then. Have we as a society reached the point where each additional student does not contribute more to the economy and society than she or he takes from the economy? In other words, have we reached the ceiling at which we want students in higher education?

Mr. HARTLE. Absolutely not. As President McGuire said, we want to do everything we can to encourage that——

Mr. HOLT. And let me ask President McGuire to address that same point, please.

Ms. MCGUIRE. Yes. I would like to address that.

In fact, we could have as many as 20 or 30 million more students if we look to achieve the national goal to have 60 percent degree attainment by the year 2020. Now, that is probably an impossible number, but the fact of the matter is that for the needs of this nation in terms of the kind of work that we expect people to do now and in the future and the ways we expect them to participate in our community and economy, we need as many people educated in post-secondary programs as possible.

And let me just point out one career field for example: health care. Health care reform is going to put 30 million more people in the system. We need millions more health care workers educated and they come from our colleges and universities.

Mr. HOLT. So are you saying that the expenses of a program such as this are outweighed by the economic benefits that we get of higher education?

Ms. MCGUIRE. Well, sure, because you will improve the earning power, and therefore the tax returns that the government——

Mr. HOLT. So our goal should not be somehow to tighten things up. Obviously there is no room for fraud. It is unadvisable to entice students to get in over their head. But our goal here should not be to try to somehow shrink or constrain the——

Ms. MCGUIRE. Absolutely not.

Mr. HOLT. Well, thank you.

Ms. MILES. Representative Holt, if I may?

Mr. HOLT. Yes, Ms. Miles. And I would like to join the others in commending you, President McGuire, and the other witnesses for some really articulate, persuasive testimony this morning. Yes, please.

Ms. MILES. Great. Thank you.

Yes, and I would also like to comment that our schools aren't manufacturing students; we are graduating global citizens. And we have done studies within Minnesota with our communities and one of our community colleges actually found for every dollar that they put into their students they had nearly $14 come back to them, and that return was unbelievable. We are building communities, not just graduating students with debt.

Mr. HOLT. Thank you.

We have often talked about something called an academic year, which is, you know, maybe September to May. Does that have any meaning, President McGuire, does that have any meaning anymore? And I ask with a particular piece of legislation in mind. I have had legislation to reinstate the year-round Pell Grants——

Ms. MCGUIRE. Thank you.

Mr. HOLT [continuing]. Year-round meaning it would be available in the summer as well as during the so-called academic year.

Ms. MCGUIRE. I have students right now who need to be enrolled full-time this summer in our occupational therapy assistant program and they can't have Pell Grants. We are going to pick up the cost of their staying in school for the summer but we can't do that indefinitely.

Most of my students are nontraditional by one definition or another. They would complete their degrees more quickly and enter their workforce more quickly if they could be funded for 12 months. We operate year-round. We do not take the summer off.

Mr. HOLT. Okay. You spoke a few moments ago about health care as an area of need. I would say that teachers of science, and foreign language, and so forth are also areas of need.

We have had a program known as the TEACH Grants to help with tuition for students. Is it appropriate to use federal grants and federal student loans to direct students, to encourage students into areas of general societal need?

Ms. MCGUIRE. Oh, absolutely. I think it is very appropriate for Congress and the White House and colleges to work together to identify what are the workforce areas that we really do need students to enter, and that benefits everybody. That helps students make good choices also.

Mr. HOLT. Ms. Miles——

Chairwoman FOXX. Thank you.

Mr. HOLT. Oh, I can see my time is up. I——

Chairwoman FOXX. Thank you, Mr. Holt.

I now recognize Mrs. Brooks, for 5 minutes.

Mrs. BROOKS. Thank you, Madam Chairman.

I am a—and I apologize that I wasn't here earlier, but I am a former senior administrator at Ivy Tech Community College and was general counsel for the college. But many, many years ago worked as a Work-Study student in a student financial aid office and know the tremendous burdens that a lot of student financial aid offices are under in processing student loans and then advising student—those needing student loans.

And I am going to shift perspectives a bit from what I think has been talked about. You know, the rising cost of college tuition, I think, is also a huge reason why we have such a tremendous need for greater student loans.

And I am curious as to what your perspectives are on how colleges can begin to really, you know, at least, you know, level off the rising costs of college tuition. College tuition rates and the expenses have just skyrocketed, which I think is causing part of the student loan problem, as well. And so I am curious what the panel's thoughts are on how we can begin to reduce college costs.

Ms. MCGUIRE. I will start by addressing that, and let me point out that at Trinity, where our tuition is $20,500, which is about $10,000 less than the next private university in D.C., we discount tuition by 40 percent for most students. And in fact, being our own grant provider also helps us repress tuition because we understand that if we grow tuition too much we just have to return more.

I think it is very possible to have very sensible tuition. We do, however, have to fund certain things. We have to fund technology; we have to fund infrastructure; we have to fund the cost of regulation, which is considerable; and we have to be able to continue to fund the financial aid obligations we have to students. In fact, financial aid obligations are a big part of our rising costs, so it is a chicken and egg problem.

Having said that, I think incentives for institutions to find ways to reduce costs for some of the operating costs like infrastructure, like technology are ways to work on this problem.

Mrs. BROOKS. Thank you.

Ms. MILES. Congresswoman, if I may, for us it is been a disinvestment by our state. For the past 10 years consecutively we have been slashed. Our higher ed funding has been slashed consecutively for the past decade. That is the number one clearly attributed issue.

Aside from that, we do need federal regulation in specific areas to help keep down other costs. It is often forgotten that the cost of higher education is just not our tuition and fees. It is our textbooks; it is our cost of living; it is the interest that we will accrue after we graduate, and many other things.

Mrs. BROOKS. Thank you.

Mr. HARTLE. Thank you for the question.

I think the issue of the price of higher education—what students actually pay—is a complex, multifaceted issue that we have been wrestling with for a long time. The biggest consideration for most students and families is the question of state support for public higher education. When states decide to cut funding for higher education they often decide to let tuition go up simply as a revenue replacement measure for the institution.

Most public colleges and universities don't set their own tuition. It is set by a state board of higher education or by the state legislature. So the tuition is—the control of the budget is oftentimes the public institutions, not in the hands of the institution.

Institutions like Trinity University Washington, President McGuire's institution, are extraordinarily frugal. My guess is that President McGuire would be prepared to tell you where every single dollar in her budget goes right now because they have to meet a payroll every month, they have to balance their books every month, they have to maintain their buildings, and they can only do that by getting students to enroll and students who are willing to pay what they are charging.

We may be seeing a surge in technology that will provide ways to reduce the cost of post-secondary education for many students. There has been a great deal of talk about the new learning modalities that are coming online and that are being explored. These may well open up the doors to students to pursue post-secondary education at less cost.

There is a great deal of interest in prior learning assessment—giving students academic credit for education, training, and skills that they have picked up outside the classroom setting. And this, too, holds some possibility for minimizing tuition increases.

But I think the single biggest thing that we could do to help students and families finance higher education is simply to encourage states to play the role that they have always played of adequately supporting public colleges and universities, including such places as Ivy Tech, which is an extraordinarily distinguished 2-year institution in Indiana.

Mrs. BROOKS. Well, thank you very much. I see that my time is up.

Thank you.

Chairwoman FOXX. Thank you very much.

I now would recognize Mrs. Davis, for 5 minutes.

Mrs. DAVIS. Thank you. Thank you, Madam Chair.

And thank you to all of you for being here. I know that you have already addressed the issue that is certainly of great concern to all of us, that it is one thing to get students enrolled in the university; it is another to have them leave with a diploma in their hand. And you have addressed the issue of how do we count, and how do we really evaluate the students who aren't able to finish, particularly those students who have Pell Grants?

Do you think there is any role that the federal government might have in trying to either focus better on those students who do go to school with Pell Grants, or that the information students receive in terms of completion rates at school, particularly around Pell Grants, should be more apparent? I understand what you were saying, it is hard to count them. So how do you provide that information if, in fact, it may be that it is great and maybe sound more transparent, but in the end it really doesn't provide the kind of information that students need.

Is there a federal role in here?

Ms. MCGUIRE. If I may answer that, first of all, don't ever come up with a solution when you don't understand what the real nature of the problem is. A lot of people have studied the issue of completion rates for low-income students. As a practitioner of this at Trinity with a very high-need, low-income population, I can tell you that money is the number one reason, and we studied the students who receive more financial support—they tend to do better; they tend to complete more on time.

Students do swirl in higher education today, which means they attend multiple institutions and they don't necessarily think about the federal timetable of 4-to 6-year completion. We have many young mothers who start at age 18 or 19 with several children of their own, they might stop out in their early 20s to go to work to take care of their kids and come back when they are 29 or 30 or 35 to continue their education. They are swirling through college all the time.

We have students who are enrolled at Trinity and also enrolled at public institutions nearby so they can amass credits more quickly, so they are actually enrolling at multiple institutions at the same time. This is not unusual.

Family issues, medical issues—with low-income students we see tremendous medical and health care issues. The college health center is the first time many of my students have had primary care on a routine basis, and health issues can impede their time to completion.

So there are a lot of things that can be done. I am not sure that it is a federal role.

What I would urge is that the federal government not step in to impose measures that would be inappropriate and would add to the burden of the students, who already have so many burdens on their way to completing their degrees.

Mr. HARTLE. If I may pick up on President McGuire's point, I would simply mention that there is a pretty clear relationship between the extent to which students are prepared for college and their likelihood of completing. There are an awful lot of students who are sort of on the bubble and who may complete and who may not complete, and the question is the sort of services and assistance that they get or don't get that helps them get through that door.

Institutions like President McGuire's are involved in a lot of labor-intensive activities to help students and they have evolved pretty good ways to do this, and I would think that the committee might benefit from talking to a number of campuses like President McGuire's to find out the lessons that they would have based on the success that they have experienced.

Mrs. DAVIS. Yes, I appreciate that. And that is certainly why you are here. And I greatly appreciate what you are saying about that.

But I also wondered, I guess, shifting to the kinds of information that students receive as they are beginning to look at colleges and institutions across the country. Stanford had a study recently that indicated that providing students with more—and—better-organized information was helpful to students who ordinarily might not even aspire to particular schools because they just haven't been able to get that information in a clear and concise way. And I know there is really no totally concise way to do this, but they actually felt in their study that it made a difference and it wasn't a huge cost to providing information in that way, and they did a control group.

Ms. Miles, are you aware of that study at Stanford, and any other thoughts that you might have?

Ms. MILES. I am not aware of that specific study, no, ma'am. But the idea that comes to mind is something that was included in my testimony, and that is the financial aid award letter.

I can use myself as an example. I had no idea where to start with financial aid, and I grew up in Sioux Falls, South Dakota. Many of my friends were going to South Dakota State University so I just went there.

When I found out that wasn't the correct fit for my academic needs I found other programs online and found Minnesota State Mankato. I had this illusion in my mind that if I left my state, if I left that institution, anywhere else would be more expensive, and that was not the—that is not what happened.

And so I could have gone to a cheaper institution that better fit my needs and my academic interests if I would have known.

Mrs. DAVIS. Yes. And you went online and you were able to get that information.

I mean, there are tools available—College Navigator, Tuition Calculator. Is there anything else you would suggest that we might focus on that would be a role to make sure that that kind of information is out there? So, just throwing it out for you. Thank you.

Mr. HARTLE. Well, I think the point that Ms. Miles made——

Chairwoman FOXX. Mr. Hartle, I am sorry.

Mr. HARTLE. Sorry.

Chairwoman FOXX. Mrs. Davis' time is up. Thank you. I appreciate it. But please submit any responses that you have for the record. We would appreciate it very much.

I am now going to recognize myself for 5 minutes, and I realize—first of all, I want to say—and I will say this again in my closing remarks—I really do appreciate the panel and all the great information that you have shared with us today. I think this has been very, very useful to us.

Ms. McGuire, you have talked a lot and I particularly appreciate your talking about be careful we know what the problem is before we decide what the solution is. But if you would fairly quickly, talk a little bit about some of the things that you do that you might not have mentioned already in terms of promoting successful outcomes for your students.

How closely do you look at completion rates, job placement rates? What kind of support services are you providing on campus?

And I do have one other question I would like to ask, so if you could be succinct——

Ms. MCGUIRE. Sure.

Chairwoman FOXX [continuing]. I would appreciate it.

Ms. MCGUIRE. Very quickly, we provide intensive first-year experience with learning communities for every student, evaluation of what are the right math and writing courses they need to take, and also a full range of academic support services—tutoring and academic counseling as well as the health services I mentioned.

We also recognize student success every semester. We have dean's list receptions and other kinds of moments to celebrate the students who do achieve and that makes the others jealous so they want to achieve.

There is a lot more and I could go into detail, and it is on our website.

Chairwoman FOXX. That is wonderful. Thank you very much. I think those things are helpful to hear.

Mr. Madzelan, we have to ensure taxpayer dollars are being spent appropriately, and as others have said in their comments, we want to be careful about whether we entrench the federal government on campuses more than it already is. Could you talk a little bit more about improving accountability for taxpayer dollars without the federal government infringing on academic affairs and without our collecting more information than we ought to be collecting?

Mr. MADZELAN. Certainly. I think the, you know, what we have now in terms of institutional accountability is really a ham-handed approach—you know, cohort default rates, financial responsibility, 90-10 rules for for-profit institutions. They are really just check-off boxes of have you been able to accomplish this, and it really doesn't look at student outcomes.

And that is a difficult issue. I mean, we want—I think we all want to see completion rates increase but we also don't want to see institutions stop taking chances on students. I mean, back at the department years ago when we were implementing the cohort default rate we kind of joked that, "Gee, if you are a school with a zero cohort default rate you are probably not doing something right, you know? You are not taking chances on risky students or high-risk students."

So I think that if we can come up with a set of measures that—and I am not supportive of a return on investment that tries to find something around salaries of graduates. I think colleges and universities have enough trouble trying to contact with their former graduates in the—sort of the alumni affairs context. But that seems to be sort of a data collection that is not needed.

But something that does look at some measure of, perhaps, a former borrower's, ability to repay their student loans. Not necessarily a default rate, maybe something that is—you know, default is kind of a negative consequence. If we could think of positive things, like yes, you are paying back your student loan, that kind of approach, then maybe, you know, that would be something that we could use as a proxy for, you know, a post-secondary education resulting in better economic opportunities than that individual would otherwise have faced.

Chairwoman FOXX. Thank you very much.

And now, Mr. Tierney, I recognize you for 5 minutes.

Mr. TIERNEY. Thank you very much.

First, Madam Chairwoman, I want to thank you and my colleagues. I wasn't here; I was at another meeting—another committee, but I want to thank you for recognizing the tragedy in Boston yesterday, and our thoughts obviously go out to all of the victims there, and I am very much appreciative of everybody's comments and recognition of that here.

I was going to start with Mr. Hartle if I could, just to talk a little bit about student loans. You indicated that you thought federal loans were intended to help middle-income and low-income students manage costs with low interest rates, right?

Mr. HARTLE. Yes, sir.

Mr. TIERNEY. Okay. So assuming that if we make rates variable then there are some times when that may be beneficial to the students and some times when it may drive those costs up to a certain degree and make it less manageable for them. Will that be true as well?

Mr. HARTLE. Yes. Well—sorry.

Mr. TIERNEY. So my thought here is that to the extent that we lend money to students and then cover the principal and the administrative cost and the default rate on that, anything above that sort of tends to make it less manageable for them to afford college; anything that comes off that number itself makes it easier for them to manage. Is that right?

Mr. HARTLE. Yes, sir.

Mr. TIERNEY. Okay. And I think that helps us decide how we want to structure a loan on that basis and whether we want to cap it or just let it go on ad infinitum on that, and that could be a problem. So I appreciate your comments there.

Well, I am going to talk generally, Mr. Madzelan and Mr. Hartle could probably answer this one. The state—we put a maintenance of effort provision into the last Higher Education reauthorization, and I sort of wanted to move in that direction because I agree with what Ms. Miles made very clear and all of you have indicated: the states have really retreated from their obligations under this act.

The problem was that when we put the maintenance of effort in there we got severe resistance from governors and legislators who, of course, want to have the option to do just that—to take the retreat. But we also found it very difficult to enforce. What is going to be the stick, so to speak, if schools don't—states don't maintain their effort?

Does anybody have any thoughts of how we might implement a provision so that the federal aid doesn't just go on ad infinitum upward and the states take a hasty retreat, using that federal money to supplant what used to be their obligation?

Mr. MADZELAN. I think that some of the efforts in the past in this area have been focused on sort of the smaller federal programs, like, you know, leveraging, educational assistant partnership, those kinds of things. So it has been as if, you know, the federal government is kind of nibbling at the edges of that.

I think, with respect to states and, you know, sort of pulling back on their own assistance over the years, it is—and I think that in my view, at any rate, it is been this kind of a stepping more toward, you know, higher education as a private good, away from it being a public good. And, you know, I think it is——

Mr. TIERNEY. Pretty tough when you figure 80 to 90 percent of our students are going for the public good.

Mr. MADZELAN. Yes. But I mean in terms of the outcomes.

And so if it is being viewed more as a private individual good, well then the private individual ought to pay more for it. I mean, I——

Mr. TIERNEY. My businesses don't see it that way. You know, my businesses see it very clearly as a public good that is helping them find really good innovators, and creators, and workforce people, and anything like that. So I don't know who is thinking it is only an individual benefit, but——

Mr. MADZELAN. Yes, but again, I think that is when you think about why have states pulled back in recent years——

Mr. TIERNEY. I get what all their excuses—I heard them all when I went to put the effort in, and I heard them all through all the people in the Senate who wanted to champion the governors and the legislators and give them a path of retreat. But frankly, does anybody have any ideas on how we might put a maintenance of effort in that has some teeth that would also be fair to the institutions and the states and the students?

Mr. MADZELAN. I think that, you know, if you are talking about teeth then you are talking about some of the larger federal aid programs.

Mr. TIERNEY. Mr. Madzelan, while we are talking to you, you mentioned in your remarks about having one form of income-based repayment program. Were you suggesting that as a replacement for student loans?

Mr. MADZELAN. I think that ultimately, possibly. I think what we need to do is examine carefully the issue, and I say this because I am trying to figure out how worried I am about, you know, difficulty of students repaying their loans in the context of—I mean, we saw a report about 2 months ago out of the New York Federal Reserve by one of the analysts saying that, you know, a third of the student loans in repayment are 90 days or more past due. And I am—excuse me—and I am thinking to myself, you know, really, how can that be, because federal loans—we really never make you choose between paying your loan and, like, eating because we do have deferments, forbearances are easy to come by. If you are, you know, in a rough patch, call your lender, he will call the servicer, can I get a break for a couple of months? Yes, you can.

But that is a very administrative and bureaucratic approach and I think maybe with some kind of income-based repayment that is more based on sort of real-time income, you know, that kind of takes care of itself. I mean, you don't then worry about, you know delinquencies that—and then how does the Federal Reserve know about this? Because they are reported under federal regulations to the credit bureaus.

And so again, I think it is—I haven't figured out just how worried I am about this yet, but when I see that a third of student loan borrowers in repayment are 90 days delinquent on federal student loans I start to worry about that.

Mr. TIERNEY. Thank you. I was just curious of whether that was a more developed idea or just a thought that you had down, and so far it is just a thought and you are fleshing it out?

Mr. MADZELAN. Yes, and along with Mr. Petri's legislation and others that, you know, I worked on in the past when I was in the Education Department.

Mr. TIERNEY. Thank you.

Thank you all for testifying.

I yield back.

Chairwoman FOXX. Thank you, Mr. Tierney.

Mr. Messer, you are recognized for 5 minutes.

Mr. MESSER. Thank you, Madam Chairman. I have prepared a formal question, but with your permission I would submit that for the record and then try to get to the essence of my question in the interest of time.

Thank you all for being here today to talk about this very important issue. It is certainly an important issue in my life. I was raised in a working-class family in Greensburg, Indiana, and frankly, would not have been able to go to school without the benefits that came with Pell Grants and the like, and so I think it is important we maintain these programs.

With that said, there is a very real recognition that we have inflationary pressures in the area of higher education. The numbers I have seen is between 2000 and 2012 federal financial aid in constant dollars has increased by 140 percent; however, over the same period, published tuition and fees for in-state students at 4-year colleges have increased by 5.6 percent faster than the rate of inflation.

There is bipartisan recognition of this problem. In last year's State of the Union Address the President said, "We can't just keep subsidizing skyrocketing tuition. We will run out of money." This year the President said, "Taxpayers cannot continue to subsidize the soaring cost of higher education."

Forgive me for the—I was here and then I had to run back to the—to give a speech on the House floor and came back, so if this has been addressed before I certainly would just love to hear a summary of those comments, but do you believe that our current rate of tuition inflation is driven in part by the federal education subsidies we have there? And if so, what can we do to try to ratchet back the rising cost of education?

Mr. HARTLE. The increasing price of higher education is a complex, multifaceted problem. I think the biggest reason for higher tuition bills facing student and families is because states have been cutting support for higher education for the last 40 years.

Particularly in response to the most recent economic crisis, I think I mentioned a short while ago, state appropriations for higher education fell by 23 percent in the last 5 years. Most states set tuition for public colleges and universities at the state level, and therefore, the decision about what the tuition is is actually not in the hands of many public college and university presidents.

Does federal student aid influence tuition? No. The issue is——

Mr. MESSER. You really believe no?

Mr. HARTLE. Pardon?

Mr. MESSER. You really believe no?

Mr. HARTLE. Absolutely. The issue has been examined exhaustively, including a study by the Department of Education that concluded the only thing that they related—they could relate to changes in public—in college and university tuition were changes in state appropriations, and it was an inverse relationship. When state appropriations went down, tuition went up.

When you look at the effect of one thing on another in social science research you either have a clear, consistent relationship or you do not. We do not have such a relationship with respect to federal student aid. Indeed, Dan Madzelan worked on that study at the Department of Education when he was there and could actually talk about it.

Mr. MESSER. And do you have a consistent—I have a second question, so if you have a consistent answer that is great, but——

Mr. MADZELAN. Yes. We did look at, as President McGuire mentioned, you know, the price of technology, the, you know price of instruction, price—labor costs, and really it was—the only thing that we and our statisticians could make a case for was the level of state—direct state support for higher education.

Mr. MESSER. Very much appreciate that.

And I direct my next question to Mr. Madzelan.

You mentioned—I think you used the phrase "debt with no degree," and, you know, one of the social dynamics that have changed in the last several decades is it used to be that some college meant you had a higher income path through your lifetime, and that has really changed to the point where some college makes very little difference on your income path but a degree, particularly in a subject matter that has economic value, can make a difference. And I would ask you just to comment a little further.

You know, we are on a path now—the second dynamic that has changed is the cost of education has gone up so high that someone can compile tens of thousands of dollars of debt and not have a degree that helps their economic future.

Mr. MADZELAN. Again, I think the, you know, the beauty of the federal aid programs is that they are voucher programs, where the money is made available to individuals as soon as they choose what to do with that, which, of course, a study to pursue at which institution. It is also, they get to decide, basically, when they have acquired enough education and training. So I think it is a—and we don't condition, at the federal level, next year's aid on receipt of last year's aid. I mean, we do it a year at a time.

Mr. MESSER. My question, would we—would any of you have federal policy recommendations that could help get at the heart of this dilemma? Because I think in fairness, we are incenting folks to make this decision. We are incenting them to give it a try. And we may well be incenting them into positions where they acquire tens of thousands of dollars of debt and some real challenges in their life.

Ms. MILES. Sorry, Mr. Congressman, if I may, I don't think federal financial aid is incentivizing them. It is at least—I go to a state school—it is potential recruiters for for-profits that aren't as honest as other for-profits, and they are the ones incentivizing because they are the ones that are—there is proof out there from U.S. PIRG and from other organizations that they are illegally incentivizing students and their parents that, "Oh, yes, we have tons of recruiters that will come in and we will have you a job before you graduate." Those are lies. That is the incentivizing fancy pictures, it is not the aid.

Chairwoman FOXX. The gentleman's time is expired.

Mr. Bishop, you are recognized for 5 minutes.

Mr. BISHOP. Thank you madam Chairwoman, and I apologize for arriving so late. I was in another hearing.

Let me pick up on where Mr. Messer left off, because this was an area that I wanted to pursue as well. There is a man named

Richard Vedder who is a higher ed economist who has postulated the theory that it is the very existence of student financial aid programs that are giving college administrators license to raise costs greater than they would ordinarily do and that therefore higher ed expenditures are being driven by federal policy.

This is a view that has great currency among a great many of my colleagues, to the point where the House budget resolution that recently passed the House makes specific reference to the work of Mr. Vedder and says that higher ed financing is being driven primarily by the federal government's policies.

Now, I think it is important—Mr. Hartle, you just emphatically rejected that school of thought. Is that correct?

Mr. HARTLE. I did.

Mr. BISHOP. Okay, and this subcommittee had a hearing on this subject I believe a year-and-a-half ago and we had a panel of expert witnesses testifying on why costs were rising at the rate that they were, and the consensus opinion was, without any question, that it is primarily the retreat from support of higher education on the part of the states. Now, that is a view that—I am sorry to get here so late, but that is a view that the panel pretty much holds?

Mr. HARTLE. Yes.

Mr. BISHOP. Okay. Thank you.

I think it is just important because it is skewing the conversation, and I think if we all start the conversation with the same set of facts and the same understanding of what is driving behavior, I think we maybe will arrive at a more rational policy going forward. So I hope that this is information that we can continue to share among our colleagues and we can continue to disabuse our colleagues of this very flawed conclusion.

President McGuire, I want to ask you, I am very concerned about the future of the campus-based programs. Under current law the Perkins Student Loan program goes away as of September 2015. The House budget resolution that passed would cut domestic discretionary spending, which is where the other Title IV programs are, by about a third over 10 years. So I am worried that what we are going to wind up with is a Title IV program that consists of a significantly diminished Pell, no Perkins, perhaps we will have Work-Study, and no SEOG because a lot of my colleagues view that as duplicative of Pell.

So my question is, what role does the campus-based programs play in terms of assisting the students at your university to attend? And I would ask the same question of Ms. Miles with respect to her peers.

Ms. MCGUIRE. Well, Mr. Bishop, thank you for asking that. And first of all, let me say, every single dollar that supports my very needy students is important, and if we lose those dollars we have to find other sources of support.

And to go back to your other issue, as one of those campus administrators that seems to be maligned by experts who don't know what they are talking about, in fact, when my tuition goes up by a modest 1 or 2 percent in any given year, it is mostly because the need of my students is accelerating faster than federal aid or state aid or any aid can accommodate. And in fact, recently in the District of Columbia we lost the LEAP Program, for example, so we had to pick up several hundred thousand dollars worth of that through our own budget to keep subsidizing those students.

The D.C. Tuition Assistance grant program was threatened this year and we had to keep paying—subsidizing that grant program. It was finally restored, thank heavens, but in fact, we are always trying to pick up need-based aid.

Federal Work-Study is a very small part of our tuition support program because, in fact, it is normed according to prior statistics from prior years and not the current year, so our students never have as much because our enrollment is increasing faster than the federal aid through the campus-based programs can.

I think if the programs go away the question is what replaces those? And I have to ask, how much more can we put in through Trinity grants when it is already 40 cents on every tuition dollar that we are putting in, and at some point it means that some low-income students are not going to have the option to stay in school, and that would be a great tragedy.

Mr. BISHOP. Okay. Thank you.

Ms. Miles?

Ms. MILES. I am sorry, can you repeat the specific question?

Mr. BISHOP. Question has to do with the existence of the campus-based student financial aid programs—Perkins Loan, College Work-Study, and Supplemental Educational Opportunity Grant. My fear is that I see those programs as imperiled.

I am sorry, Madam Chair, if you would just allow Ms. Miles to answer.

Chairwoman FOXX. A very quick response.

Ms. MILES. I have a Perkins Loan. Without that Perkins Loan I would have had to take out a private loan.

The students that we serve need these financial aid opportunities. We don't pride ourselves on the students we don't allow in; we pride ourselves on the success of our graduates. Our graduates need that financial aid to have that success.

Mr. BISHOP. Amen. I yield back the balance of my time.

Chairwoman FOXX. Thank you, Mr. Bishop.

I want to thank our witnesses again—our distinguished panel of witnesses—for taking the time to testify before the subcommittee today.

Mr. Hinojosa, do you have closing remarks?

Mr. HINOJOSA. Yes. Thank you.

Madam Chair, I want to thank our witnesses for sharing their thoughts and recommendations on the important role of the federal financial aid programs. And I know that on both sides of the aisle we have many first-term and a few second-term members of Congress and our hopes are that these hearings will quickly help them go through a fast learning curve and thus be able to make good policies and good regulations that will help us on this very important issue.

So I want to just add to the record that in my 16 years in Congress I couldn't help but listen very attentively to everybody's statements and questions. And I look back to the beginning of my first year in 1997 to the year 2010, which equals 13 years that legislatures started cutting back significantly, causing the problem, as was pointed out to Mr. Bishop. And along with that came the direct loans going with interest rates up to 10 and 12 percent interest rate.

So it is interesting that by the year 2010, when we were able to make direct student loans, that the amount that was lent on direct loans by Citigroup banks, by Sallie Mae and other private loans, was a staggering amount, which if you add from 2010 to 2013 now exceeds $1.1 trillion of student loans, but much of that is interest that has accumulated, much of it at a very high interest rate—8, 10, 12 percent.

I am a businessman and I can tell you that we cannot blame the start of federal student loans that we suddenly hit $1 trillion. No, it was a cumulative period of time.

So I think that on both sides of the aisle members should be looking at waste and fraud, because our chair said we as congressmen must watch that tax dollars are spent appropriately. And several others talked about, what about the waste and fraud in Pell grants? Well, let me just say that from my point of view I think there was a lot of wasted money that was paid to banks who were borrowing the money at 3 percent on Wall Street and lending it out at 10 percent with the federal government guaranteeing 97 percent of that loan. Now that, nobody questioned on either side of the aisle.

That has to go into the record so that it doesn't happen again.

So again, I am going to close by saying that as we work to strengthen the federal financial aid and student loan repayment programs through this year's reauthorization of the Higher Ed Act, I agree, Congress must take into consideration the types of challenges that the majority of today's college students are facing. As ranking member of this subcommittee I intend to continue to work with my colleagues on both sides of the aisle to expand college affordability and accessibility and build on the strength of federal financial aid programs.

And above all, federal student aid programs must support student success.

I look forward to working with my colleagues in a bipartisan manner to achieve these goals and the reauthorization of Higher Ed.

With that, I yield back my time.

Chairwoman FOXX. Thank you, Mr. Hinojosa.

I would like to take a personal point of privilege and recognize two guests that I have here today. They are not in my district; they actually live in Mr. Pittenger's district. But I want to commend them for sitting through a hearing they didn't need to sit through. Deedee Pavlic and Diane Umberger have—Autenbarger have come here to visit Washington and they are true patriots. They want to learn all they can about the process. And they sat through the hearing today, and I want to recognize them for doing that.

I again want to thank the panel for their comments.

I just make a few remarks in response to your comments, and I am sure we may have some questions we will ask for some other information. But some things that didn't get picked up on by my colleagues that I would like to point out: Number one, I have been very interested in the comment that over and over we hear, now only 15 percent of the students in colleges and universities are what we call “traditional students.” I am searching for a better term. If only 15 percent of the students are “traditional,” we need a different name. Eighty-five percent—well, it seems to me we need to reverse those terms. What is a traditional student anymore?

So I think I am going to put out a prize for somebody to come up with a term that better fits the students who are coming into colleges and universities these days.

I appreciate—I think Mr. Madzelan used the terms “education,” “training,” and “skills.” I am not sure who used those phrases but I want to commend the person who did that because I do think we are talking about all three of those things, and as the staff knows, I am very concerned about the use of one of these terms when I think we are doing education most of the time, but skills are certainly very important to us.

President McGuire, I love the term “swirling” that you used. I have never heard that one before. People are swirling through education.

I suspect some of the students probably had the same experience that I had: you felt like you were swirling with weights on your feet, though. I am not sure exactly how that goes.

Another comment that I heard, I think correctly, Mr. Madzelan, that you said out of the Pell money one-third of that is going into remediation. If I didn’t hear that correctly we will get a clarification from you on it, but that is certainly a concern that I have in terms of what we are talking about in terms of accessibility.

And I also heard somebody say what is so important in terms of success is the preparation for college that the students bring when they come into an institution of higher education, and yet we have not had very much focus on that issue in all of the discussion that we have.

So I am very pleased, again, with the testimony that we have had here today, and I thank you for helping us move along the path that we are going to have to move along as we consider the reauthorization of Higher Education and as we look at the important issue of student loan interest rates. We are sort of getting a two-for out of today’s hearing, I think.

So I thank you all very much.

I thank the members of the committee for being here.

There being no further business, the subcommittee stands adjourned.

[A submission by Hon. Lou Barletta, a Representative in Congress from the State of Pennsylvania, follows:]

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

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

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

For years, schools have been reporting stories of students asking for all the financial aid they are entitled to, paying their tuition and then walking away with thousands of dollars which ends up paying for a newer car, Christmas presents, plastic surgery, bail money or big parties which the school usually ends up hearing about. These cash stipends can be, in one case, as high as $24,000 for an associate degree.

Despite the best efforts of schools to curb overborrowing, the U.S. Department of Education mandates that schools must disclose to students all the loan money they are entitled to borrow. How can schools be responsible for repayment when the US Department of Education encourages irresponsible overborrowing?

Overborrowing is defined in three ways by our schools:

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

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

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

PAPSA collected data from our schools over 3 years (2007-08-09 data available upon request) and the three year trend appears clear. While there were minor tuition increases, no change in student demographics and stable or moderate enrollment increases due to some new campuses, only over borrowing, as was defined earlier, increased exponentially.

The problems PAPSA sees now with overborrowing will only be exacerbated in the future. If career schools are going to continue to be penalized for high debt, as they are currently under cohort default limit requirements, debt problems should be addressed at the front-end of the loan as well by curbing over borrowing and considering other front-end approaches.

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

Thank you.

[Questions submitted for the record and their responses follow:]

U.S. CONGRESS,
Washington, DC, May 8, 2013.

Mr. TERRY W. HARTLE, *Senior Vice President,*
Division of Government and Public Affairs, American Council on Education, One Dupont Circle NW, Washington, DC 20036.

DEAR MR. HARTLE: Thank you for testifying before the Subcommittee on Higher Education and Workforce Training at the hearing entitled, "Keeping College within Reach: The Role of Federal Student Aid Programs," on Tuesday, April 16, 2013. I appreciate your participation.

Enclosed are additional questions submitted by members of the subcommittee after the hearing. Please provide written responses no later than May 22, 2013 for inclusion in the final hearing record. Responses should be sent to Amy Jones, Brian Melnyk or Emily Slack of the committee staff who can be contacted at (202) 225-6558.

Thank you again for your important contribution to the work of the committee.

Sincerely,

VIRGINIA FOXX, *Chairwoman,*
Subcommittee on Higher Education and Workforce Training.

CHAIRWOMAN VIRGINIA FOXX (R-NC)

1. How can we improve the "triad" to ensure accrediting agencies aren't asked to do too much, but also prevent the federal government from overreaching into traditionally academic affairs? Also, what can states do to hold up their end of the bargain?

CHAIRMAN JOHN KLINE (R-MN)

1. How do you think the shift from access to completion will affect students? Are there ways to incorporate both concepts without limiting a student's choice to attend the institution that meets his or her needs and budget?

REPRESENTATIVE RICHARD HUDSON (R-NC)

1. What do you see as the appropriate federal role in higher education? Has that role expanded too much or not enough with each reauthorization of the Higher Education Act?

2. As the committee begins to reauthorize the Higher Education Act, what are some key principles that should guide how we review and reform federal student aid programs?

REPRESENTATIVE LUKE MESSER (R-IN)

As a member of both the Education and the Workforce Committee and the Budget Committee, I am especially interested in slowing the rapidly rising cost of higher education. College costs too much. Parents are scrimping and saving and spending their nest eggs to pay for their children's education while trying to make ends meet in this sluggish economy.

Between 2001 and 2012, federal financial aid in constant dollars increased 140 percent. However, over the same period, published tuition and fees for in-state students at public four-year colleges increased by an average of 5.6 percent faster than the rate of inflation. In last year's State of the Union address, the President said "we can't just keep subsidizing skyrocketing tuition; we'll run out of money." This year, the President said "taxpayers cannot continue to subsidize the soaring cost of higher education."

I am concerned that well-intentioned federal education subsidies are hyper-inflating the cost of higher education, leading to more borrowing, higher interest payments, and less disposable income, essentially creating an "education bubble" not dissimilar to the housing bubble that nearly crippled the economy several years ago.

I have several questions on this topic:

1. Do you believe the current rate of tuition inflation is driven in part by federal education subsidies?

2. Might rising college costs be constrained by more carefully targeting and measuring the effectiveness of federal education assistance?

3. What role has federal education assistance like Pell Grants played in subsidizing rising tuitions?

4. CBO's February baseline shows the Pell Grant program facing a funding cliff in Fiscal Year 2015 and annual shortfalls in subsequent years through the budget window. Do you believe the current structure of this important program is sustainable?

5. Are the costs of the Pell Grant program affordable without regular infusions of mandatory funds?

Mr. Hartle's Response to Questions Submitted for the Record

CHAIRWOMAN VIRGINIA FOXX (R-NC)

1. This is a very important question, but one for which there are no perfect answers. Presenting you with options for reauthorization is a high priority for us, and we have begun working to develop recommendations. That said, I think a key to solving this problem lies squarely with the Department of Education (ED), which, arguably, has proven to be the weakest link in the TRIAD. The boundary between evaluating academic quality (the primary role of accrediting agencies), and monitoring compliance with federal mandates (the primary role of the Department) has been breached. Over time, ED has increasingly shifted its oversight obligations onto the accreditors. In order to reverse this trend, the Department needs to make a real investment in the development of guidelines for its program reviews and compliance and financial audits that guarantee uniformity, fairness, and, except when sensitive institutional information is involved, transparency. It also needs to make a real investment in training Department staff associated with these processes and better designing the training materials they utilize.

We do not yet have suggestions regarding the states. The recent ill-considered regulations concerning state authorization suggest this is an area where policymakers need to tread carefully in order not to trigger the law of unintended consequences.

CHAIRMAN JOHN KLINE (R-MN)

1. Respectfully, I do not support a shift from access to completion. Completion is a concept better suited to the K-12 education arena, where: 1) compulsory attendance laws are in place: 2) a presumption exists that the government will assume the full cost of making education free; and 3) students are viewed as children, not adults. None of these conditions holds true for postsecondary education.

However, I do not think the goals of access and completion are mutually exclusive in the postsecondary realm, and I do think institutions should be challenged and, in some instances, even required to do more to promote completion. Targeted strategies such as better counseling, prior to as well as during college; using diagnostic metrics (like those employed by Arizona State University and others) to make timely interventions when a student appears to be going off track; and other focused tools should be aggressively employed.

As to the second part of your question, I think narrowing the options and choices that students have would erode the real value of college as a place where second chances can put a life or a career back on track.

REPRESENTATIVE RICHARD HUDSON (R-NC)

1. In my opinion, the primary federal role in higher education remains ensuring that students are not denied the opportunity to pursue postsecondary education because they or their families lack the resources. One of the main points I attempted to convey in my testimony is that the particular direct-to-students mechanism (effectively a "voucher" which the student can take to any eligible institution) for federal grants and loans was a truly inspired approach. When states were meeting their part of the bargain—supporting public colleges and universities with state budget allocations sufficient to prevent large hikes in tuition—federal government resources created opportunities for students with limited funds to pursue a college education. This approach, uniquely American in its egalitarian roots, is as valuable today as it was decades ago.

What has changed and has consequently increased the federal financial burden is that the states have abdicated their role of keeping tuitions affordable. What has expanded in successive years is the amount of federal micromanagement, presumably driven in part by the federal government's increased fiscal role in helping to make college possible.

2. Thank you for this question. There are several principles I think are important to honor. One is that because college is one of the main passports to economic opportunity, access remains a critical principle in the design of federal student aid, especially in light of disturbing data about growing income stratification among Americans. A corollary is that for our democracy and economic system to thrive in its own right as well as against global competition, a vibrant and growing middle class is critical. Helping those who need help to pursue their college goals should not be reduced to a calculation about individual benefit but should always be viewed through the prism of national interest.

REPRESENTATIVE LUKE MESSER (R-IN)

1. I have not seen any reputable study that has demonstrated that federal subsidies drive tuition inflation. In fact, two economists from the College of William and Mary, Robert Archibald and David Feldman, have found that contrary to the belief that the availability of federal aid gives colleges room to raise prices, "increased federal support is indeed causally related to tuition, but not in the direction predicted. We found that increases in the maximum Pell Grant caused private four-year institutions to decrease tuition." (See Why Does College Cost So Much? [2011]).

While federal student aid is not among them, there are many drivers of tuition inflation that are unique to higher education. At the top are costs associated with being a labor-intensive enterprise and having expensive related benefit costs. Another powerful cost driver is the extraordinarily high cost associated with the imperative to keep abreast of technological change, whether the expense derives from updating costly research laboratory equipment, from the need to acquire state-of-the-art technologies to educate and train students, or from purchasing more efficient software for administrative operations like billing and accounting. A third category of institutional costs stems from the high software and personnel costs of keeping abreast of ever-changing and ever-expanding federal regulations (and in the case of public institutions, state regulations as well). These are only a few of cost pressures colleges routinely face.

2. Over the past decade, trends clearly show that while public and private nonprofit college tuitions have continued to rise at rates that surpass CPI, the trends

also show that private college tuitions hover close to inflation, while public college tuitions have mushroomed. This correlates to the fact that general operational and administrative funds from state appropriations to public colleges and universities have been declining year-to-year and now stand at an historic 25-year low. Because public higher education support is discretionary, it has been eclipsed in the budgets of virtually all states by funding for prisons, Medicare, and other mandatory obligations. Tuition increases have become the relief valve utilized by state legislatures to meet statutory requirements to balance their budgets. In many cases, the decisions to raise tuition at public institutions are made by legislatures and not by public colleges. Would states be able to continue this practice without an expectation that federal student aid would help to fill the gap? Who can say for sure, since the stakes are too important to leave to chance. But it is much more difficult to address the question of what the appropriate federal role is without relying on states to uphold their part of the equation.

3. Because of congressional interest in understanding whether a relationship exists between increases in Pell Grant funding and increases in tuition levels, ACE engaged Donald E. Heller, dean of the College of Education at Michigan State University and a respected higher education policy analyst, to explore this topic. Dr. Heller's paper is entitled, "Does Federal Financial Aid Drive Up College Prices." I am happy to submit it for the hearing record.

The paper concludes that, "There is little compelling evidence that it (the hypothesis attributed to former Secretary of Education William Bennett that holds that increases in financial aid have enabled colleges and universities to increase tuition) holds true with respect to the price-setting behavior of colleges and universities in the United States. This complex process involves far too many variables for it to be essentially explained by the simplistic notion that tuition—setting boards sit around and say, 'Well, Pell grants are going up $200 next year, so we can raise tuition $100.' While any change in federal aid may be a very small piece of the puzzle that leads to year-to-year tuition increases, there is scant evidence that it is a major contributing factor."

4. My colleagues and I are very concerned about the long-term fiscal health of the Pell Grant program, which, as you note, faces a looming fiscal cliff in 2014. Figuring out how to put the program on secure footing will be a top priority in the reauthorization discussions, and we believe that reauthorization is the proper forum for addressing the problem.

Throughout its history, the growth curve for the Pell Grant program has been slow and gradual. Commonly, when the annual Pell Grant maximum award was increased, it grew by only $100. A $200 annual increase was rare. The number of eligible students was also fairly stable, going up gradually as slight upticks in high school graduation rates or adults returning to school increased the pool of students hoping to pursue postsecondary education.

The program has never witnessed the kind of dramatic annual maximum award increases that have occurred through the sizable infusion of mandatory funds authorized by the 2007 College Cost Reduction and Access Act. Larger grants and a dismal economy have made thousands more students eligible for the grant. However, even without this unusual set of circumstances, the Pell Grant program has always been countercyclical to economic trends; that is to say, demand rises during an economic downturn. For example, when a parent loses her job, the loss of household income may make her daughter eligible for Pell. In addition, the mother herself (or other working adults) may return to college to secure new employment skills. If these factors are present during normal economic cycles, they have been greatly magnified during the past several years of flat economic growth and spiraling unemployment. Compounding these added pressures on student aid, families who had been covering college costs by refinancing their homes saw this option evaporate as the mortgage industry collapsed and the housing market flat-lined.

Going forward, if historical trends hold true, an improving economy will greatly lessen the demand for Pell Grant assistance, reducing the cost of the program. According to both the Office of Management and Budget and the Congressional Budget Office, this has already begun and should give us a more realistic starting point for considering what changes—if any—may be needed to avoid the Pell fiscal cliff.

5. The costs of the Pell Grant program are entirely manageable without regular infusions of mandatory funds, although like all discretionary programs, it will have to withstand the ebbs and flows of available federal funding within the annual budget parameters. As much as students and the higher education advocacy community were happy to have a year-to-year jump in the maximum award and predictable annual increases thereafter, my colleagues and I are not enthusiastic about the practice of transferring funds from one group of students (those who rely on federal student loans) to help send to college another group of students (those who depend

on Pell Grants). For a substantial number of students, those with incomes so low as to qualify (and need) both a Pell Grant and loans, this amounts to transferring money from one pocket to another.

U.S. CONGRESS,
Washington, DC, May 8, 2013.

Mr. DAN MADZELAN, *U.S. Department of Education (Retired),*
6517 40th Avenue, University Park, MD 20782.

DEAR MR. MADZELAN: Thank you for testifying before the Subcommittee on Higher Education and Workforce Training at the hearing entitled, "Keeping College within Reach: The Role of Federal Student Aid Programs," on Tuesday, April 16, 2013. I appreciate your participation.

Enclosed are additional questions submitted by members of the subcommittee after the hearing. Please provide written responses no later than May 22, 2013 for inclusion in the final hearing record. Responses should be sent to Amy Jones, Brian Melnyk or Emily Slack of the committee staff who can be contacted at (202) 225-6558.

Thank you again for your important contribution to the work of the committee.

Sincerely,

VIRGINIA FOXX, *Chairwoman,*
Subcommittee on Higher Education and Workforce Training.

CHAIRWOMAN VIRGINIA FOXX (R-NC)

1. What are some of the benefits of shifting the conversation from student access to outcome measures? What are the harmful effects of maintaining the current financial aid system?

CHAIRMAN JOHN KLINE (R-MN)

1. In your testimony, you mentioned that the federal government does not currently look at student outcomes. As you know the Higher Education Act requires institutions to report on graduation rates and other metrics, and limits the amount of time that students can access Pell Grants and (recently) subsidized Stafford loans. What other outcome measures do you think are the most important for us to examine during the reauthorization process?

REPRESENTATIVE LUKE MESSER (R-IN)

As a member of both the Education and the Workforce Committee and the Budget Committee, I am especially interested in slowing the rapidly rising cost of higher education. College costs too much. Parents are scrimping and saving and spending their nest eggs to pay for their children's education while trying to make ends meet in this sluggish economy.

Between 2001 and 2012, federal financial aid in constant dollars increased 140 percent. However, over the same period, published tuition and fees for in-state students at public four-year colleges increased by an average of 5.6 percent faster than the rate of inflation. In last year's State of the Union address, the President said "we can't just keep subsidizing skyrocketing tuition; we'll run out of money." This year, the President said "taxpayers cannot continue to subsidize the soaring cost of higher education."

I am concerned that well-intentioned federal education subsidies are hyper-inflating the cost of higher education, leading to more borrowing, higher interest payments, and less disposable income, essentially creating an "education bubble" not dissimilar to the housing bubble that nearly crippled the economy several years ago.

I have several questions on this topic:

1. Do you believe the current rate of tuition inflation is driven in part by federal education subsidies?

2. Might rising college costs be constrained by more carefully targeting and measuring the effectiveness of federal education assistance?

3. What role has federal education assistance like Pell Grants played in subsidizing rising tuitions?

4. CBO's February baseline shows the Pell Grant program facing a funding cliff in Fiscal Year 2015 and annual shortfalls in subsequent years through the budget window. Do you believe the current structure of this important program is sustainable?

5. Are the costs of the Pell Grant program affordable without regular infusions of mandatory funds?

Mr. Madzelan's Response to Questions Submitted for the Record

CHAIRWOMAN VIRGINIA FOXX (R-NC)

1. What are some of the benefits of shifting the conversation from student access to outcome measures? What are the harmful effects of maintaining the current financial aid system?

Answer: I am not yet ready to say that we have solved the problem of higher education access for students from lower-income families in this country. However, when the number of Pell grant recipients is nearly one-half of the number of enrolled undergraduates, I do think we are getting very close. Thus, I also think that it is appropriate to begin thinking more about student outcome measures for the Title IV student aid programs.

We should expand the criteria for determining institutional eligibility to participate in the Title IV student aid programs. Participating schools must be held accountable for meeting certain thresholds for performance against a set of access and completion metrics. It is important to implement an access measure otherwise institutions may be incentivized to move to more selective admissions policies in order to improve their completion rates. Such a measure could be based on Title IV aid recipients, especially Pell grants. Similarly, institutional completion rates should be risk-adjusted, that is, special consideration should be given to an institution's mission and enrollment of low-income individuals, to account for institutional diversity. Completion rates must also better account for the behavior of transfer students. It is difficult for institutions to gather post-graduation information and labor market outcomes for their former students. Thus, I think it is appropriate to include a student loan repayment rate calculation, in addition to the existing cohort default rate calculation, as an institutional Title IV eligibility criterion. I think the Department had the right idea regarding a repayment rate calculation they proposed in the gainful employment regulation two years ago. Of course, the specifics of that calculation can be debated, but I think the overall concept is sound.

There is an old adage, "If you always do what you've always done, you'll always get what you've always got." If we as a Nation are serious about improving our postsecondary education completion rate for degrees, certificates and industry-recognized credentials, then we must modify out policies in ways that emphasize pathways to improved student outcomes. Otherwise we will have changed nothing.

CHAIRMAN JOHN KLINE (R-MN)

1. In your testimony, you mentioned that the federal government does not currently look at student outcomes. As you know the Higher Education Act requires institutions to report on graduation rates and other metrics, and limits the amount of time that students can access Pell Grants and (recently) subsidized Stafford loans. What other outcome measures do you think are the most important for us to examine during the reauthorization process?

Answer: I think several of the more recently enacted student-based measures are a good start. While I agree with the imposition of "lifetime" limits for Pell grant recipients, this program feature helps safeguard program integrity rather than provide a meaningful outcome measure, although it could become an incentive for students to reduce their time to degree. Limiting access to subsidized Stafford loans seems to have been more about finding budget savings than measuring student outcomes. Conversely, graduation rates are an important and critical outcome measure, but the current approach remains flawed inasmuch as it does not appropriately account for the outcomes of transfer students.

I am a proponent of an institution-specific student loan repayment rate calculation, not unlike the approach the Department developed for its gainful employment regulation. If the purpose of the Title IV student aid programs is to make the benefits of higher education available to individuals irrespective of their families' financial circumstances, then one of those benefits is certainly better employment prospects for aided students. Consequently, it is reasonable to require that some percentage of an institution's borrowers have improved their financial circumstances as result of the education or training provided as evidenced by the fact that borrowers are able not only to make payments on their loans but also reduce their outstanding loan principal in the short term. The repayment rate model should be simple: "X percent of a school's borrowers have reduced the outstanding principal balance of their loans by Y dollars (or percent) within Z years of entering repayment." I do not know what the appropriate parameters—X, Y and Z in this model—for a loan repayment rate measure should be. It seems that initial values could be specified and then reevaluated after several years and modified as necessary.

REPRESENTATIVE LUKE MESSER (R-IN)

As a member of both the Education and the Workforce Committee and the Budget Committee, I am especially interested in slowing the rapidly rising cost of higher education. College costs too much. Parents are scrimping and saving and spending their nest eggs to pay for their children's education while trying to make ends meet in this sluggish economy.

Between 2001 and 2012, federal financial aid in constant dollars increased 140 percent. However, over the same period, published tuition and fees for in-state students at public four-year colleges increased by an average of 5.6 percent faster than the rate of inflation. In last year's State of the Union address, the President said "we can't just keep subsidizing skyrocketing tuition; we'll run out of money." This year, the President said "taxpayers cannot continue to subsidize the soaring cost of higher education."

I am concerned that well-intentioned federal education subsidies are hyper-inflating the cost of higher education, leading to more borrowing, higher interest payments, and less disposable income, essentially creating an "education bubble" not dissimilar to the housing bubble that nearly crippled the economy several years ago.

I have several questions on this topic:

1. Do you believe the current rate of tuition inflation is driven in part by federal education subsidies?

Answer: I do not believe that federal higher education subsidies, especially the Title IV student aid programs, contribute to rising tuition prices.

In the 1998 amendments to the Higher Education Act, Congress directed the Department of Education to study college costs paid by institutions and tuition prices paid by students. The National Center of Education Statistics (NCES), the Department's operating component tasked with completing the Congressionally Mandated Studies of College Costs and Prices, found that for public four-year institutions, declining state appropriations was the single factor associated with tuition increases. For private not-for-profit colleges, NCES found no single overriding factor consistently related to tuition increases.

Additionally, the principal Title IV programs are completely (Pell grants) or largely (Stafford loans) insensitive to tuition prices. The amount of a student's Pell grant is determined based solely on his or her family income and household circumstances. A low-income student receives the maximum Pell grant whether attending a community college or high-priced private university. Similarly, Stafford loan borrowers, most of whom are first- or second-year undergraduates, have relatively modest annual borrowing limits.

So, tuition price insensitivity (Pell grants) and limited annual Stafford borrowing means that increasing tuition prices will not generate significantly more institutional revenue from current students from these two federal student aid programs. The way for institutions to increase revenues from these two federal student aid programs is to enroll more low- and moderate-income students.

2. Might rising college costs be constrained by more carefully targeting and measuring the effectiveness of federal education assistance?

Answer: I think that targeting and measuring the effectiveness of federal student aid can help achieve program goals—including improved completion rates—articulated by federal policymakers. I think the utility of such efforts with respect to constraining tuition prices would be largely non-existent. The calculation of student Title IV aid award amounts is simply insufficiently sensitive to the price of tuition to be an effective cost containment tool.

3. What role has federal education assistance like Pell Grants played in subsidizing rising tuitions?

Answer: The amount of a student's Pell grant is determined based solely on his or her family income and household circumstances. A low-income student receives the maximum Pell grant whether attending a community college or high-priced private university. This insensitivity to tuition prices means that a college cannot generate more revenue from a Pell grant recipient by increasing tuition.

That said, I do I think that the Pell Grant program has had a positive role in protecting low-income students from rising tuition prices. The Department reported in the Congressionally Mandated Studies of College Costs and Prices that grant aid in general, but largely Pell grants, was sufficient to offset tuition price increases for low-income students during the period beginning in 1992 and ending in 2000. Said a bit differently, net tuition prices, that is, "out-of-pocket" expenses, for low-income students did not increase during the time period of the study.

4. CBO's February baseline shows the Pell Grant program facing a funding cliff in Fiscal Year 2015 and annual shortfalls in subsequent years through the budget window. Do you believe the current structure of this important program is sustainable?

Answer: Both CBO and the Department excel at forecasting near-term Pell grant program costs. However, external variables that are harder to predict in the longer term lead to significant variation in out-year forecasts. When I was with the Department in the early 1990s, the Pell grant program—when annual spending was less than $6 billion—faced an estimated $2.1 billion shortfall. Congress funded about half of that shortfall through special and supplemental appropriations. The other half never materialized. CBO and Departmental forecasting did not accurately predict program demand several years out, which declined largely due to a generally improving economy. Thus while I think concern regarding the financial sustainability of the program is appropriate, it is important to remember that student demand for Pell grants is generally countercyclical—demand subsides as general economic conditions improve.

5. Are the costs of the Pell Grant program affordable without regular infusions of mandatory funds?

Answer: I think Pell grant program costs are affordable. Student demand for Pell grants is countercyclical—demand subsides as general economic conditions improve. In the history of the program, funding shortfalls have coincided with periods of economic recessions. The CBO and Administration budget estimates indicate ordinary year-to-year increases (around one percent) in demand going forward. So, maintaining current service expenditures for Pell grants should be affordable over the next ten years.

U.S. CONGRESS,
Washington, DC, May 8, 2013.

MS. PATRICIA MCGUIRE, *President,*
Trinity Washington University, 125 Michigan Avenue, NE, Washington, DC 20017.

DEAR MS. MCGUIRE: Thank you for testifying before the Subcommittee on Higher Education and Workforce Training at the hearing entitled, "Keeping College within Reach: The Role of Federal Student Aid Programs," on Tuesday, April 16, 2013. I appreciate your participation.

Enclosed are additional questions submitted by members of the subcommittee after the hearing. Please provide written responses no later than May 22, 2013 for inclusion in the final hearing record. Responses should be sent to Amy Jones, Brian Melnyk or Emily Slack of the committee staff who can be contacted at (202) 225-6558.

Thank you again for your important contribution to the work of the committee.

Sincerely,

VIRGINIA FOXX, *Chairwoman,*
Subcommittee on Higher Education and Workforce Training.

CHAIRWOMAN VIRGINIA FOXX (R-NC)

1. Your testimony recognizes the importance of accountability for federal student aid dollars. How can we ensure that taxpayer dollars are spent effectively, without impinging on student choice or limiting access for the lowest income students and families?

CHAIRMAN JOHN KLINE (R-MN)

1. How are federal regulations and reporting requirements affecting the recent spike in college tuition? Is the federal government putting too large of a burden on colleges and universities?

REPRESENTATIVE RICHARD HUDSON (R-NC)

1. What are the biggest problems facing the existing federal financial aid system and what suggestions do you have for improving the system?

REPRESENTATIVE LUKE MESSER (R-IN)

As a member of both the Education and the Workforce Committee and the Budget Committee, I am especially interested in slowing the rapidly rising cost of higher education. College costs too much. Parents are scrimping and saving and spending their nest eggs to pay for their children's education while trying to make ends meet in this sluggish economy.

Between 2001 and 2012, federal financial aid in constant dollars increased 140 percent. However, over the same period, published tuition and fees for in-state students at public four-year colleges increased by an average of 5.6 percent faster than the rate of inflation. In last year's State of the Union address, the President said "we can't just keep subsidizing skyrocketing tuition; we'll run out of money." This year, the President said "taxpayers cannot continue to subsidize the soaring cost of higher education."

I am concerned that well-intentioned federal education subsidies are hyper-inflating the cost of higher education, leading to more borrowing, higher interest payments, and less disposable income, essentially creating an "education bubble" not dissimilar to the housing bubble that nearly crippled the economy several years ago.

I have several questions on this topic:

1. Do you believe the current rate of tuition inflation is driven in part by federal education subsidies?

2. Might rising college costs be constrained by more carefully targeting and measuring the effectiveness of federal education assistance?

3. What role has federal education assistance like Pell Grants played in subsidizing rising tuitions?

4. CBO's February baseline shows the Pell Grant program facing a funding cliff in Fiscal Year 2015 and annual shortfalls in subsequent years through the budget window. Do you believe the current structure of this important program is sustainable?

5. Are the costs of the Pell Grant program affordable without regular infusions of mandatory funds?

Ms. McGuire's Response to Questions Submitted for the Record

QUESTIONS FROM CHAIRWOMAN VIRGINIA FOXX (R-NC)

1. Your testimony recognizes the importance of accountability for federal student aid dollars. How can we ensure that taxpayer dollars are spent effectively, without impinging on student choice or limiting access for the lowest income students and families?

Effective stewardship of federal student aid dollars is a vitally important obligation of colleges and universities as well as the U.S. Department of Education. We are all partners in working toward national policy goals to ensure broad access to college as a means to improve the long-term educational and economic outcomes for the nation. To achieve the goals that we all share, we need a regulatory system that focuses on the right issues to protect the federal investment from fraud and abuse, but that does not discourage institutions that choose to serve low income students, or that adds cost burdens with no clear gain in producing effective results.

Institutions of higher education already must meet high standards to guard against fraud and abuse in the management of federal student aid programs, and the Department of Education should have all the support it needs to guarantee effective oversight of these protections.

The regulatory system also needs to recognize that a "one size fits all" approach to academic oversight will be very harmful to low income at-risk students and the institutions that serve them very well. Low income students move through college in many non-traditional ways—often attending multiple institutions, taking credits in different configurations, quite often completing degrees well after the standard 4-to-6 year completion clock has tolled. Financial aid policies need to be more flexible, not less, to encourage non-traditional students to complete degrees in the ways that make sense for them, which are not necessarily the ways that worked for traditional students half a century ago. Financial aid policies should robustly support summer semester enrollments, part-time enrollments below half-time credits, and resumption of academic coursework after years spent raising families. Recent changes to the Pell Grant eligibility rules—

- elimination of summer Pell, reduction in semesters of eligibility—are a serious blow to institutional ability to encourage non-traditional students to complete degrees.

Finally, the most effective way to assure that students are getting a quality education for the funds expended by the federal government is through a strong and independent accreditation system that can focus on the academic issues it is intended to address. There has been an alarming trend in which the Department of Education increasingly expects accreditors to use rigid checklists and measure institutional compliance with regulations that are unrelated to academic quality. Private voluntary accreditation—both by the comprehensive regional accrediting agencies as well as by the specialized disciplinary accrediting bodies—probes deeply into the quality of general education, major programs, graduate and professional programs, student outcomes assessment, faculty quality, student support services, governance and the systems and services necessary to ensure overall student success. The accreditation system is the most effective means available to ensure quality in the federal investment while also guarding against the harmful tendency of "one size fits all" approaches to academic regulation.

QUESTIONS FROM CHAIRMAN JOHN KLINE (R-MN)

1. How are federal regulations and reporting requirements affecting the recent spike in college tuition? Is the federal government putting too large of a burden on colleges and universities?

Yes, the regulatory burden is adding to overall college costs. The last reauthorization of the Higher Education Act brought with it numerous new requirements without—to my knowledge—removing any of the existing ones. In addition to the regulations issued to implement these requirements, the Department of Education also issued an extensive package of program integrity regulations, is about to issue new requirements related to teacher preparation programs, and is planning a new negotiated rulemaking session for this fall.

At Trinity, we have to keep adding staff and acquiring more and more software to keep track of all of the different reporting requirements, few of which relate directly to the quality of our academic programs. We are a relatively small institution with a strong reputation for managing our costs effectively. But in the last few years, we've had to add an in-house general counsel's office at more than twice the cost of our previous retainer with an outside law firm just to help us with compliance.

We maintain a robust list of policies and procedures on our website, all designed to keep up with compliance demands—I've seen that list double in the last few years, and even now, we're working on even more policy statements to supplement existing policy statements. We engage in extensive training with all of our faculty and staff, and yet, counsel now advises we must spend even more time on training, which is time taken away from students.

We spent almost $1.5 million on campus security, which is a big chunk of our $35 million operating budget—more than four times what we spend on our library—and yet, the security chief now tells me we have to make the budget even bigger to get some new software for new and different reporting mandates. Reporting and compliance considerations almost seem to crowd-out the real work, which is to ensure student welfare, safety and success.

We've just added yet another vice president, this time in student affairs, to help us keep up with the increasingly complicated regulations about the management of student issues. Yet, most of the issues we see do not fall within the areas of regulatory concern, so while we collect and report voluminous data and strive for excellence in compliance, the real work of the university sometimes seems to be running on a parallel track.

Keeping track of all of the myriad ways we must report data is demanding on the staff at my small institution—not only in terms of the time they spend but also in the lost opportunity costs of time they could have spent assisting students. On more than one occasion, I've pitched in myself to get it all done. I spent one weekend, for example, calculating detailed percentage break-downs of all forms of comparative expenditures on men's and women's sports—and this at school where 95% of the students are women. Next year we'll be adding more staff yet again, this time in institutional research, to augment our ability to do all of the data reporting. Once again, another administrative position added to our roster that does not go directly to the education of our students!

QUESTIONS FROM REP. RICHARD HUDSON (R-NC)

What are the biggest problems facing the existing federal financial aid system and what suggestions do you have for improving the system?

Funding and Flexibility Funding

Over the last five years, the federal investment in Pell Grants and student loans has grown exponentially. While this has happened during a particularly difficult budget period, in many ways it shows the programs are doing what they were designed to do. There are two particular trends causing program costs to rise: an increase in the number of children in poverty in this country, and the tendency of

Americans who lose jobs to go back to school to retrain so they can reenter the workforce. The rate of children from poverty who aspire to a college education will continue to grow so funding pressures will continue.

For both of these populations, the cost of the federal investment in higher education is worth it. While I think the greatest value is on the human side, it also makes financial sense for the federal government. When a student from a low-income family graduates from Trinity, not only will her life be changed, but so will the life of her children. Studies show three things: 1) that she will more than payback the cost of her Pell Grant through increased lifetime earnings, 2) that her children are unlikely to qualify for Pell Grants or numerous other federal aid programs, and 3) the government will make a profit on her student loans that will also cover much of the Pell Grant costs.

The federal student financial aid system works—it helps millions of students have access to postsecondary education and complete college degrees every year. And it works the way it was designed to work by combining basic federal assistance for the poorest students (Pell Grants) with incentives for self-help (Work Study and Loans), institutional partnerships (Campus-based Aid Programs) and state partnerships (SSIG/LEAP), to ensure a capable low-income student had the same college opportunity as a better-off peer.

Flexibility

We need to ensure that student aid program rules keep up with the changing characteristics of American students and the changing ways we are teaching. It is not flexible enough.

In my formal written testimony I said that the characteristics of Trinity's full-time undergraduates are emblematic of the new populations of students driving future enrollments in higher education. According to data from the National Center for Education Statistics (Projections in Education to 2021), from now to 2021 the population of Hispanic students in college will increase by 42%, African Americans by 25%, Asians by 20% while the more traditional White population will increase by only 4%.

Because black and Hispanic children in the United States suffer more poverty and related social problems, and have more significant educational challenges because of under-performing K-12 schools in their impoverished neighborhoods, the rising tide of low income students of color in college will require creative solutions on the part of both Congress and colleges to ensure that higher education remains accessible to them.

The changing demographics of this nation also reshape the conventional notions of who goes to college and how they attend. Regardless of age, low income students are more likely to have non-traditional attendance patterns and completion timetables because of their work and family responsibilities, health conditions and need for remediation. Department of Education data reveals that more than 70% of all college students have at least one "non-traditional" characteristic which includes not only age (being 25 or older in college), but also attending part-time, working full-time, parenthood, being self-supporting.

Institutions are responding with flexible programs so our students take classes and work towards their degrees year-round and seven days a week. Our institutions are flexible, but the federal student aid system is not. Reinstating the "summer Pell" or some other Pell Grant delivery system (like the Pell Well concept from NASFAA) that would make grant aid available year-round would really help determined low-income students reach their completion and employment goals.

QUESTIONS FROM REP. LUKE MESSER (R-IN)

Do you believe the current rate of tuition inflation is driven in part by federal education subsidies?

No, this is simply untrue. In fact, quite the opposite, federal student aid helps to restrain tuition growth. Almost no student in any kind of college or university pays the total actual cost of education; virtually all tuition prices are subsidized to some extent by state subsidies in public institutions, by charitable gifts and grants in private institutions. Among state institutions, we are seeing a dramatic rise in tuition prices precisely because the states are rapidly dis-investing in public higher education—that is the single biggest reason why headlines blare about "skyrocketing tuition." State universities are scrambling to cover the actual costs of operations as state legislatures slash budgets.

Among private institutions, charitable gifts and other non-tuition revenues help to offset some of the costs of operations, but those costs keep rising in large part because of consumer demand and regulatory burdens.

Students want more technology, more amenities like recreation centers, more choices whether in the dining hall or the curriculum, more elaborate residential facilities, more time and attention in advising, counseling and health services. Meanwhile, federal, state and local regulators impose more demanding rules requiring more data production, more software systems, enhanced compliance activities, increased staffing to produce regulatory reports. In the last ten years, even at a small university like Trinity, our costs for technology have increased dramatically. The safe management of facilities, including addressing ancient infrastructures that require modernization to comply with the ADA, for example, or environmental and life safety improvements, all require considerably more investment.

Another substantial factor driving tuition prices is the expectation of accessibility for more and more low income students whose needs go far beyond the subsidies that Pell grants provide. At Trinity, where we educate a remarkably low income population of students from the District of Columbia, we keep our tuition affordable through low rates of increase (just about 2% annually) and strong discounting practices that return an average grant of about $8,000, or 40% of our tuition price ($20,550 in 2012-2013) to almost all full-time students. Coming from difficult urban schools, these students also need significant academic assistance, health services, counseling services and a range of other supports to ensure academic success. As increasing numbers of low income students enter the nation's colleges and universities, they will also need greater investment to ensure retention and completion.

Federal student aid helps to mitigate the potential for even higher prices by filling in some of the gaps in the cost-price equation. Since the original financial aid program in the G.I. Bill of 1944, this nation has promoted the value of supporting higher education as a top priority in public policy as a way to ensure a strong workforce and great economic returns for the nation.

What is more, leading higher education economists, as well as federal studies conducted under the Clinton, Bush and Obama presidencies, have found no causal relationship between increases in federal student aid and tuition.

(For further reference see: "Why student aid is NOT driving up college costs," Washington Post, Jun 1, 2012; Government Accountability Office, "Federal Student Loans: Patterns in Tuition, Enrollment, and Federal Stafford Loan Borrowing Up to the 2007-08 Loan Limit Increase," May 2011; U.S. Department of Education, National Center for Education Statistics, "Study of College Costs and Prices 1988-89 to 1997-98, Vol. 1,"December 2001; National Commission on the Cost of Higher Education, "Straight Talk about College Costs &Prices," February 1998.)

Might rising college costs be constrained by more carefully targeting and measuring the effectiveness of federal education assistance?

No. Cuts to federal student aid will not help lower costs. In fact, as stated above, cuts to federal student aid could have the opposite effect of increasing prices.

What role has federal education assistance like Pell Grants played in subsidizing rising tuition?

None.

CBO baseline shows Pell funding cliff in FY 2015—do you believe the current structure of this important program is sustainable? Are the costs of the Pell Grant program affordable without regular infusions of mandatory funds?

Yes, if Congress makes funding the program a priority. The Pell Grant program has had strong bipartisan, bicameral and public support since its creation in 1972. The maximum grant was set and funded solely by the appropriations committees until 2007, when additional funds were made available from the education committees through budget reconciliation for the first time. Maintaining the maximum grant and helping students get into and through college are the aspects of the program that must be sustained and strengthened. How the program is paid for is up to Congress. For the sake of low-income students, and those of us who serve them, it should be predictable.

[Whereupon, at 12:54 p.m., the subcommittee was adjourned.]

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