

THE ROLE OF STATES IN HIGHER EDUCATION

HEARING
OF THE
COMMITTEE ON HEALTH, EDUCATION,
LABOR, AND PENSIONS
UNITED STATES SENATE
ONE HUNDRED THIRTEENTH CONGRESS
SECOND SESSION
ON
EXAMINING THE ROLE OF STATES IN HIGHER EDUCATION

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JULY 24, 2014
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THE ROLE OF STATES IN HIGHER EDUCATION

THURSDAY, JULY 24, 2014

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

The committee met, pursuant to notice, at 10:05 a.m., in room 430, Dirksen Senate Office Building, Hon. Tom Harkin, chairman of the committee, presiding.

Present: Senators Harkin, Alexander, Murray, Franken, Murphy, Warren, and Isakson.

OPENING STATEMENT OF SENATOR HARKIN

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

The hearing today is on the role of States in higher education. Since the establishment of State land-grant universities, our country has rightly recognized higher education as an essential public good, in the national interest. But States have also played a critical role to an affordable college education through investing and being a key player in oversight and developing strategies to increase degree attainment.

So there is a lot of our history to be proud of, but I think it's time to re-examine the States' role in light of today's challenges. Now, the steady erosion of State investment in public higher education over the last few decades reflects a stunning abdication of responsibility on the part of States to preserve college affordability. Also, too few low-income and minority students graduate from college, and States can and must play a more ambitious role in boosting degree attainment among these students.

One of the biggest takeaways from our committee's many hearings that we've had on college affordability is the direct link between rising college costs and long-term State disinvestment in higher education. There have been a lot of reasons why tuitions have gone up and kids are borrowing more money. But the single largest factor, at least as it's come through in our hearings, has been the State abdication of that, State disinvestment. For example, when measured per student, State funding for public higher education is actually lower today than it was in 1980, adjusted for inflation. Public colleges have responded by raising tuition, leaving the students and their families to borrow more money and take on that financial burden.

Public institutions of higher education, which educate over 70 percent of students in this country, are now approaching an historic turning point: for the first time ever in nearly half of the States, students will be paying more than their State governments for their public higher education. I think we must stem this tide and get States back in the game and meeting their responsibility for higher education.

So today, we will also examine the critical role that States play in providing oversight and consumer protections in our higher education system. From abuses in student loan servicing to predatory practices at many for-profit colleges, we have seen State law enforcement officers fill a consumer protection void that has hurt students and student loan borrowers. Recently, we have seen a bipartisan group of nearly three dozen State attorneys general, including one of our witnesses here today, the attorney general of Illinois, take a leading role in standing up for students and taxpayers by undertaking investigations and initiating lawsuits to end these practices.

States can also play a leading role in developing innovative practices to help students stay in school and attain a degree, and we'll be hearing about that again from Dr. Kaler from Minnesota. We need to help more States pursue these types of innovations to help more students complete postsecondary education.

In my recently released discussion draft to guide reauthorization of the Higher Education Act, I have put forward proposals specifically designed to get States back in as a partner in higher education. I'm not saying that's the end-all and be-all, but I'm saying that we have to find some creative ways to incentivize States to invest more robustly in public higher education and to help students, especially low-income students and first-generation students, to get through college.

As I have said, we have plenty to celebrate as we look back at our investment in higher education in this country, but new challenges today demand new solutions. I look forward to working with this committee, with our Ranking Member, Senator Alexander, and my colleagues to ensure that a pathway to the middle class is strongly in place for future generations.

With that, I will yield to Senator Alexander for his opening statement.

OPENING STATEMENT OF SENATOR ALEXANDER

Senator ALEXANDER. Thanks, Senator Harkin.

I want to thank Senator Harkin for a series of really good hearings that we've had on reauthorizing the Higher Education Act, and I want to thank our witnesses for coming today. I look forward to learning from you.

One thing we agree on is that we should strive to have more Americans with a college degree. The President agrees with that. The Governor of Tennessee agrees with that. I agree with that. Senator Harkin agrees with that. It might be Associate's or Bachelor or beyond, but we need more graduates for the era we're in.

But we need to keep in mind that in achieving that, the Federal Government plays a limited role. States must lead the way. As Senator Harkin said, three out of four undergraduate students at-

tend public 2-or 4-year institutions governed by States that receive substantial State funding. They attend those institutions because they're good and, in part, because they're affordable. The average in-State tuition fees are \$8,600 for a 4-year institution, \$3,100 for a 2-year institution. The Federal Government provides some funding to help students gain access. The Pell grant goes up to \$5,700. It averages about \$3,600 for a typical low-income student. The first 2 years of college, therefore, are basically free. Students are eligible for more in grants than the cost of tuition.

The Federal Government also makes about \$100 billion in loans available to students. That can be up to about \$7,500 a year for a typical dependent undergraduate student.

But despite all of those Federal dollars, the Federal Government is still a minority investor in higher education. According to the State Higher Education Executive Officers Association, public colleges and universities, these are the ones that three out of four Americans attend—received about \$143 billion in 2013; \$81 billion of that came from State and local revenues, \$61 billion from tuition. That includes Pell grants and Federal loans.

States continue to play the biggest role financially. Every Governor knows that and knows how important that is, and many are doing very innovative work. For example, the Governor of Tennessee, Bill Haslam, has a Drive for 55 campaign aimed at having 55 percent of Tennesseans with a postsecondary degree. As a part of that effort, he signed legislation this year making Tennessee the first State to make 2 years of community college free for every high school graduate in the State.

Many States are implementing performance-based or outcomes-based funding models. I imagine we'll hear about that today. Tennessee has one of those. One hundred percent of the money is distributed that way. Other States are working to create new programs for adults and veterans. I'm especially interested in how the Federal Government is getting in the way of State innovation.

One way is the complexity of the Federal financial aid system. Senator Bennet and I have announced our effort to reform the Federal application—the FAFSA, which is 108 pages long, and I just got today this book that respected educators have written for the 20 million families that are filling this absurd thing out when we've had testimony from witnesses that say that we can get 95 percent of what we need to know by asking two questions—what was your income, and what's your family size. That's one example of how we're getting in the way, and together I think we might be able to change that.

A second is too many Federal regulations. The former President of Stanford said it cost 7 percent of their budget to fill all the regulations out. The current President of Stanford was by this week and he said that 42 percent, according to a National Science Foundation study, 42 percent of a principal investigator's time is spent on administrative matters. That's probably twice the amount of time that it ought to be. That's billions of dollars wasted.

And we hear a lot, and Senator Harkin and I have gone back and forth about this a little bit in the past, maybe we will some more today, about States not spending as much on higher education. That's true. When I was Governor, States spent 70 percent, Ten-

nessee did. We paid for 70 percent of a student's college education. The student paid 30. That has flipped. Now it's 30 percent is paid by the State, 70 percent by the student. But the principal culprit is Medicaid. It's the Federal requirements on States to pay for Medicaid. It was 30 years ago when I was Governor. Thirty years ago, Medicaid was 8 percent of the State budget. Today it's 30 percent of the State budget, and those dollars come mostly out of higher education. That's not just my opinion. Peter Orszag, Thomas Kane of Brookings have written extensively about that. Mr. Orszag was President Obama's budget director. Lieutenant Governor Ravitch of New York has written extensively about how the Federal requirements for Medicaid on States has the effect of taking money away from higher education, and that's why tuitions go up around the country.

We can talk more about that, but the stimulus bill made that worse, the health care law expansion made that worse. Federal strings are well intentioned, but the unintended consequence is higher tuition and higher costs for students.

I look forward to what the witnesses have to tell us today, and I thank Senator Harkin for having another excellent hearing.

The CHAIRMAN. Thank you very much, Senator Alexander.

I will now introduce our panelists, and then we'll take testimony. But I would invite Senator Franken to introduce our first witness, Dr. Kaler.

Senator Franken.

STATEMENT OF SENATOR FRANKEN

Senator FRANKEN. Thank you, Mr. Chairman.

I'm very pleased to introduce Dr. Eric Kaler, the president of the University of Minnesota. President Kaler brings extremely valuable experience to this hearing as a witness. He served as president of EU for the past 3 years. In addition to that, just last April President Kaler was elected a member of the American Academy of Arts and Sciences. He was elected in two categories for his work as a chemical engineer and as a higher education administrator.

In his first budget request to the Minnesota legislature, President Kaler worked with Governor Dayton to institute a tuition freeze for undergraduates for the 2013–2014 academic year, and the second tuition freeze was just approved for another academic year, a significant victory for Minnesota students and their families.

In addition, President Kaler has been extremely successful in attracting research dollars to the University of Minnesota. He has brought in \$35.8 million in research investments from the State of Minnesota. I'm particularly excited about his initiative called MnDRIVE, which makes sure that university research is more aligned with the State's most pressing needs and key industries.

In 2010, President Kaler was elected to the National Academy of Engineering. In 2012, then Secretary of Homeland Security Janet Napolitano named him to the U.S. Department of Homeland Security Academic Advisory Council.

Dr. Kaler received his Ph.D. in Chemical Engineering from the University of Minnesota in 1982. Before coming back to the univer-

sity he served in 2007 to 2011 as Provost and Senior Vice President for Academic Affairs at Stony Brook University in New York.

President Kaler is a knowledgeable champion for students, and I'm very pleased that he is a witness here today.

The CHAIRMAN. Thank you very much, Senator Franken.

I might add that my wife is a graduate of the University of Minnesota. Her sister is a graduate of Minnesota. Her sister is a graduate of the law school, and my niece just graduated from law school at the University of Minnesota. So, a lot of Minnesota contacts.

Our next witness is Teresa Lubbers, who serves as Indiana's Commissioner for Higher Education. Prior to joining the Commission in 2009, Commissioner Lubbers served in the Indiana State Senate for 17 years, including service as Chair of the Senate Education and Career Development Committee.

You should feel right at home here then.

As Commissioner, Ms. Lubbers has worked to increase college completion, improve productivity, and ensure academic quality while also controlling college costs. She holds an undergraduate degree from Indiana University and a Master's in Public Administration from the Kennedy School of Government at Harvard.

Our next witness is the attorney general of Illinois, Lisa Madigan, the first woman elected to serve as attorney general of that State. Since taking office in 2003, Attorney General Madigan has been a national leader in protecting consumers, safeguarding communities and advocating for students. She has been outspoken about the consumer risk, including excessive student debt, associated with for-profit colleges.

Prior to becoming attorney general, she served in the Illinois Senate, worked as a litigator for a Chicago law firm, earlier in her career was a teacher, I understand, developing after-school programs to keep kids away from drugs and gangs.

Attorney General Madigan is a graduate of Georgetown University and Loyola University School of Law.

Our final witness would be Dr. Laura Perna. Dr. Perna is executive director of the Alliance for Higher Education and Democracy and professor in the Graduate School of Education at the University of Pennsylvania. She is past vice president for Postsecondary Education at the American Educational Research Association and is president-elect of the Association for the Study of Higher Education.

Her research examines the ways that social structures, educational practices, and public policies promote and limit college access and success, particularly for individuals from lower-income families and ethnic minority groups.

Dr. Perna holds a Bachelor's degree in Economics and Psychology from the University of Pennsylvania, a Master's in Public Policy, and a Ph.D. in Education from the University of Michigan.

We have a very distinguished panel, very knowledgeable in the areas in which we're concerned.

All of your statements will be made a part of the record in their entirety.

What I'd like to ask—we'll start with Dr. Kaler—if you could sort of give us a summary in 5 minutes or so, and we'll go down the line, and then after that we'll open it for questions and discussion.

Dr. Kaler, welcome, and please proceed.

STATEMENT OF ERIC KALER, Ph.D., PRESIDENT, UNIVERSITY OF MINNESOTA, MINNEAPOLIS, MN

Mr. KALER. Thank you, Senator Harkin; and thank you, Senator Franken. I thank you on behalf of all Minnesotans, including those above-average ones from Lake Wobegon, for your service and your regular visits with students on our campus.

Good morning, Senator Alexander, and members of the committee.

I come before you today to share how the University of Minnesota is addressing the most critical issues in higher education today: first, ensuring access and affordability; second, forging strong partnerships to achieve student success; and third, establishing programmatic innovations to assure students, particularly low-income students, get their degrees in a timely fashion.

I also come here to urge you to fully support our students and our State through reauthorization of the Higher Education Act legislation, and I thank you for this opportunity.

I think we all know the value of a public college degree for our students and our States; in fact, for the entire Nation's vitality. It has never been higher. The cost, too, has also never been higher. As States have reduced their support, families and students have borne the brunt of tuition increases. The burdens of student debt have become central to a national conversation about the cost of going to college. But our experience in Minnesota provides some perspective on the national narrative about debt which tends to focus on the outliers, that small number of students with \$75,000 or even \$100,000 in undergraduate student debt.

In a perverse definition of "average," most analyses only include those with debt, ignoring, at the University of Minnesota, for example, 37 percent of our students graduate with no debt at all. But still, this trend of increased higher education costs for families, especially middle-class families, cannot continue. Since becoming president of the University of Minnesota in 2011, I have put accessibility and affordability at the top of my agenda. My first budget included the lowest tuition increase in more than a decade, and for the past 2 years we achieved an historic tuition freeze for Minnesota resident undergraduates.

This was a significant achievement, especially given State disinvestment which, over the past decade, was among the largest nationally. Since then, the State and the university have developed a partnership of shared accountability. First, the university pledged to tackle administrative costs. We pledged to redirect \$90 million, \$90 million over a 6-year period from administrative activities to our missions, and we're ahead of schedule in doing that.

The university also agreed to accountability targets. We invested in financial aid to assist students and families. We award our students nearly \$340 million of financial aid annually. Counting all students, those with debt and those without, the average per-capita burden on our students when they graduate is about \$16,500. That, to me, is a good investment, particularly when you consider the lifetime earnings of college graduates.

Our commitment to student support includes a series of innovative programs designed specifically to support low-income students, students of color, and first-generation college students. I outlined them in my written testimony, and I'm proud of our work in this area.

But as you noted, applying for financial aid should be easier. Students and their families are burdened by a confusing collection of forms and websites in the process of seeking financial aid, and I urge you to help simplify the financial aid process.

In closing, I offer these thoughts as you consider reauthorizing the Higher Education Act. I encourage you to create incentives to stop the decline of State investment, to promote affordability and access, to support partnerships, and to fuel innovative programs like those at Minnesota. I urge you to ensure Federal financial aid funding is targeted to institutions with high retention and high graduation rates. And finally, I urge you to look at the regulatory burdens imposed on us by the Federal Government not only related to financial aid but throughout our research enterprise as well.

Mr. Chairman, members of the committee, we are all in this together to assure higher education's accessibility and the success of the next generation of our Nation's leaders.

Thank you again, Chairman Harkin, for your focus on affordability and our students and an opportunity for me to be with you today.

[The prepared statement of Mr. Kaler follows:]

PREPARED STATEMENT OF ERIC W. KALER, PH.D.

SUMMARY

President Kaler's testimony will focus on ways his administration has strengthened the University's partnership with the State of Minnesota, and he will detail programs the University developed to enhance retention and graduation rates among students of color and low-income students.

He will detail the impact of the Great Recession on State funding of his university and others, but also point out that student financial debt burdens at the University of Minnesota and other land-grant universities, are not as onerous as the popular narrative has suggested. The value of a college degree must be measured against any debt.

He will offer insights into the various partnerships required for low-income and students of color to succeed in gaining degrees in 4 years. He will emphasize the need for a five-way partnership to drive down costs and debt. Those partnerships require the support and commitment of the higher education institutions, their respective States, business and industry, students and their parents, and also Congress and the Federal Government.

He will report on specific efforts his administration has undertaken to reduce costs, freeze tuition and invest in support services for students.

He will detail the changing role of State support for his university, moving more deeply into a research funding partnership, a role usually reserved for the Federal Government.

Finally, he will offer recommendations to the Higher Education Act that can help all States improve their systems of higher education and financial aid.

Thank you, Senator Franken. I am honored to join you here today. I am used to seeing you on our campuses, visiting regularly with University of Minnesota students, and sharing your concerns about their lives, their families, and the affordability and value of a college education. Thank you for always focusing on our students.

Good morning, Senator Harkin, and members of the committee. It's an honor to testify before a committee chaired by a graduate of Iowa State University, one of our neighboring land-grant peer institutions. And it's a pleasure to be before Rank-

ing Member Senator Alexander of Tennessee, birthplace of my wife, Karen, a proud graduate of another land-grant university, the University of Tennessee.

I come before you today to share how the University of Minnesota is addressing three of the most critical issues in higher education today:

- First, ensuring access and affordability;
- Second, forging strong partnerships to achieve student success;
- And third, establishing programmatic innovations to ensure students—particularly, low-income students—get their degrees in a timely fashion, prepared for life and work.

I also come here to urge you to find the will and the way to more fully support our students and our State through the reauthorization Higher Education Act legislation. While I am focusing on our experience in Minnesota, I know it is similar to that of public higher education institutions across the country. Many of my peers in your home States are also engaged in addressing these critical issues. Thank you for this opportunity.

OVERVIEW

The value of a public college degree for our students and our States—for the entire Nation, really—has never been higher. More jobs than ever require a degree. But costs are higher than ever, too.

Since the Great Recession, State disinvestment in public higher education has been profound. As a consequence, tuition has risen dramatically. The burden of student debt has become central to a national conversation—sometimes driven by emotion and not facts—about the cost and value of higher education.

Meanwhile, we are leaders in investing in innovative ways to teach and for our students to learn, be it in thoughtfully designed “active learning” classrooms, through so-called “hybrid” or “flipped” courses, through online options, or through somewhat trendy and still developing MOOCs, or Massive Open Online Courses. We are on the frontlines of pedagogical change.

While the Higher Education Act focuses on our teaching mission, we have at least two other missions that are equally critical for our students and our Nation’s vitality: research and public engagement.

Public land-grant institutions have long been this Nation’s most logical and critical partners with States and the Federal Government for groundbreaking discoveries and cures, and for developing new knowledge, new products and new processes to keep the United States competitive. Our research mission is inextricably linked to our educational mission. If you want a strong and robust education, we must ensure our Federal research support is also robust.

Public higher education institutions and their States are also active partners in public engagement and community outreach, be it via rural nutrition and wellness programs, dental clinics for New Americans, or helping to close the economic and educational achievement and opportunity gaps, a social inequality crisis that must be narrowed for our Nation to continue to prosper. This public engagement mission, too, benefits students who are actively engaged in civic and community projects for academic credit.

As you consider reauthorizing HEA, I urge you to keep in mind the tripartite mission of America’s great land-grant universities. Consider all that we do.

UNIVERSITY OF MINNESOTA

For context, let me tell you a bit about the University of Minnesota. Our flagship Twin Cities campus has more than 48,000 undergraduate, graduate and professional students, and our four other campuses across Minnesota educate another 15,000 students annually. Our research enterprise is ranked as the 9th most active among public universities in the United States, with annual expenditures of about \$700 million.

Every year, we award a wide range of degrees to about 15,000 students, fueling Minnesota’s workforce and driving the State’s and region’s very healthy economy. Indeed, as Senator Harkin knows, the Upper Midwest is among the Nation’s most vibrant regions.

In our classrooms, laboratories and recital halls, we prepare the next generation of leaders—including Members of Congress. Former Senators and Vice Presidents Hubert Humphrey and Walter Mondale are among our alumni, as are current members of the House of Representatives Keith Ellison and Rick Nolan.

Through our research we tackle the grand challenges of our State, Nation and the world—from climate change to diabetes to safely feeding the world. And we partner with our communities to help our citizens face critical problems, from the future of urban density to viruses devastating the pork industry.

AFFORDABILITY AND ACCESS

Affordability and access may be the most pressing issues facing higher education today. When I became president in 2011, I put these issues at the top of my agenda and they are still there. My first budget included the lowest tuition increase at our University in more than a decade, and for the past 2 years we achieved an historic tuition *freeze* for resident undergraduate students. That is, a zero increase in tuition for most of our students.

This was a significant achievement, especially given State disinvestment, which, over the past decade, was among the steepest nationally. As you may know, from 1999 to 2011, the investment per capita that States allocated to higher education declined about 23 percent. But in Minnesota, over that same 12-year period, the decline was 48 percent, putting us well below the national average of funding students in higher education and headed toward the lower quartile. We had begun that 12-year span in the **upper** quartile.

Put another way: 15 years ago in Minnesota you showed up with a dollar to put toward the cost of a University education and the State showed up with two dollars. Now, a student and her family show up with a dollar, and the State of Minnesota shows up with just 50 cents. That is the magnitude of the cost shift from State support to increased tuition that our students and their families experienced.

Today, while we have successfully reinvigorated our partnership with the State of Minnesota and it is reinvesting in its only land-grant university, we're still 14 percent below the level of State support we received 6 years ago.

In the wake of such disinvestment, it was time for creativity and action. I'm thankful to Governor Mark Dayton and members of our legislature—on both sides of the aisle—for strengthening the State of Minnesota's relationship with us.

Specifically, we achieved that tuition freeze through shared accountability. First, the University pledged to tackle administrative costs. We pledged to redirect \$90 million over a 6-year period from administrative activities to support our missions. I'm pleased to report we're ahead of schedule. We are doing more with less. We are teaching more students and graduating them at a far better 4- and 6-year rate. At the same time, our employee head count has remained relatively flat.

The University also agreed to accountability targets. We pledged to State leaders that we would increase the number of invention disclosures by faculty, confirming our role as fueling the State's innovation culture. We also pledged to increase the number of total graduates, the number of Science, Technology, Engineering and Math (STEM) students, and the graduation rates of students of color. We've kept our pledges.

On the affordability front, we have also invested in financial aid to assist students and families. Overall, we award our students nearly \$340 million of financial aid annually. If you are from a family with no ability to contribute to your education, State, Federal and institutional grant aid will cover your full cost of attendance at the university.

While student debt is a critical national issue, these programs have helped offset the impact at Minnesota. Among our undergraduate class of 2013, 37 percent completed their degrees carrying no debt at all. Let me repeat: **Zero** debt. That is 6 percentage points better than the national average of 31 percent of students graduating with no debt.

Counting all students—those with debt and those without—the average per capita burden on our students when they graduate is about \$16,500. That, to me, is a good investment, particularly when you consider that the lifetime earnings of college graduates are considerably greater than those in the workforce without degrees. Perhaps that's why our students default at a rate of only about 3 percent, significantly below the national average.

Our experience and data counters much of the national narrative about debt, which tends to focus on the "outliers," the very small number of students with \$75,000 or \$100,000 in undergraduate debt. For students from families earning less than \$30,000 per year, we are Minnesota's most affordable higher education option, public or private.

Our institutional commitment to financial aid includes the University of Minnesota Promise Scholarship Program (U Promise), which provides more than \$30 million annually in scholarships to more than 13,000 low- and middle-income Minnesota resident students. Eligible freshmen and new transfer students—including those eligible for the Minnesota Dream Act—with family incomes of up to \$100,000 receive a guaranteed, multi-year scholarship, ranging from \$570 to \$4,000 annually.

We proactively award work-study funds to all new, eligible freshmen students. Our aim is to ensure that eligible students, especially low-income students, have an

opportunity to receive not only the financial benefits of a work-study-funded position, but also the academic and social benefits of working on campus.

Affordability is a shared responsibility. The State of Minnesota provides a robust State Grant program. The Federal Government supplies Pell grants. And the University provides hundreds of millions of dollars in institutional aid, much of it through the generosity of donors. But we also must rely on another important team of partners—parents and students—who, if they are able, save for college, live prudently while they are enrolled, and complete their degrees in 4 years.

One additional point that's a pet peeve of mine: students and their families are regularly burdened by an often confusing and classically Byzantine collection of forms, applications, websites and passwords in the process of seeking financial aid. It is enough to discourage them from gaining access to aid. I urge the Federal Government to help simplify the financial aid process and regulatory burdens.

PROMOTING STUDENT SUCCESS

To lower the cost of education for students, we made investments to enhance retention and increase graduation rates. If you don't earn a degree at all, or it takes 6 or more years, it's simply more expensive. It adds years of tuition—and, often, onerous debt—to one's personal balance sheet.

Mr. Chairman, you can't graduate students if you don't retain them. Our first-year student retention rate is now at about 91 percent, comparable to top-flight private schools. There is only a 0.5 percent difference in first-year retention rates between students of color and the rest of our freshmen.

We are now focused on improving graduation rates for low-income and first-generation students. We have invested in programs specifically designed to achieve that goal. The President's Emerging Scholars Program (PES) is an initiative designed for students who have faced challenges that may have negatively affected their high school metrics, but whose personal experiences and high school records indicate potential for collegiate success.

The President's Emerging Scholars Program ensures that students have the academic and personal support necessary to achieve academic success. It is built around three programmatic elements:

- (1) Activities that create a strong sense of belonging to the University community, including a summer seminar;
- (2) Academic guidance and support to ensure a successful and timely degree completion, including peer mentoring and professional advising;
- (3) And financial aid support to make a University education possible for eligible students if they remain on track.

A related initiative—Retaining all Our Students—builds upon the success of the President's Emerging Scholars Program. I was honored to attend the White House College Opportunity Summit last January to introduce this initiative. It focuses on improving the first-year retention of low-income University students, defined as Pell grant recipients, and is built around four components:

- (1) An enhanced financial literacy program specifically designed to meet the needs of low-income students and their families. When compared to other students, low-income students are less familiar with the many possible sources of scholarships and other financial support, are less comfortable with taking out loans to support their education, and are less familiar with on-campus employment opportunities;
- (2) Incentives for low-income students to participate in a summer seminar to keep them educationally engaged when classes are not in session;
- (3) The development of better success-tracking tools for academic advisers to monitor the academic progress and enhance the advising of these students during their critical first year;
- (4) And promoting available services and connecting low-income students with peer tutors.

These efforts build on State and Federal investments and help to guide low-income students toward graduation in a timely fashion, reducing debt and changing their lives.

SHARED RESPONSIBILITIES

Let me turn now to the shared responsibility for an affordable, accessible and excellent higher education system in our State and Nation. In my view, those of us determined to positively shape the future of public higher education—particularly for our land-grant, major research universities—must forge a strong five-way partnership.

As this hearing today suggests, the States are central to this partnership. But, so, too, are universities, the Federal Government, business and industry, and students and families themselves.

Specifically:

The role of **colleges and universities** is to educate and graduate our students, along the way helping to transform them into lifelong learners and leaders, but we must demonstrate accountability for our costs, and innovation in delivering education;

The role of our respective **States** is as critical as ever to invest in higher education and our students, and to partner with us and the private sector in economic development, job creation and workforce development;

The role of industry and businesses is to work with institutions and government to help fund, prepare and hire our graduates, who are the States' and Nation's talent force;

The role of students and their families is to aspire to success, and to strive to complete their degrees in 4 years, making smart and informed financial choices along the way;

And, finally—but not least—you in **Congress and the Federal Government** have a critical role to fully and creatively support access for low-income students, support groundbreaking research, and, in so doing, advance larger national strategic goals for the common good.

Each of us has responsibilities to strengthen this partnership and, in some cases, to adjust our past roles to address the needs of today—but more importantly, tomorrow and the years to come. It is not alarmist to State the Nation needs a diverse and highly educated workforce. It is a fact of global life. And we are all in this together.

PROMOTING ECONOMIC DEVELOPMENT

Another way in which the University of Minnesota has been innovative is to forge a strong partnership with the State of Minnesota and its business community to promote economic development by matching the State's needs with our world-class research.

Last year, the State of Minnesota recognized that some areas of research impact its citizens directly, and the State is now playing a role in helping to invest in University projects that align with some of Minnesota's key and emerging industries. In 2013, the legislature established the landmark Minnesota Discovery, Research InnoVation Economy initiative, or MnDRIVE.

We identified four areas of opportunity that leveraged the University's intellectual strengths with Minnesota's business and industry strengths:

- Robotics and sensors for advanced manufacturing at a time when Minnesota and the Nation need to rebuild our manufacturing base;
- Global food ventures, a natural for a State in which nearly 20 percent of our economy is tied to agribusiness, and where we have a deep tradition in world-leading food production, protection and safety;
- Water quality issues around mining, agriculture and other industries;
- And brain conditions, mostly around neuromodulation, which will build on Minnesota's strengths as the center for medical devices in the United States and the world.

MnDRIVE is a new way for our State to partner with its flagship research institution. But, in the long run, I don't believe that States can or should be expected to ever assume the critical research funding role historically played by the Federal Government through, among others, the National Institutes of Health, the National Science Foundation, the Department of Defense or the Department of Energy.

We need the Federal Government to be an unwavering partner in this area. We need the Federal Government to strongly support the creation of knowledge at land-grant institutions at which it's increasingly difficult for top researchers to gain grants, where junior researchers are struggling to obtain funding, and where, in the aftermath of the American Recovery and Reinvestment Act of 2009, research dollars have dried up.

RECOMMENDATIONS/SUGGESTIONS

In closing, where does this leave us? As you reconsider the Higher Education Act, I would encourage you to examine incentives to stop the decline of State investment, to promote affordability and access, to support partnerships, and to fuel innovative programs that aid our students.

Specifically, the University of Minnesota supports incentives to award Federal financial aid funding to institutions with high retention and graduation rates. Congress needs to make sure that Federal funds go to institutions that see their students succeed, advance in a timely fashion toward a degree, and, so, not incur unnecessary and excessive debt.

The University of Minnesota would also support a move to a One Grant/One Loan/One Work program. As I mentioned earlier, the financial aid process is often confusing and cumbersome. One Grant/One Loan/One Work would streamline a system that is overly complicated for the student and overly burdensome for the institution. We would also support simplification of the Free Application for Student Aid Form, or FAFSA. These changes would result in no additional expense to the taxpayer.

Finally, we urge you to look at the regulatory burdens imposed on us by the Federal Government on financial aid matters and throughout our extensive research enterprise. Excessive regulatory burden is expensive, adding to our administrative costs and draining funds from our educational and research mission.

CONCLUSION

Mr. Chairman, higher education is often accused of being aloof, of being “academic,” of residing in that mythical “ivory tower.” We are far from that. We are here on the front lines of innovation and job creation, of saving lives and nurturing new knowledge and ideas. Despite the historic cutbacks in our States, we continue to be called on everyday to solve our State’s and Nation’s Grand Challenges. In new and efficient ways, we are fulfilling our land-grant mission as first envisioned by Congress and President Abraham Lincoln 152 years ago.

Members of the committee, we are worthy of your continued and increased support. We want to be your partners. We’re all in this noble endeavor—to provide affordable excellence that leads to timely graduation for students from all economic backgrounds—together. It’s our shared responsibility so that the next generation can share in our Nation’s successes.

Thank you for this opportunity.

The CHAIRMAN. Thank you very much, Dr. Kaler.
Mrs. Lubbers, welcome. Please proceed.

STATEMENT OF TERESA LUBBERS, COMMISSIONER, INDIANA COMMISSION FOR HIGHER EDUCATION, INDIANAPOLIS, IN

Ms. LUBBERS. Chairman Harkin, Senator Alexander, and members of the committee, thank you for this opportunity to testify. I serve as commissioner of Indiana’s Coordinating Board of Higher Education. My testimony will emphasize that higher education is a shared responsibility among the States, institutions and students, and will underscore the importance of aligning Federal policies and funding with State student success agendas.

I just returned from the annual meeting of the State Higher Education Executive Officers. Across the country we have many common challenges. Too few students make it to the finish line. On-time completion is the exception, especially for low-income and first-generation students. Our work across State lines helps us learn from each other, including in difficult areas such as ensuring academic quality.

Indiana’s sense of urgency may be greater than some States since we face an economy that no longer guarantees a good quality of life without education or training beyond high school. It’s no coincidence that Indiana’s per capita personal income and education attainment levels are nearly the same, around 40th in the Nation. We must convince Hoosiers that hard work and postsecondary credentials are required for the jobs that propel individuals and families up the economic ladder.

Our goal in Indiana is to ensure that more students complete postsecondary credentials on time and at the least possible cost.

Today I will highlight what we're doing to reach this goal, share how our colleges are responding, and offer a few recommendations based on the lessons we learned.

What have we done in Indiana? First, we measure what we value. We publish three annual reports that are simple to understand and focus on our most important success metrics. The first indicates whether our students are ready for college. The second shows whether they graduate, and how those results differ by income, race, and ethnicity. The third conveys graduates' return on investment, their career opportunities balanced against the cost and debt they incur.

Our reports demonstrate that affordability is not just about tuition, though efforts like Purdue University's 3-year tuition freeze certainly help. Costs escalate unnecessarily when students take longer than they need and borrow more money than they should.

Further, many of the stumbling blocks students face are not of their own making. In Indiana, we reined in "credit creep," extra credits that extended program length and time to degree. This commonsense change saved students time and money, about \$35 million per year.

Another recent law provides each student with a degree map that guarantees courses are available and prevents scheduling snafus that delay graduation. We also discovered that many students, even our student leaders, think that 12 credits per semester is enough to graduate on time, so we are rolling out a 15-to-Finish campaign to make it clear that full-time is 15.

We also pay for what we value. Our performance funding model rewards college completion and on-time graduation while embracing differing missions and upholding our commitment to at-risk students. We recently restructured State financial aid so that students take and complete the 30 credits they need each year to graduate within the 4-years the State will finance.

How are colleges responding? They are changing the message they send to students. Indiana University reduced borrowing 11 percent in 1 year by telling students how much debt they had accumulated and what their monthly payment would be. Their Indianapolis campus doubled the percent of students taking 15 credits by changing their advising protocol to make 15 the default.

Colleges are removing other stumbling blocks. Our community college system improved the success rate of students unprepared in math from 9 percent to 50 percent by delivering remediation at the same time students take credit-bearing work.

Colleges are being proactive to help students succeed. Indiana State University now alerts students who are falling short of meeting the new State credit completion requirements, offering them free summer tuition and discounted housing so they can catch up.

What have we learned, and what do we recommend? We learned that what we measure demonstrates what we value. We encourage the Federal Government to continue its progress toward measuring all students' success, not just that of first-time, full-time students.

We learned that we can move stubborn numbers in a big way with the messages we send. We recommend that the Federal Government provide the same straightforward "truth in lending" for

student loans that it has previously backed for mortgages and credit cards.

We learned that financial aid policies drive institutional structures, which in turn drive student choices. We recommend that the Federal financial aid system do its part to increase affordability in three key ways: define full-time as 15 credits per semester, not 12; pay for completed courses, not attempted courses; and, as proposed, fund summer Pell so that summer can be used to either catch up or get ahead.

I thank you for this opportunity to testify and will happily answer any questions.

[The prepared statement of Ms. Lubbers follows:]

PREPARED STATEMENT OF TERESA LUBBERS

SUMMARY

Across the country we have many common challenges: too few students make it to the finish line. On-time completion is the exception, especially for low-income and first generation students. Our work across State lines helps us learn from each other. **Our goal in Indiana is to ensure that more students complete postsecondary credentials on time and at the least possible cost.**

WHAT HAVE WE DONE IN INDIANA?

We *measure* what we value and use data to drive policy change.

- Reined in “credit creep”—extra credits that extended program length and time to degree.
- Provide each student with a degree map that guarantees courses are available and prevents scheduling snafus that delay graduation.
- Rolling out a 15-to-Finish campaign to make it clear that full-time is 15.

We *pay* for what we value.

- Performance funding model rewards college completion and on-time graduation.
- State financial aid restructured so that students take and complete the credits they need to graduate on-time.

HOW ARE INDIANA COLLEGES RESPONDING?

- They are changing the message they send to students—IU loan advising, advising protocols.
- They are removing other stumbling blocks—Ivy Tech remediation reform.
- They are being proactive to help students succeed—ISU outreach and free summer tuition.

WHAT HAVE WE LEARNED, AND WHAT DO WE RECOMMEND?

- What we measure demonstrates what we value. Recommend: support ongoing efforts to expand IPEDS reporting beyond first-time, full-time students.
- We can move stubborn numbers in a big way with the messages we send. Recommend: the Federal Government provide “truth in lending” for student loans.
- We learned that financial aid policies drive institutional practices, which in turn drive student choices. Recommend: changes to Federal financial aid to increase affordability by limiting time to degree.

Define full-time as 15 credits, not 12.

Pay for completed courses, not attempted courses.

Fund summer Pell so that summer can be used to either catch up or get ahead.

Chairman Harkin, Ranking Member Alexander and members of the committee, thank you for the opportunity to testify. My name is Teresa Lubbers, and I serve as Commissioner of Indiana’s coordinating board for higher education. My testimony will emphasize that higher education is a shared responsibility among the States, institutions and students, and will underscore the importance of aligning Federal policies and funding with State student success agendas.

I just returned from the annual meeting of the State Higher Education Executive Officers. Across the country we have many common challenges: too few students

make it to the finish line. On-time completion is the exception, especially for low-income and first-generation students. Our work across State lines helps us learn from each other, including in difficult areas such as ensuring academic quality.

Indiana's sense of urgency may be greater than some States since we face an economy that no longer guarantees a good quality of life without education or training beyond high school. It's no coincidence that Indiana's per capita personal income and education attainment levels are nearly the same—around 40th in the Nation. We must convince Hoosiers that hard work AND postsecondary credentials are required for the jobs that propel individuals and families up the economic ladder.

Our goal in Indiana is to ensure that more students complete postsecondary credentials on time and at the least possible cost. Today I will highlight what we're doing to reach this goal, share how our colleges are responding, and offer a few recommendations based on the lessons we learned.

WHAT HAVE WE DONE IN INDIANA?

First, we measure what we value. We publish three annual reports that are simple to understand and focus on our most important success metrics. The first indicates whether our students are ready for college. The second shows whether they graduate, and how those results differ by income, race and ethnicity. The third conveys graduates' return on investment: their career opportunities balanced against the cost and debt they incur.

Our reports demonstrate that affordability is not just about tuition, though efforts like Purdue University's 3-year tuition freeze certainly help. Costs escalate unnecessarily when students take longer than they need and borrow more than they should. Further, many of the stumbling blocks students face are not of their own making. In Indiana, we reined in "credit creep"—extra credits that extended program length and time to degree. This common-sense change saved students time and money—about \$35 million per year. Another recent law provides each student with a degree map that guarantees courses are available and prevents scheduling snafus that delay graduation. We also discovered that many students—even our student leaders—think that 12 credits is enough to graduate on-time, so we are rolling out a 15-to-Finish campaign to make it clear that full-time is 15.

We also pay for what we value. Our performance funding model rewards college completion and on-time graduation while embracing differing missions and upholding our commitment to at-risk students. We recently restructured State financial aid so that students take and complete the 30 credits they need each year to graduate within the 4-years the State will finance.

HOW ARE COLLEGES RESPONDING?

They are changing the message they send to students: Indiana University reduced borrowing 11 percent in 1 year by telling students how much debt they had accumulated and what their monthly payment would be. Their Indianapolis campus doubled the percent of students taking 15 credits by changing their advising protocol to make 15 the default.

Colleges are removing other stumbling blocks: Our community college system improved the success rate of students underprepared in math from 9 percent to 50 percent by delivering remediation at the same time students take credit-bearing coursework.

Colleges are being proactive to help students succeed: Indiana State University now alerts students who are falling short of meeting the State's new credit completion requirements—offering them free summer tuition and discounted housing so they can catch up.

WHAT HAVE WE LEARNED, AND WHAT DO WE RECOMMEND?

We learned that what we measure demonstrates what we value. We encourage the Federal Government to continue its progress toward measuring all students' success, not just that of first-time, full-time students.

We learned that we can move stubborn numbers in a big way with the messages we send. We recommend that the Federal Government provide the same straightforward "truth in lending" for student loans that it has previously backed for mortgages and credit cards.

We learned that financial aid policies drive institutional structures, which in turn drive student choices. We recommend that the Federal financial aid system do its part to increase affordability in three key ways:

- Define full-time as 15 credits, not 12;
- Pay for completed courses, not attempted courses; and

- As proposed, fund summer Pell so that summer can be used to either catch up or get ahead.

I thank you for the opportunity to testify today and would happily answer any questions.

The CHAIRMAN. Thank you very much, Ms. Lubbers. Great testimony.

All right. Attorney General Madigan.

**STATEMENT OF HON. LISA MADIGAN, ATTORNEY GENERAL,
STATE OF ILLINOIS, CHICAGO, IL**

Ms. MADIGAN. Chairman Harkin, Ranking Member Alexander, and members of the committee, thank you for giving me an opportunity to share the problems I see at the State level that relate to your work on higher education at the Federal level.

As the chief consumer advocate for the State of Illinois, I have seen an increasing number of fraud complaints from current and former higher education students over the past several years. The most frequent complaints involve for-profit schools, loan servicing, and student loan debt relief scams.

Complaints against for-profit schools this year are over 50 percent of the complaints my office has received regarding higher education. Given the committee's work in this area, I know you are well aware of the billions of taxpayer dollars that have gone to funding for-profit schools that heavily advertise their high-cost and poorly accredited programs. Too often, these schools are failing to provide students an opportunity to attain a job in the field they seek and instead are responsible for a disproportionately high rate of loan defaults.

I've testified on these concerns before, so let me simply again urge the committee to address the pervasive problems with some of these so-called schools that have undermined the chances of too many students, squandered billions of our tax dollars, and put a drag on our economy. You have the power to put an end to for-profit abuses, and you should not hesitate to do so.

Another area where we are seeing a growing number of complaints is Federal student loan servicing. This area is extremely problematic and extremely confusing for borrowers to contend with. There are many kinds of Federal loans, and there are a variety of repayment programs available. Unfortunately, the complaints we are seeing are reminiscent of those we saw during the mortgage and foreclosure crisis.

Borrowers who contact us are usually seeking help with repayment options because the companies operating as Federal student loan servicers are not meeting the needs of these borrowers. When we've told struggling borrowers to contact their servicers for help, they call us back and report that instead of the servicers explaining their options and working to assist them to choose the best one, borrowers are pressured to get their loans current instead of being given information about repayment options.

Due to the growing number of these types of complaints and the expertise we gained during the mortgage and foreclosure crisis, Illinois is currently leading a multi-State investigation into Sallie Mae's practices.

Because of the complexity and confusion surrounding Federal loan programs and repayment options, the millions of Americans struggling to make their payments have become targets of the most recent wave of debt relief scams. Scammers are filling the airways with ads making too-good-to-be-true claims about how they can reduce your student debt by half or have your loans completely eliminated. Needless to say, when desperate borrowers call the number in the ads, they're pressured to make large up-front payments, often in excess of \$1,000 for services that borrowers should receive at no cost because they are government programs provided for free by the Department of Education.

Last week, I filed the first two lawsuits going after these student loan debt relief operations. However, investigations and enforcement actions at the State level are only part of the solution. Let me make some suggestions for action at the Federal level as well.

Most importantly, higher education students need to be better protected under Federal law. With respect to for-profit schools, Congress must place better controls over Title 4 funds to ensure they are only used to help students achieve affordable, quality higher education. And Congress should support the Department of Education's rulemaking to increase accountability of for-profits.

For companies engaged in student loan servicing, Congress should create a uniform process for all student loan servicers to follow. I would propose following the detailed model that we drafted for mortgage servicers in the National Foreclosure Settlement.

Servicers should be required to tell struggling borrowers all their options, and borrowers need assistance to determine which option is best for their situation. To facilitate this, Congress should seriously consider making counselors available to student borrowers, just as counselors are available to help homeowners struggling to pay their mortgages.

In addition to the reforms needed in student loan servicing, people struggling to repay their student loans need better and easier access to Federal student loan repayment options available through the Department of Education. The rise of student debt relief scams can be attributed to the fact that borrowers are unaware of Federal programs or have a difficult time understanding and accessing the programs available to them. These options need to be transparent, accessible, and streamlined. The Department of Education should increase public awareness to current and former students so they know there are free government programs available to help them. We should also prevent them from contacting the growing number of scammers who only seek to take their money.

Finally, Congress should pass a bill allowing students to refinance their Federal loans to take advantage of the lower interest rates available today. When homeowners were struggling to pay their mortgages, the Federal Government stepped in to offer loan modifications and refinancing options. At the very least, we should offer these options to our country's young people who are struggling to pay back their loans. Student loan debt should not prevent millions of them from fully participating in the economy or ever achieving financial security.

I appreciate the work this committee has done to address the problems current and former students are facing paying for their

higher education, and I look forward to answering your questions. Thank you.

[The prepared statement of Ms. Madigan follows:]

PREPARED STATEMENT OF HON. LISA MADIGAN

SUMMARY

The testimony is divided into three parts: (1) the role of the Attorney General in higher education; (2) the office's work protecting higher education students; and (3) recommendations for the committee to consider as it works to reauthorize the Higher Education Act.

Role of the Attorney General in Higher Education. As a State attorney general, I have the responsibility to protect the consumers of my State. My role in higher education is no different than my role in other areas where I work to protect consumers.

Protecting Illinois Students. In recent years, my office has received higher education complaints from students with increasing regularity. Overwhelmingly, these complaints are against three types of companies involved in higher education: for-profit schools; student loan servicers; and, more recently, companies purporting to offer student debt relief services.

For-Profit Schools. Through my office's work, we have learned that some for-profit schools are gaming our higher education system.

Student Loan Debt Relief Scams. Because many former students are having a difficult time paying down their student debt, a new scam looking to take advantage of these students has been created—it is called student loan debt relief.

Student Loan Servicing Companies. My office continues to investigate student loan servicing—including leading a multistate investigation of the student loan servicer, Sallie Mae, now called Navient.

Recommendations for the Committee. My office's work in these areas—for-profit schools, student debt relief scams, and student loan servicing—is having an impact. State attorneys general can and do change the behavior of industry through our investigations and lawsuits. These outcomes certainly apply to higher education as well. However, our role at the State level is only part of the equation. We need action at the Federal level.

Most importantly, higher education students need to be better protected under Federal law. Congress should make stronger consumer protections apply to the private companies that play a role in higher education. These companies include both for-profit schools and student loan servicers.

The Department of Education should create a public awareness campaign to get through to current and former higher education students so they know there are programs available that can help them.

Finally, Congress should pass a bill allowing students to refinance their Federal loans to take advantage of the lower interest rates available today.

Chairman Harkin, Ranking Member Alexander, and members of the committee, thank you for inviting me to testify today.

At the State level, one of our foremost concerns and priorities is to have a highly qualified workforce available to attract and retain businesses that provide our residents jobs.

The only way to achieve that goal is to ensure affordable, high quality higher education opportunities for our residents.

I appreciate the opportunity to share what we have learned about the challenges facing higher education students in Illinois—first, as they seek higher education, and, later, as they work to pay off the debt they accumulated obtaining that education.

In recent years, my office has seen a significant increase in the number and scope of complaints from current and former higher education students.

To assist the committee today, I am dividing my testimony into three parts:

- I will explain my role in higher education as the Attorney General of Illinois;
- I will share my office's work protecting higher education students; and
- Finally, I will provide recommendations for the committee to consider as it works to reauthorize the Higher Education Act.

ROLE OF THE ATTORNEY GENERAL IN HIGHER EDUCATION

As a State attorney general, I have the responsibility to protect the consumers of my State. My role in higher education is no different than my role in other areas where I work to protect consumers. When high school students or non-traditional students begin the process of pursuing higher education, it often marks one of the biggest purchases they will make in their lives. They are taking on loans that can add up to tens of thousands of dollars, if not more.

While we call them “students,” they are acting as consumers when they seek higher education and these students deserve protections, like all consumers.

In my role, I have ensured that my office understands the challenges facing higher education students and that we take steps to protect them. Unfortunately, I have repeatedly seen circumstances where companies involved in higher education are taking advantage of students.

PROTECTING ILLINOIS STUDENTS

In recent years, my office has received higher education complaints from students with increasing regularity. Overwhelmingly, these complaints are against three types of companies involved in higher education: for-profit schools; student loan servicers; and, more recently, companies purporting to offer student debt relief services.

For-Profit Schools

My office currently has one active lawsuit against a for-profit school, as well as a number of open investigations into the conduct of other for-profit schools operating within Illinois.

I have also joined a multistate investigation into the conduct of for-profit schools with 17 other State attorneys general.

While I cannot go into detail on the specifics of each investigation, I can share why State attorneys general across the country, from both political parties, are suing and investigating for-profit schools.

Since 2010, over a thousand current and former higher education students have filed complaints with my office about the practices of for-profit schools. These students wanted nothing more than to go to school and better their lives. But too many of them ended up struggling to pay for an expensive education that did not give them the skills necessary to obtain meaningful employment.

Through my office’s work, we have learned that some for-profit schools are gaming our higher education system. They are using aggressive marketing tactics to lure unsuspecting students, who have access to Federal loans, into entering exorbitantly priced programs that will not help them secure employment. In fact, tuition prices can be so high that Federal student aid is often not enough, and students are steered into high-cost institutional loans that saddle them with more debt while maximizing profits for schools.

For example, we have heard from students who paid tens of thousands of dollars to obtain degrees or certificates from for-profit schools, only to find out that employers did not recognize the certificates or degrees from the for-profit schools the students attended. The schools did not have the proper accreditation, but they led potential students to believe that they did.

For our State and the Federal Government, outcomes like these mean lost opportunities to train individuals for the workforce and wasted taxpayer dollars. The Federal Government has provided billions of dollars of loans to students attending these for-profit schools.

And for the students, it means tens of thousands of dollars of debt with no better chances at finding employment.

This dangerous combination of high debt and few job prospects means that a lot of these students have a hard time paying off their student loans. And the statistics confirm it.

Students of for-profit schools are more likely to default on their loans than their counterparts at public institutions and private, non-profit institutions.

But we cannot ignore the fact that default is a problem for graduates of all kinds of higher education programs and that unscrupulous companies are now targeting students who are struggling to pay off their Federal loans.

Student Loan Debt Relief Scams

Because many former students are having a difficult time paying down their student debt, a new scam looking to take advantage of these students has been created—it is called student loan debt relief.

These companies offer student loan debtors bogus services or charge for services that the Federal Government already offers for free. And they are making empty promises in TV and radio ads and on the Internet, including claims to provide:

- Help with enrollment in the “Obama forgiveness program,” which is not an actual government program;
- Free help to anyone with at least \$10,000 dollars in student loan debt; and
- Free loan forgiveness information for teachers, nurses, government employees, police officers, firefighters and employees of non-profit companies.

For these so-called services, the companies charge huge up-front fees—sometimes more than \$1,000. And in some instances, we discovered they provided no assistance to the people who paid for their help, or the companies charged students for simply providing government forms easily accessible for free on the Federal Government’s websites.

We have seen these kinds of scams before.

When the recession hit, people had trouble paying off their credit card debt. In response, companies began offering bogus credit card debt relief services that took advantage of people and left them worse off financially.

When the housing crisis hit, the same scammers targeted homeowners who were having trouble making payments on their mortgages.

Student loan debt relief is just the latest iteration of an ongoing scam.

The scam violates a number of Illinois laws, including a law on debt settlement that my office crafted and the legislature passed in 2010, which bans up-front fees—the Debt Settlement Consumer Protection Act.

Last week, my office filed lawsuits against two companies engaging in this scam. We will continue to pursue companies like these until we put a stop to these practices.

However, the companies that engage in these scams are mere symptoms of a larger problem. Too many former students are having a hard time paying down their student debt.

In many cases, they are not aware of the options available to them. Student loan debtors can have a hard time getting the right person on the phone. And they are not receiving information on the options available to them for repaying their loans.

This massive confusion provides an easy opening for scammers.

Student Loan Servicing Companies

That is why, in addition to these lawsuits my office continues to investigate student loan servicing—including leading a multistate investigation of the student loan servicer, Sallie Mae, now called Navient.

RECOMMENDATIONS FOR THE COMMITTEE

My office’s work in these areas—for-profit schools, student debt relief scams, and student loan servicing—is having an impact. State attorneys general can and do change the behavior of industry through our investigations and lawsuits. These outcomes certainly apply to higher education as well. However, our role at the State level is only part of the equation. We need action at the Federal level.

Most importantly, higher education students need to be better protected under Federal law. Congress should make stronger consumer protections apply to the private companies that play a role in higher education. These companies include both for-profit schools and student loan servicers.

With respect to for-profit schools, Congress must place better controls over title IV funds to ensure they are only used to help students achieve high quality, affordable higher educations. These funds are too important to be misused. For those institutions that do misuse funds, Congress should ensure there are strong civil penalties for doing so.

For companies engaged in student loan servicing, Congress should create standards that all student loan servicers must follow. To protect borrowers, we need protections in place that are above and beyond the general prohibitions against unfair and deceptive practices in State consumer fraud acts. These standards need to ensure that servicers make clear to borrowers what their repayment options are.

Standards would help eliminate the confusion and lack of information that borrowers are currently experiencing. Congress should also make sure counselors are made available to student loan borrowers, just as they are made available to borrowers with mortgages.

In addition to the reforms needed in student loan servicing, people struggling to repay their student loans need better and easier access to student loan repayment options available through the Department of Education.

The rise of student debt relief scams can be attributed to students being unaware of Federal programs or having a hard time understanding the programs available to them. This system needs to be streamlined and it needs to be more accessible.

At the very least, the Department of Education should create a public awareness campaign to get through to current and former higher education students so they know there are programs available that can help them. The scammers have advertisements and these advertisements are working. We need ads highlighting real programs to counteract them.

Finally, Congress should pass a bill allowing students to refinance their Federal loans to take advantage of the lower interest rates available today. This bill recently stalled in the Senate and there is no justification for Congress's failure to help these students.

CONCLUSION

Student debt poses a large and growing threat to our economy. In Illinois, and across the country, because too many people are unemployed or underemployed, they are having a hard time keeping up with their student debt obligations. And if Congress can take steps—like lowering the interest rates on student loans—to help those people, it should do it.

I have seen what happens to people when they fall behind on their student loan payments. It can take years for them to get themselves back on solid financial ground.

Just as the housing crisis has trapped millions of borrowers in mortgages that are underwater, student debt could very well prevent millions of Americans from fully participating in the economy or ever achieving financial security. The warning signs are there. Just like they were there before the housing crisis. And Congress needs to act before it is too late.

As an attorney general, I can bring cases against bad actors. And I will continue to do so. But we need more effort on the front end, to prevent those bad acts from happening in the first place and to prevent students from falling into the vicious cycle that unpaid debt brings.

I am available to answer any questions you have. Thank you.

The CHAIRMAN. Thank you very much, Attorney General Madigan.

And now we turn to Dr. Perna.

STATEMENT OF LAURA W. PERNA, Ph.D., PROFESSOR AND CHAIR OF THE HIGHER EDUCATION DIVISION, UNIVERSITY OF PENNSYLVANIA, PHILADELPHIA, PA

Ms. PERNA. Chairman Harkin, Ranking Member Alexander, and members of the committee, thank you for inviting me to offer comments on the role of States in improving higher education attainment, especially for students from historically underrepresented groups. I have devoted my career to conducting research on these topics, and I'm delighted to have the opportunity to speak with you.

My written comments have more detail on some of my relevant research, including results of an in-depth study of the relationship between public policy and educational attainment in each of five States. In my 5 minutes, I'd like to underscore five points.

First, as a Nation, we must do more to close the considerable gaps that persist across groups and the opportunity to enroll in college and complete a degree. Whether someone attends and completes college should not depend on their family income, the color of their skin, or the State and locality where they happen to live. These differences in college attainment contribute to a society that is highly stratified based on demographic characteristics between the haves and the have-nots. Closing gaps in college opportunity and attainment is important for social justice reasons. It's also important for the economic and social well-being of our communities.

Second, we must recommit to the public purposes and benefits of higher education. Our Nation's approach to funding the costs of higher education increasingly reflects an emphasis on the private benefits—that is, the ways that individuals who participate in college are benefiting. These benefits to individuals are clearly substantial, and they've been growing in recent years. An emphasis on the private benefits provides a rationale for explaining why students and families are responsible for growing shares of the cost of attending college and why more and more students are borrowing ever larger amounts. But a narrative that emphasizes the private benefits of higher education obscures the many ways that the public also benefits when educational attainment increases and gaps in attainment close.

Certainly, many demands compete with higher education for available public resources, but investing the resources we have into promoting higher education attainment and closing gaps in attainment is one of the best investments we can make.

The third point I'd like to emphasize, through the student financial aid programs and other components of the Higher Education Act, the Federal Government plays an important role in leveling the playing field of higher education. Despite the critical role of Federal programs, however, States have the primary responsibility for raising the attainment of their populations as each State develops its own public higher education and K–12 education system.

Fourth, if we are to make meaningful progress in raising attainment and closing gaps in attainment, we need a more comprehensive approach. There is no silver bullet for solving higher education attainment that will fit the circumstances of all States. Aligning policies at the Federal and State levels will help to maximize the benefits of the resources that are allocated toward higher education and help ensure that State and Federal policies do not work at cross-purposes. A more comprehensive approach would specify the roles and responsibilities of the Federal Government, State governments, and colleges and universities.

Fifth, Federal-State partnerships are one potentially productive mechanism for developing this more comprehensive approach. Through such partnerships, Federal policymakers, including the White House, congressional leaders, and the Department of Education, can encourage an ongoing public dialog with State Governors that advances more purposeful planning for the future of higher education.

Federal-State partnerships should be oriented toward addressing what we know are the primary barriers that limit higher education attainment for too many students. If we are to raise overall attainment and close gaps in attainment, we need public policies that ensure that college is affordable. We need policies that ensure that students can move successfully from K–12 into higher education and transfer among higher education institutions without loss of academic credit. We need policies that ensure that students have access to high-quality higher education opportunities.

We also need to do more to ensure that students and their families have the knowledge, not just the information required to successfully navigate our Nation's large and diverse system of higher education. We also need to ensure that students learn about and

understand the many nuances of student financial aid and that they are not over-burdened by debt when they leave higher education.

We also need to ensure the availability of data that enable us to monitor the effectiveness of the public policies that are in place so that we can make adjustments. Any Federal-State partnerships to achieve these goals should be designed to incentivize States, not regulate States or create price controls. Through incentives, Federal-State partnerships can encourage States to develop and adopt more effective systemic and comprehensive approaches. Particularly productive would be partnerships designed to improve college affordability and finding innovative approaches to the many complex problems that are driving up the challenges in higher education.

Thank you for your attention. I welcome additional conversation. [The prepared statement of Dr. Perna follows:]

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

SUMMARY

The Higher Education Act is a key mechanism for raising the Nation's overall higher education attainment and closing the considerable gaps in higher education attainment that persist across groups. I applaud the committee for its attention during this reauthorization process to the topic of today's hearing: The Role of States in Higher Education.

Drawing from a recent comprehensive in-depth examination of the relationship between State policy and educational attainment in five States, I offer five conclusions that are particularly relevant to understanding the role of States in higher education. First, the relationship between public policy and higher education attainment cannot be understood without considering the State context, including the characteristics of a State's higher education system and governance structures. Second, improving higher educational attainment requires State policy leadership and steering of higher education institutions to achieve statewide goals. Third, State policies must be oriented toward ensuring that college is affordable, that students can move from K-12 schools into higher education institutions and can transfer among higher education institutions without loss of academic credit, and that high-quality higher education options are available to all State residents. Fourth, public policies must be oriented toward leveling the playing field for higher education attainment. Finally, States must continually monitor the extent to which their collection of public policies is effectively promoting the State's overall higher education attainment and closing gaps in attainment across groups, and make necessary adjustments in these policies.

Based on this and other research, I recommend that the Higher Education Act be amended to include "Federal-State partnerships" for raising overall higher education attainment and reducing gaps in attainment across groups. Explicit Federal-State partnerships would recognize that a comprehensive approach with specified roles of multiple actors is required if we are to successfully raise overall rates of higher education attainment and close gaps in attainment across groups. One productive Federal-State partnership would focus on improving college affordability. A second type of Federal-State partnership would encourage the development of more effective and innovative approaches to addressing the complex, systemic issues that limit college opportunity especially for students from low-income families, racial/ethnic minority groups, and other groups that are underrepresented in higher education. In a third type of Federal-State partnership, the Federal Government would incentivize States to promote college-related knowledge among prospective college applicants.

Thank you for the opportunity to offer comments on the role of States in improving higher education attainment, especially for students from historically underrepresented groups. As I have devoted my career to conducting research designed to understand how to improve college access and success especially for students from

underrepresented groups, I am delighted to have the opportunity to speak with you today.

Improving higher education is critically important to both individuals and our society. In this global, technologically driven economy, available jobs increasingly require some education beyond high school. But, the United States cannot achieve the levels of educational attainment that are required for international competitiveness without closing the gaps in attainment that persist based on family income, race/ethnicity, and other demographic characteristics. Students from low-income families are less likely than students from higher-income families to enroll in college, and when they do enroll, they tend to attend less selective postsecondary education institutions and have lower completion rates. Data from one longitudinal study show that only 11 percent of adults whose parents had been in the lowest-income quintile earned a college degree, compared with 53 percent of adults whose parents had been in the top-income quintile. Educational attainment also varies considerably based on other characteristics, including the State, region, and locality in which an individual resides. Closing these substantial gaps in higher education attainment is important to the economic competitiveness of our Nation, as well as for social justice reasons. Higher education produces countless benefits for individuals—including higher earnings, better working conditions, higher rates of employment, lower rates of unemployment and poverty, better health, and longer life expectancies, as well as numerous benefits for our society, including greater economic productivity, less reliance on social welfare programs, greater civic engagement and charitable giving, and higher rates of voting. Raising our Nation's educational attainment and closing gaps in attainment across groups is also needed to counteract the considerable and growing income inequality that exists in the United States.

Many stakeholders, including the Federal and State governments, as well as students and their families, K–12 schools and higher education institutions, employers, and philanthropic organizations, have roles to play in closing gaps in higher education attainment.

The Higher Education Act is a key mechanism for advancing this goal. As I and others have written elsewhere, the financial aid programs authorized under title IV—especially the Federal Pell grant—are critical to reducing the financial barriers to college attendance for students from low-income families. The TRIO programs are important to promoting the successful transition into and through college for many low-income and first-generation college students and have expanded college opportunity for groups that had previously been excluded. I applaud the committee's attention to the ways that the benefits of these and other programs may be enhanced by making such changes as simplifying the financial aid application process, standardizing the financial aid award letter, and addressing some of the negative consequences of using loans to pay college costs.

I also applaud the committee for its attention to the topic of today's hearing: The Role of States in Higher Education.

In our Federalist system, States have the primary responsibility for improving the higher education attainment of their residents. In a new book entitled, *The Attainment Agenda: State Policy Leadership for Higher Education*, my Penn GSE colleague Joni Finney and I provide complete results of a comprehensive examination of the relationship between State policy and higher education. For this study, we conducted in-depth case studies of this relationship in five purposively selected States: Georgia, Illinois, Maryland, Texas, and Washington.

Five conclusions are particularly relevant to today's hearing.

First, the relationship between public policy and higher education attainment cannot be understood without considering the State context. We found different stories about the relationship between public policy and higher education attainment in each of the five States we examined. These different State stories are not surprising, given that these five States—and all 50 States—vary greatly in terms of many characteristics, including their need for improved educational attainment and the magnitude of gaps in educational attainment across groups, as well as the size and diversity of their higher education systems and their varied higher education governance structures. They also vary in terms of their demographic, economic, political, and historical characteristics. Any Federal policy intervention must recognize the tremendous diversity that exists across and within States. Given this diversity, there is no “silver bullet” policy that will “solve” the higher education attainment problem.

Second, improving higher educational attainment requires State policy leadership. Higher education institutions have a range of goals and objectives—not all of which give priority to—or are consistent with—a State's goal of improving its overall higher education attainment and closing gaps in attainment across groups. State policy leadership is required to articulate statewide goals for improving a State's higher

education attainment, and State policy leadership is required to steer institutions toward achieving these goals.

Third, all States have policies in place that are somehow related to college preparation, participation, completion, and affordability. But, if States are to make meaningful progress in raising overall higher education attainment and closing gaps in attainment, they must have more than a collection of policies. To improve educational attainment for their populations, these policies must be oriented toward meeting three goals:

- (1) Ensuring that college is affordable,
- (2) Ensuring that students can move from K–12 schools into higher education institutions and can transfer among higher education institutions without loss of academic credit, and
- (3) Ensuring that high-quality higher education options are available to all State residents.

To maximize the effectiveness of available resources, we must better understand how various public policies in these three categories come together to influence higher education attainment for individuals from different groups. For instance, college affordability is determined not just by the Federal Government’s investment in financial aid, but also by State appropriations to public institutions, the amounts and types of financial aid that State governments and higher education institutions make available to their students, and the tuition and fees charged by higher education institutions. Affordability is also a relative term, as what is affordable depends on an individual’s family income.

A fourth conclusion from our study is that public policies must be oriented toward leveling the playing field for higher education attainment. Students from disadvantaged groups are disproportionately negatively impacted when public policies do not ensure that college is affordable, do not ensure that students can move seamlessly across education levels and sectors without loss of academic credit, and do not ensure the availability of high-quality higher education options.

Finally, States must continually monitor the extent to which their collection of public policies is effectively promoting their State’s overall higher education attainment and closing gaps in attainment across groups, and make necessary adjustments in these policies.

Based on this and other research (including a volume in *The ANNALS of the American Academy of Political and Social Science* that I co-edited with Michael McLendon from Southern Methodist University and that will be released in September), I recommend that the Higher Education Act be amended to include “Federal-State partnerships” for raising overall higher education attainment and reducing gaps in attainment across groups. Such partnerships would build on prior successful partnerships such as those stimulated by the Federal Morrill Land Grant Acts and the Leveraging Educational Assistance Partnership (LEAP) Program (formerly known as the State Student Incentive Grant (SSIG) program). Explicit Federal-State partnerships would recognize that a comprehensive approach with specified roles of multiple actors is required if we are to successfully raise overall rates of higher education attainment and close gaps in attainment across groups.

One productive Federal-State partnership would focus on improving college affordability. This type of partnership would address one force that is driving up tuition and fees at public colleges and universities: the decline in State appropriations per student. Greater attention to State investment—through both appropriations and financial aid—is warranted, given the declining affordability of higher education and the many public benefits that result from higher education. This type of partnership could take the form of maintenance of effort provisions like those in the State Fiscal Stabilization Fund in the American Recovery and Reinvestment Act of 2009. An alternative approach would be to match State funding with Federal funding, along the lines of the State-Federal College Affordability Partnership proposed by American Association of State Colleges and Universities (AASCU) and included in Senator Harkin’s draft reauthorization bill. Three characteristics of the proposed partnership are particularly important. First, the proposed partnership specifies the roles and responsibilities of the Federal Government, State governments, and public colleges and universities in ensuring the availability of high-quality but affordable higher education. Second, it recognizes that affordability is influenced by both appropriations and tuition. Third, it sets as a clear goal the enrollment of students from low-income families.

A second type of Federal-State partnership would encourage the development of more effective and innovative approaches to addressing the complex, systemic issues that limit college opportunity, especially for students from low-income families, racial/ethnic minority groups, and other groups that are underrepresented in higher

education. This type of partnership could take the form of Senator Harkin's proposed "State Competitive Grant Program for Reforms to Improve Higher Education Persistence and Completion." Innovation is essential if we are to identify effective strategies for reducing the costs of delivering high-quality higher education, improving the transition of students from K-12 education into higher education (and reducing the need for developmental education), smoothing transfer among higher education institutions, improving degree completion rates, and better aligning the higher education options that are available within a State with the educational needs and other characteristics of a State's population.

In a third type of Federal-State partnership, the Federal Government would incentivize States to promote college-related knowledge among prospective college applicants. Students are more likely to stay enrolled and have better graduation rates when they have more complete information about the different kinds of colleges and universities from which they can choose, the differences in costs of these institutions, and their financial-aid options. More and more information is available about these issues. But, the challenge is greater than simply making information available. The information must be relevant, useable, and applicable to students with different information needs. One of the primary mechanisms for converting information into knowledge is the high school counselor. But, in too many schools across the Nation, there are too few counselors to adequately address college-related information needs. More must be done to ensure the availability of college-related counseling, including providing funding to staff these positions and encouraging the development of innovative approaches for delivering this counseling.

The challenges to closing gaps in attainment across groups are many. But continued gaps in higher education attainment leave the United States and individual States at a competitive disadvantage, diminish the middle class, and contribute to growing economic and social inequality. The time for greater action is now.

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

Thank you all for excellent written statements, which I read last night, and for your spoken statements this morning.

Now we'll start a round of 5-minute questions.

Dr. Perna, I'll start with you. You talked in your testimony about the five States that you had done a comprehensive examination of. Through this examination, did you identify any best practices among States for boosting college completion rates among their students, particularly low-income students?

I would add here that the president of Arizona State University, Michael Crow, I think here once made a statement that really caught me. He said that if you are a C student from a high-income family, you have an 80 percent chance of completing college. If you are an A student from a low-income family, your chances are only 17 percent.

So what are some of the best practices that we can do to close that gap? You mentioned the gaps.

Ms. PERNA. Right. Thank you for that question. Our States vary tremendously, and all of the States that we looked at—we looked at Maryland, Georgia, Texas, Washington and Illinois—all States need to do more in order to improve the educational attainment to the levels required for economic competitiveness moving forward, and all have substantial gaps across groups.

One area of promise we found was in Maryland. Maryland has developed a comprehensive approach to financing higher education that is really seeking to align the fiscal levers that are in place to address affordability. College affordability is still challenging in Maryland and in other States, but there are practices in place now to think about how those levers that we have—State appropriations, tuition, and financial aid—come together relative to family income to ensure that college is affordable.

The CHAIRMAN. I'll be back to that in the second round.

Ms. PERNA. OK.

The CHAIRMAN. I wanted to ask Attorney General Madigan about what's happening with students being ripped off by some of these scam artists that say that they're going to take care of your debts and all that, you just give us some money, and then that's the end of it. I do applaud the work that you've done, and what other attorneys general have done with respect to some of these instances, but it almost seems like we're playing that old game of whack-a-mole where you do one thing here and it pops up someplace else.

I just wonder how you might respond to the Federal Government, have we done enough to rein in some of these economic incentives and market failures that allow these abuses at these institutions. And second to that, talking about the investigation of Sallie Mae. Do you believe there are enough statutory protections in place to protect student loan borrowers?

Ms. MADIGAN. Mr. Chairman, first and foremost, let me actually applaud what the committee has done in terms of investigating for-profits. You, like some of the State attorneys general and other regulators, are probably the most aware in this country of the problems that have been, unfortunately, pervasive at some of the for-profit institutions. The very aggressive recruiting, the poor accreditation, the high cost, the low job placement, and therefore a heavy amount of debt when these students can't find a job in their field, or certainly a decent paying job to pay down that debt.

So you, this committee has done a good job, but there is obviously much more that needs to be done at the Federal level to make sure that we aren't sending billions of dollars to sub-standard, really predatory colleges. There's much more to be done in that regard.

I'm not going to talk to you specifically about our investigation with Sallie Mae, but I will say in general, from the complaints that we've received in the Attorney General's Office, what we are seeing are problems that are very similar to what we saw when we were having problems with struggling homeowners making their mortgage payments. When they contacted their servicers, and when the students, former students are contacting the servicers, again they're not being given their repayment options.

If you have a Federal student loan, there are actually some very good repayment options available. But instead of being informed of what those are and walked through what would be the best for their financial circumstance, they're instead being kind of pushed into just get up to date with their payments as opposed to get into a better payment plan.

We're also seeing some of the typical problems that we saw previously where you never talk to the same person. When you do hand in paperwork, it's lost repeatedly. Problems with applying payments appropriately if there's an overpayment, and a real lack of counseling that's out there.

Those are some of the problems that we've been seeing.

The CHAIRMAN. I've had that experience.

Ms. MADIGAN. Sorry.

The CHAIRMAN. Yes, believe me.

My time is up.

Senator Alexander.

Senator ALEXANDER. Dr. Kaler, welcome. Someone once asked me what's more difficult, being Governor, a member of the Cabinet, or president of a university, and I said obviously you've never been president of a university.

[Laughter.]

I welcome you.

You mentioned in your testimony some deregulation. You mentioned one grant, one loan, one work, working on this FAFSA thing. Senators Mikulski and Bennet, Burr and I, with Chairman Harkin's agreement, have set up a task force headed by Chancellor Zeppos of Vanderbilt and President Kirwan of the University of Maryland to try to address over-regulation of colleges and universities. Do you have any specific comments about that? And specifically, the finding that 42 percent of a principal investigator's time on Federal research is spent on administrative matters.

Mr. KALER. Thank you, Senator Alexander, and I appreciate your nuanced view of the various positions you've had in your career. I happen to agree with you.

The regulation is just really quite remarkable. It's probably more apparent, more flagrant in the research space. We have a variety of research reports that we have to send back to the Federal Government, and our Office of the Vice President for Research has done an analysis, and about half of the information that we send back to the Federal Government in one of those reports is information the Federal Government already has. There's just this repetitive need to provide information that does not add value.

I think the research community is deeply interested in accountability. We are interested in using our funds wisely. But the regulatory burden is just crushing elements of our scientific—

Senator ALEXANDER. The head of one of the academies visited with me this week, and a university president. I said, well, what would be a reasonable percentage of time? And they were reluctant to say that, but they said, well, 15 or 20 percent of a principal investigator's time might be spent on administrative matters. Does that sound more or less right?

Mr. KALER. Senator, in my experience as a long-time principal investigator, as a scientist, a 10 percent number I think is completely reasonable, and again recognize that in addition to the principal investigator's time, these reporting activities require the hiring of additional staff whose principal job is to fill out forms for the Federal Government. There's an added cost associated, as well as the researcher's time.

Senator ALEXANDER. We have, if I'm not mistaken, about \$30 billion of Federal research dollars out. So if we were able to find a way to reduce from 42 percent to 10 or 15 percent the amount of administrative time for the principal investigator, that would be a lot of extra money for research, it would seem to me.

Let me ask Ms. Lubbers, you've been a State senator, and now you're a commissioner of education, so you've had a chance to look at the State of Indiana budget. I mentioned Peter Orszag and Thomas Kane of Brookings. Peter Orszag was President Obama's budget director who talked about a key factor in explaining the declining trend in State appropriations for higher education is the rise of State obligations under the Medicaid program. Orszag esti-

mated that if higher education's share of State budgets had remained constant instead of being crowded out by rising Medicaid costs, it would be getting some \$30 billion more than it receives today, or more than \$2,000 per student.

Lieutenant Governor Ravitch, a Democratic lieutenant Governor of New York, I read his comments where he talked about in an article in the New York Times during the Great Recession how the maintenance of effort requirements that require more spending on Medicaid had the effect of less spending on higher education, and therefore higher tuition.

What has been Indiana's experience with the relationship of Federal requirements on State Medicaid spending and funding for higher education?

Ms. LUBBERS. Senator, you're exactly right, and Indiana would be a poster child for this. We used to be about 12 percent of the budget, 12 to 13 percent would be for higher education. Obviously, a greater portion would go to K-12. For the first time in the last budget cycle, we saw Medicaid bump higher education at a higher percent, Medicaid higher than higher education. That was the first time that had happened.

Clearly, that is the case. And I recall from my 17 years in the senate how difficult it is to balance very important and competing interests, and never more so than after the recession that we just faced as universities have struggled with their budgets and families have struggled with their budgets. But it is a very real phenomenon that entitlements have caused pressure on budgets at the State level, including the higher education budgets.

In Indiana, the last budget session we looked at our appropriations and we made a convincing argument that our appropriation for FTE had been going down and we asked for more money for higher education, which we received, but we did it predicated on two very important factors. One, that we would fund our higher education institutions based on our performance metrics. We were going to pay for what we value. And we were also going to ask our institutions, if we were successful in getting more money, to hold tuition to no more than the rate of inflation. In fact, they did that, and some froze tuition.

This is a very delicate balance with other State interests, and it's a very delicate balance in terms of how we fund higher education. I think we're making some progress, but it's a complex issue.

Senator ALEXANDER. Thank you.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you.

I see Senator Franken, Senator Isakson, Senator Warren, and Senator Murphy, in that order.

Senator Franken.

Senator FRANKEN. Thank you, Mr. Chairman.

Dr. Kaler, thank you for your testimony, your written testimony. We've attended a number of college affordability roundtables together. One of the things that we both heard is that very often students say they didn't really understand going in what the cost was. Just before the hearing today we talked about net price calculators. I have a bipartisan piece of legislation to make those very prominent and have a standardized thing, and that's in the process be-

fore you apply to college. When you can look online, you can see what it would cost with all the different financial aid possibilities that you can get.

The College Board did a study and showed that a lot of students decided not to apply to schools that they could have gotten into, elite schools or better, because they didn't understand what actually was there for them, what the actual net price was.

Now, after you get into a school—and Senator Alexander, the Ranking Member, was talking about complicated forms—there is no uniform form coming back from these schools on award letters. There will be different award letters that use different terminology for the same thing. It will be an award letter that says you're getting this Stafford subsidized loan, but it says SS-182 or something, and it's under "Awards." Most people don't think of a loan as an award.

I want to get your comment on what we can do to help transparency and simplicity in letting kids, letting students, letting parents, letting guidance counselors, letting everyone know what the cost of a college is before you apply, and then once you're accepted at different schools be able to have a uniform comparison.

Mr. KALER. Senator Franken, Senator Harkin, I couldn't agree with you more. I think the net price calculator is an important first step, but it is just a first step. I mentioned to you before the testimony that you can hardly avoid the net price calculator on our website. It is there, and it's heavily used, and it's critically important for families, particularly first-generation college families, to be able to see what it is really going to cost and to avoid, as you mentioned, under-placement, a student accepting a lower-quality institution when in fact they could be quite competitive and they could economically afford to go to what I would call a better school. That's important.

I think we as an industry need to do a better job of advising our students clearly where they are in their financial aid trajectory and tying that conversation very directly to academic progress.

I was delighted to hear about the 15-credit banding. We've moved our tuition structure to enable that to occur at Minnesota as well. Students need to be on-time and graduate in 4 years, if at all possible.

If you look at the history of how debt has accumulated, a student may be doing some of this in years 2, 3, 4; but 5 and, heaven forbid, 6 are where you take a larger chunk because you've used all your other resources. So timeliness, clarity, and appropriate placement I think are three very important points, and I agree with you on them.

Senator FRANKEN. And another thing you wrote about in your testimony is what you've been doing at the U., and I think all of you will recognize this as part of this problem of 6-year graduations or students not graduating, and that's when you have debt and no degree. But what you've been doing to get non-traditional students, students who are poor, students of color, get them through school, you have the President's Emerging Scholars Program and another program you talked about in your written testimony, Retaining All Our Students. Can you talk a little bit about that?

Mr. KALER. Thank you, Senator Franken, Chairman Harkin. Indeed, what goes on in the classroom is a pretty important part of a student's experience, but what goes on outside is at least as important. We are really focusing on getting students to graduate, and it's pretty clear that if you don't come back for your second year, you're probably not going to graduate in four.

The President's Emerging Scholars Program is an enhanced program around advising, around integrating first-generation students, students of color, students who are challenged economically into the full breadth of the university so they become part of the community and have a connection that brings a student back.

In addition to the academic progress, a connectivity with a club or a sport or an activity is really important for enhancing that. Right now, our first- and second-year retention rate for all of our students is 91 percent, and for students of color it's 90.5 percent. So it is working to enable those students to connect and come back.

We spend about \$30 million a year in the University Promise Scholarship Program, which is directed to provide financial aid, particularly for families with zero expected family contribution, and it's working to improve the success of those students.

Senator FRANKEN. I'm out of time, my time. I'd like to thank all the witnesses. I'll probably submit some written questions.

Just to the Ranking Member's point about college presidents, I once heard a saying that a college president is someone who lives in a mansion and begs for money.

[Laughter.]

We just beg for money.

[Laughter.]

STATEMENT OF SENATOR ISAKSON

Senator ISAKSON. Mr. Chairman, thank you very much, and thanks to the witnesses for their good testimony and their great work.

I'm going to deviate from what I'm supposed to do in terms of asking questions and instead try and address the Chair's question, which all of you have really referred to, and that is the likelihood of lower income families actually being able to get a college degree.

In the United States today, if a young person goes to a university or a college when their family has a household income in the top quartile of America, they are 10 times more likely to graduate with a college degree than a student from a family in the lowest quartile, and there's an example in Georgia that I just want to use to submit for the record, if I can, Mr. Chairman.

Georgia State University is a large urban university in downtown Atlanta with 32,000 full-time students. In the last 10 years, they've gone from some of the poorest performing graduation rates among Latinos and African Americans to where today they grant more Bachelor's degrees to African Americans than any university or college, not-for-profit, in the United States of America. Latino students have gone in 10 years from a graduation rate of 22 percent to one of 66 percent. African Americans have gone from 29 percent to 57 percent, and African American males, which was one of the biggest problems we experienced, has gone from 18 percent to 59 percent.

They did it with a program they call the GPS Advisor's System and Panther Grants. The GPS Advisor System is a system where when a student enrolls, they're given a password into the GPS Advisor System, which has 10 years of collective data, 2.5 million grades and programs, and the likelihood predictability of students' ability based on their qualification to perform and achieve in each one of the courses that they are registered for, so they can actually do some comparative analysis of what they're trying to do using the computer. All the students have access to it, but it's most helpful to those students who are most at risk not to graduate. And what has happened has been pretty remarkable.

The access to the GPS system has generated 34,000 individual meetings in 1 year and saved students an average of 3 credit hours and \$4 million in savings for additional time they have to stay at the university in order to graduate.

The second thing they've done is they've raised an endowment to create something called Panther Grants. One of the biggest difficulties for low-income students is they run just short of having enough money to register for a semester. So they don't register, they drop out and they get a part-time job, and they never come back. Georgia State raised the money to create a program called Panther Grants where you can qualify for grants in the \$300 to \$1,000 range to be just that little bit of money that can take you from your loans, from your family income and from your grants and give you enough money to stay in school.

The results of that have been that 70 percent of seniors who received funding graduated within two semesters of receiving the grant. These are the students who almost make it and drop out because at the last minute they're a little bit short of income.

I'd like to submit for the record the details of these programs because I think Georgia State University has done a remarkable job doing that. Their student population, by the way, that 32,000 students, is 61 percent non-white. They are a majority minority university that has done a great job of addressing the disparity in terms of income and giving their students access to a quality education, and I'm very proud to brag about them. And thank you for your testimony and your work.

The CHAIRMAN. Without objection, we'll put that in the record.

[The information referred to may be found in additional material.]

The CHAIRMAN. But I want to visit with you more about this. I want to learn more about what they did and how they did that. That's fascinating.

Senator Warren.

STATEMENT OF SENATOR WARREN

Senator WARREN. Thank you, Mr. Chairman.

And thank you all for being here today.

Last month, Senator Durbin, Senator Harkin, Senator Franken and many others introduced a student loan refinancing bill to lower the interest rates on outstanding student loans. Even though every Democrat, every Independent, and three Republicans supported moving this bill forward, a majority of Republicans filibustered it and blocked the bill.

I'm disappointed about what happened because student loan refinancing should not be a partisan issue. North Dakota, for example, recently began its own student loan refinancing program with strong bipartisan support. People in North Dakota can now lower the interest rate on their Federal loans by refinancing into a State loan. So far, the program has been pretty popular. The State has refinanced more than \$40 million in student loans just since April.

There's a downside, though, and that is borrowers who refinance have to give up the benefits of Federal student loans, like income-based repayment plans, loan forgiveness, and certain consumer protections. A Federal student loan refinancing program would let borrowers get lower interest rates without losing out on any of the Federal protections that they're currently guaranteed.

Let me start by asking you, Attorney General Madigan, how would a Federal refinancing program affect people with student loans in Illinois?

Ms. MADIGAN. Senator Warren, obviously I believe, like you do and many others, that allowing student lenders to refinance makes an enormous difference. Any attempt and any ability we have to reduce the overall amount of debt that they have is going to allow them to more quickly pay off their debt and therefore more quickly fully participate in our overall economy, because what we're seeing with the students who are struggling is that many of them are living in their parents' homes. They can't even qualify sometimes, because their credit is a mess, to rent an apartment. They're unable to make small purchases of furniture or make major purchases of a car, certainly of a home, and they can't save for retirement. They can't even startup a small business.

So we are very concerned about having millions of people in this upcoming generation perpetually stuck and not able not only to fulfill their own life and dreams but also be a significant drag to our economy. Refinancing seems to be not only a good option but a fair one that we have in the past put people who are struggling to make their mortgage payments front and center.

Senator WARREN. Good. Thank you very much, Attorney General.

North Dakota's refinancing plan had overwhelming support from both Democrats and Republicans in the State legislature. It was signed into law by a Republican Governor. I believe it's time to cut the interest rate on student loans, and I think this should be something that we should be able to support, both Democrats and Republicans.

I want to ask another question, and that is the role the States can play to keep students from wasting their money at poor performing for-profit colleges like Corinthian College. Corinthian is a national for-profit college chain that has sucked down about \$1.4 billion a year in Federal financial aid. It is now facing allegations that it falsified job placement data, altered grades, and fabricated attendance data. About 1 in 5 of its students are in default on their loans within 3 years.

The Federal Government finally took action against Corinthian and as a result it will either shut down or sell off campuses over the next several months, and I think this is an important step in holding a for-profit college accountable if they're taking Federal loan money. So I support this.

But even as Corinthian shuts down, the majority of its students have already taken on significant student loan debt. Some will get their money back, but many will have to finish out their programs either at Corinthian or at another institution. Students at campuses that are listed for sale are going to have to wait to see whether Corinthian can find a buyer and then decide whether to stay enrolled at the new institution or try their luck at transferring somewhere else. Despite all this, Corinthian continues to enroll new students.

State Attorneys General are playing a significant role in investigating for-profit colleges. Corinthian is currently under investigation in more than a dozen States. But I'd like to know whether the States are doing everything they can to ensure that Corinthian College students are being protected.

I want to start here with Dr. Lubbers. Has your office assessed whether students at the local Corinthian campus will be able to transfer to their local community colleges, and are you helping them research this option?

Ms. LUBBERS. Thank you. We do have some students at Everest College in North Indiana who would be coming under this new problem that's been created. It's a teach-out for those students there. But this goes far beyond I think just this particular situation, as egregious as that might be, and that is to really look at how Hoosier students understand these issues related to transparency and value.

I suppose if there's an area in which the Federal Government and the States could be more engaged, it is an area like this where you have students who could live in one State and are going to school in another State. We have all the online programs that are offered as well. So I think we really need to work together on this.

We do oversee the Board for Proprietary Education in Indiana, so we are taking a really good look at this. We have a return on investment report. For the first time we're really gathering data for not just our public institutions but our private and our proprietary schools, too. We'll be gathering information on graduation rates. This is especially true for our financial aid students where we have new State authority to get additional information about our proprietary schools.

We're very committed to making sure that students get value from their dollar, and that includes getting a degree and having an opportunity so they will find another placement in Indiana, and we're working with them to do that.

Senator WARREN. Thank you very much.

I'm out of time, so I may have more questions for the record on this, Mr. Chairman. But I do want to say, this problem did not occur overnight. We can push the Federal Government on its role in overseeing these for-profit colleges, but I very much encourage the States to step up their oversight as well.

Thank you very much. Thank you, Mr. Chairman.

The CHAIRMAN. Thank you very much, Senator.
Senator Murphy.

STATEMENT OF SENATOR MURPHY

Senator MURPHY. Thank you very much, Mr. Chairman.

I want to stay on this exact topic because I'm as passionate as Senator Warren is about this issue. While I share all of her concerns about Corinthian College, let me just broaden out the problem because the statistics are fairly stunning on a national basis when we look at for-profit schools, understanding that there are a lot of good for-profit schools out there, but there must be a lot of pretty poor performing for-profit schools if for-profits in this country educate about 13 percent of students but comprise 47 percent of loan defaults. That is a stunning statistic, 13 percent of students, 47 percent of loan defaults.

Many of these schools take in about 90 percent of their revenue in Federal Government aid, and the industry writ large turns a profit of about 19.7 percent every year, taking in about \$3.32 billion in total profit, largely off of federally funded grants. So I'm thrilled that the Administration has taken on Corinthian College, but it's much bigger than that.

Let me pose the question to you, Attorney General Madigan. You've talked about in your testimony the need for the Federal Government to start setting some real standards. I mean, we are the 3,000-pound gorilla here. We have \$140 billion that we are spending with virtually no strings attached to it when it comes to quality. We have one standard that says if you have default rates of more than 30 percent, we'll start to look at perhaps restricting the money.

What are the things that Attorneys General can do here? But what are also the limits of your authority, and what would you recommend to the Federal Government when it comes to accountability?

Ms. MADIGAN. Let me liken this to the situation where you had State Attorneys General during the beginning of the mortgage crisis looking at the large subprime lenders. We were constantly doing our investigations, bringing our lawsuits, even settling our lawsuits, but we were still unable to really stop the problem because we kept getting push-back from the institutions, similar to as we are now with the for-profits saying, well, if there was a problem, the Federal Government would do something, they'd stop our payments.

You have, as you're aware, on a bipartisan basis, Attorneys General across the country that are involved in investigations, that are involved in lawsuits, that are trying to either change these practices or stop students from enrolling in these schools by making them more aware. So certainly Federal oversight, whether it is through the rulemaking process, the 90/10 Rule, the Gainful Employment Rule, as you mentioned, the Cohort Default Rate, you have to be not just looking at those things but truly putting teeth into them and enforcing them. You can't keep on giving money out to these predatory subprime colleges. It is a waste of taxpayer dollars and, worse than that, you are ruining people's lives by allowing it to happen.

There is much more that can be done at the Federal level. I think the States and even some of the Federal regulators are doing a lot of work, but we really need the support at the Federal level.

Senator MURPHY. Dr. Kaler, you were nodding your head, so I want to ask you to comment on this but pose this specific question.

When you're talking about accountability, we need to be able to assess how schools are performing, and that involves understanding how students do after they graduate. Do they make enough money in order to pay back their student loans?

We have a fairly blunt instrument right now, which is just figuring out which students have defaulted on their loans. But because we have a Federal ban on something called a unitary student record, the ability to take the data that exists in the Federal Government today and just figure out how they did after they graduated and whether the schools' claims about what they were going to deliver actually matched up to reality, we're unable to really give a metric to students, never mind the Federal Government, that allows them to choose.

My understanding has been that one of the barriers to enacting a unitary student record has been the resistance of colleges and universities, for-profit and non-profit, all across the country. So I'd like your general comment on this, but how can you help us get the information necessary to hold these schools accountable and give students information as they're applying that is relevant to the decisions that they make?

Mr. KALER. Senator Murphy, thank you for that question. I'm tempted to give you an academic answer which I suspect you will find unsatisfactory, so I'll avoid that.

It is a nuanced situation, and you are looking at the outcomes that an individual makes after graduation as to the trajectory of their life, and there is a lot that goes into that beyond just the education that they obtained at a particular institution. In some sense those outcomes are out of the control of the place from which they graduated.

What is in control and which I do believe you should look very carefully at is what happens in that institution, what are the 4- and 5- and 6-year graduation rates, what are the trajectories of not just full-time first-time students, as somebody mentioned in our comments, but all students. If you transfer, if you come to Minnesota for 2 years and transfer to Iowa and graduate from Iowa in 2 more years, that's a success for everybody, and we don't count that appropriately.

What are the student default rates? What are job placement rates? These are elements that are more directly related to the performance of the institution and which I would be comfortable being judged on. The lifetime outcomes are more difficult and involve, as I mentioned before, many other inputs that are out of our control.

Senator MURPHY. I understand it's imperfect, and it speaks to the fact that you would have to have subtlety and nuance to the way in which you enforce the law. But the fact is that there are for-profit colleges out there that are bringing in droves of students for degrees in video game design, which is a wonderful thing to study for 4 years, but there are no jobs in that field commensurate to the number of students who are going to for-profit schools to study it, and right now we don't have the appropriate tools to determine whether those marketing claims about the job market are actually based in reality.

Thank you, Mr. Chairman. I'm over time.

The CHAIRMAN. Thank you, Senator Murphy.

Dr. Kaler, I'm a graduate of Iowa State University, a land-grant college in Iowa, and I just thought it was a very nice touch that you wore the university's colors on your tie today. I thought that was a nice touch.

Mr. KALER. The coincidences in life are sometimes overwhelming, Senator.

[Laughter.]

The CHAIRMAN. I couldn't resist.

Mr. KALER. But I'm glad you appreciate it.

The CHAIRMAN. I couldn't resist.

Dr. Kaler, you talked about the collection of Byzantine forms, applications, websites, et cetera, and you talked about going to a one-form, one-application type of thing. I know my friend, Senator Alexander, has talked about that, too. But here's a concern I have. If you do that, what do you do about Perkins loans? What do you do about SEOG? What do you do about subsidized loans? Do we just get rid of all those?

Mr. KALER. Senator, I think this is a very important conversation to have, and the details, which are important ones, and you just named three of them, I think need to be sorted out. But the current situation is almost a Rube Goldberg kind of machine. It's complicated to operate and it's non-transparent.

The CHAIRMAN. I agree with that. Every time Senator Alexander holds that up, I shake my head. It is Byzantine. But still, how do we work and make sure that we continue to have programs which I think have proven effective? I don't know. I could hear a counter-argument. But Perkins loans are an extension of the kinds of loans I took out, which when I went to school were called National Defense Education Act loans. Of course, SEOG, which I think is very important to a lot of colleges and a lot of our students, and the subsidized loans. I don't know how you work that in.

Mr. KALER. Let me give you another example that my folks have provided me. We have the Teacher Education Assistance for College in Higher Education, or TEACH, loans. Those have to be repaid with the loan plus interest. Many of these loan programs have different expected family contributions, different lifetimes, different interest rates. I don't have the solution for you today, but I would strongly encourage in this process to run a comb through this, make it user friendly, make sure that the families who need the help get the help, and that that help goes to institutions that deliver on their mission.

The CHAIRMAN. Thank you.

Attorney General Madigan, as you know and as you noted, we had a long series of investigations and hearings on the for-profit college sector, which we published. I was challenged at one time saying that we were just being selective and that there are a lot of mistakes. At the time we put out the report, I challenged the for-profit school industry. I said if you find any mistakes in our report, just any mistakes, please let me know. I have yet to hear one. So I think our team, our investigative team, did a good job.

I want to followup on that, and you had some discussions here with Senator Warren about that, and Senator Murphy. I have serious concerns that students are not being properly protected from a failing for-profit education model that rewards executives with

high pay, rewards their shareholders, but leaves students holding the bag when the music stops. In this regard, you have concerns about the ability of these cash-strapped for-profit colleges to compensate their victims if they're forced to pay for their illegal practices.

In other words, it may not be coincidence. There are others out there, too. What happens when they start to go under? The students have paid their money, which they borrowed from the Federal Government, by the way. The taxpayers have put that money in, and yet they don't have a degree. These people have engaged in deceptive practices under State laws. How are they going to be compensated?

Ms. MADIGAN. Mr. Chairman, that is the right concern to have, and it's one that we share. So to the extent that these institutions don't have the capital to repay these people to make them whole, then the Federal Government has to look at what, if anything, will you do in terms of discharging all or part of their loans, because I'm not sure what other relief is available to them at that point if there is no money to be had from these institutions.

The CHAIRMAN. So these schools have taken taxpayer money, they have enriched their executives and their shareholders. They go under. The students have the debt. The students still have to pay the money. The students have to pay it back, but they didn't get their degree. They didn't get anything out of it. So will the Federal Government then have to come in again and pay, and pay for these students?

Ms. MADIGAN. That is a possibility and one that, unfortunately, I think you are going to have to look at, particularly if one of these schools completely goes under.

In the instance of Corinthian, if there is not a buyer, then what do you do in these circumstances? Certainly, as you know, if an institution does go out of business, then those loans are allowed to be discharged. So that is a possibility, unfortunately. The taxpayers get hit twice.

The CHAIRMAN. They get hit twice, and the students get hit because they're the ones that are burdened with the debt.

Thank you very much, and thank you for your leadership in this area, Attorney General Madigan.

Ms. MADIGAN. Thank you.

The CHAIRMAN. Senator Alexander.

Senator ALEXANDER. Attorney General Madigan, on loan repayments, with the President's new executive order I believe there may be nine different ways under the Federal law a student can repay a student loan. Senator Bennet and I have suggested that we change that to two. One would be a standard 10-year repayment, and one would be a 20-year repayment based on a student's income.

Based on your experience, would that eliminate confusion? And if you eliminated confusion, would that help?

Ms. MADIGAN. Senator, I certainly think that we have seen from the complaints coming in to the Illinois Office of Attorney General a great deal of confusion. There's not awareness of the opportunities that are even available. To the extent that there is an ability to streamline the process, make it transparent and make it easy,

yes, that would be a good thing, and it also eliminates the opportunity for these scam artists to prey on people who have to pay back their debt by telling them they can get them through the process and they can reduce your debt. I think anything that Congress can do to make the loan repayment process simpler is a good idea.

Senator ALEXANDER. Mr. Kaler, or any of you, several school directors in Tennessee have told me that if we were able to replace this FAFSA with something that came close to two questions or a few more that the effect would be that a lot more students would take advantage of the Pell grants and the loans that are available to them, and that would help with our effort to get more people into higher education and to graduate. Do you have any sense of whether that's likely to be true?

Mr. KALER. Senator Alexander, my sense, and it is only that, not backed by data, is that not only would that be true that we would get more students, but I think it would also address the placement issues that Senator Franken mentioned earlier, about students under-achieving in their educational objectives and the schools that they would consider.

Senator ALEXANDER. And would it help if a student, a traditional student, could find this information out in the junior year of high school rather than in the second semester of the senior year? Would that help?

Mr. KALER. Yes, sir. We have a very vigorous program at Minnesota to get information into high schools beginning the freshman year and start to acculturate families to the University of Minnesota as a potential destination. You simply cannot wait until the second semester of the senior year.

Senator ALEXANDER. I have one other question. I'd be interested in a response from any of the panelists. In dealing with student loans, we have a provision that really limits the ability of an institution to counsel students who are borrowing money. That seems nonsensical. And there have been several suggestions that the institutions themselves, both for-profit and non-profit, become more involved in the loan process.

There have also been suggestions of risk sharing; in other words, that at least for some part of a loan, the institution itself would be responsible for some or all of the default. Any of you have any comment on that or any practical way of how to go about doing it?

Ms. MADIGAN. I would very quickly say it's the "skin in the game" concept, similar to what we were looking at when we were forming the mortgage practices. So that makes some sense. It should hopefully prevent institutions from purposefully having their students take out enormous loans that they will never have to contend with the default. I think that's something that should be looked at.

Ms. LUBBERS. I would offer that many of the schools are, in fact, stepping up, and I mentioned in my testimony that Indiana University, in the course of 9 months, reduced borrowing by 11 percent with their students by showing them what they owed and what they were going to owe going forward. There's a lot that can be done already in terms of what colleges and universities are doing.

I have to use this as an opportunity to talk about the fact that all we've talked about today is really very, very important, but equally important is making sure that we get these students to graduate because then they have an opportunity to use their degree when they leave in a way that will benefit them. I think having smart consumers when they're there, making sure that they understand the value of going to college and graduating, is really the key to financial viability for families.

Mr. KALER. I would just add that this limitation on counseling and advice is critical. We graduated last year 7,420 undergraduates from the University of Minnesota, and exactly eight of them had undergraduate debt of more than \$100,000. I don't know how that can happen, and it turns out I can't actually find out, and I think that's a shame.

Senator ALEXANDER. I think many Senators really aren't aware that the law limits the ability of institutions to counsel students about over-borrowing, which is something we should change.

The CHAIRMAN. Senator Murray.

STATEMENT OF SENATOR MURRAY

Senator MURRAY. Thank you very much to Chairman Harkin and to Ranking Member Alexander.

I think this is really an important hearing because, as we all know, for a lot of Americans, earning a college degree really is a ticket to the middle class, and we also know that a highly educated workforce is really good for our economy by building the middle class and strengthening the workforce we need for the jobs that are coming to our country. And because of those benefits, States around the country traditionally have played a very fundamental role in financing higher education to help make it more affordable.

But when that economic downturn hit in 2007 and 2008, a lot of States made some very drastic cuts to investments in higher education, and we know now today they spend 23 percent less per student than before the recession, on average. In fact, in my home State, spending is down nearly 28 percent less per student.

When States cut back funding for higher education, schools increase tuition, and that cost is obviously passed on to students who are working to advance their own education. And because of those rising tuition costs, of course, students take out more loans. Today, the average college graduate has to pay back about \$30,000 in student loans, and we all know that debt can have a very lasting consequence for borrowers and for our economy.

Mr. Chairman, I was really proud to co-sponsor the bill from Senator Warren to allow borrowers to refinance their student loans to today's lower interest rates to help ease that debt. But I am also very concerned that besides that crushing burden, there are a lot of complaints today about student loan servicers mistreating borrowers and failing to process payments correctly. I know, Mr. Chairman, you asked about that, but that is a concern that I have.

With that, let me just ask a few questions of the panel.

Dr. Kaler, you actually come from a similar State to mine when it comes to State support for student aid. Both Minnesota and Washington have some generous State need grants and their own State work study programs. In your testimony I noticed that you

testified that your institution would support a one loan, one grant, one work proposal, and I wanted to ask you how that proposal would then interact with Federal, State, and institutional student aid funds.

Mr. KALER. Thank you, Senator Murray, for the chance to amplify my comments on that. Again, we view this one bill activity as a good step forward. There are a lot of details that have to be worked out. We want to ensure that we, in the course of this, do not take resources away from students who need them, obviously.

But it is an opportunity—we talked about the Perkins loans a minute ago—to reassess where we are in those. Those are available, for example, to students at for-profit colleges, but they're not available to students at community colleges, and that strikes me as not right.

I think if we were able to build a Federal system, then States could interface to that electronically—a shim, if you would—so that the Minnesota State Grant Program or the one in Washington could be seen in a holistic way by a student and their family as they evaluated the cost of going to various institutions. I think standing up websites is sometimes more complicated than you might want it to be, but having that data available to a family would be enormously useful.

Senator MURRAY. Under that, would you support elimination of some of the campus-based programs that support, for example, low-income students, like the Supplemental Opportunity Education Grants, or the elimination of the Iraq and Afghanistan Service Grants?

Mr. KALER. The short answer is I want a system that provides the amount of aid that students need in a more seamless way, and we have a lot of programs. Let me take the Iraq and Afghanistan one. I will share with you, for the first 14 years of my life, my father was a sergeant in the Air Force, so I understand what dependent families have to do. But in that program, we have two programs in the State of Minnesota that support the spouses or dependents of Iraq and Afghanistan vets. There are programs in the Veterans Administration, and when I queried our folks about the number of students who took advantage of the Iraq and Afghanistan program that you just mentioned, we don't think we have any because they're using these other sources.

This is an area in which I think we should look carefully. Obviously, we want to align resources in support of those families. But what's the best and most efficient way between the Federal Government and the State to get that done? I think in Minnesota, we don't have the optimum way to provide that support.

Senator MURRAY. OK. I know my time is up, but if I could just ask one other question, I just wanted to broadly ask because as Chair of the Budget Committee, I know we live in pretty tight fiscal environments, and a lot of States are moving toward performance metrics for institutions of higher education.

What have you learned about performance metrics at the State level just generally? Anybody can respond to that.

Ms. LUBBERS. We have been doing performance funding for institutions for about a decade. We've learned that it's important to have the student at the center, so as to have your rewards built

around the student. It's important to have them differentiated based on the mission of the institution. So different kinds of institutions can be allocated money through the metrics in different ways. It's important to pay for what you value, and in Indiana, like probably your State, Senator, we value more degrees, more students graduating on time, more at-risk students graduating, more high-impact degrees. So the metrics themselves are very important, and then the way that you look at those over a period of time. The period of time in which you recognize the metrics matters, too.

We think that funding of higher education is always complicated. But if you say you're going to pay for what you value, then you need to pay for what you value in good times and bad. You need to continue to do performance funding even if you don't have new dollars.

Senator MURRAY. Do those change—do metrics change institutional behavior? And, maybe even more importantly, is there a threshold level of funding required to change institutional behavior?

Dr. Perna.

Ms. PERNA. Thank you, Senator. The research on this is pretty limited, and it suggests that, at least looking at the older, the first generation of performance funding, that there have not been substantial changes in institutional behavior associated with performance funding. There are some new approaches that are being implemented now in some States, so we'll see. But it's mixed.

Senator MURRAY. OK. All right. Thank you.

Thank you very much, Mr. Chairman.

The CHAIRMAN. Thank you very much, Senator Murray.

Dr. Kaler, I just want to make it clear, as a followup to my question earlier, in terms of simplification, you are not advocating that we do away with Perkins loans or SEOG or subsidized Stafford loans.

Mr. KALER. Senator, I would advocate for a simplification approach. If the purpose is that those programs serve now can be met in a more efficient way, I would be interested in seeing that happen. If that meant instead that we would abandon students who receive important aid under those programs, then I would not do that. I think there is a way to provide this kind of aid in a more simplified way.

The CHAIRMAN. If you have some suggestions on it, I would be more than happy to receive that information from you later on. Tell us how you think these could be simplified yet continue the important role that they play, I think, in higher education.

Mr. KALER. We do have some ideas on that that we'll share with your office.

The CHAIRMAN. Yes, please do so, please do so.

I wanted to ask Dr. Perna just one last question on this. On Federal-State partnerships here, I know that my friend, Senator Alexander, has talked about the Medicaid problems. I don't think we need to debate that here. We've debated that a lot in the past, I think. But what I want to know from you is, tell me again in your own words and the research that you've done, why a State-Federal partnership is needed for college affordability in the context of State disinvestment.

I don't want to get into this whole Medicaid thing, but the fact is—and we've had the data to show, that States have been disinvesting. Dr. Kaler talked about what happened in Minnesota. In the past, if a student brought a dollar, the State brought two dollars. Today, if a student brings a dollar, the State brings 50 cents.

Mr. KALER. Yes, sir.

The CHAIRMAN. The State has been disinvesting. So why is it so important for the Federal Government and the State government to partner in college affordability?

Ms. PERNA. Thank you, Senator. College affordability we know is one of the primary forces that limits attainment for students. Certainly other things matter, including academic readiness and things like that, but we have to address the college affordability problem.

We have competing uses for resources. What we saw in our States is that we really need more strategic use of the resources that we have available, and I think that really means bringing into alignment the different types of levers that we have at our disposal to try to achieve the purposes that we're trying to achieve.

I think the first step is determining do we care about reducing the cost of going to college for students, so do we care about addressing the college affordability issue. If we have consensus that that's a shared goal, then figuring out how we can incentivize all the different stakeholders to use the resources that we have available. In our work, we have shied away from saying if you just implement this one very particular type of policy you'll solve the problem, because there's variation across States in the orientation of their systems, their governance, structures for higher education, other contextual forces.

But thinking about how to incentivize States to allocate resources, appropriations to institutions to help reduce the cost of higher education, figuring out how to allocate financial aid to improving access for students from the lowest income families, and thinking about tuition policies. In three of our five States, there has been a movement toward tuition deregulation, so giving more and more power to institutions to set tuition, and institutions have priorities that are not necessarily aligned with the statewide goals for higher education.

We tend to think about policy in isolation, but thinking about how policies come together to really achieve what we're trying to achieve here I think is key.

The CHAIRMAN. Thank you.

Ms. Lubbers, I wanted to cover one thing with you and what I think you're doing really great in Indiana. You say in your testimony you're telling students how much debt they've accumulated and what their monthly payment would be, that that tends to maybe get them to understand their financial obligations and maybe not even borrow so much.

We have had testimony before from other panels on some colleges that when a student enrolls and is accepted to that college, they have to go through a—what am I trying to think of?

Ms. LUBBERS. Financial literacy course of some kind?

The CHAIRMAN. That kind of thing when they first go, and telling them what they ought to be thinking about in terms of financial literacy and how much it's going to cost to go to school and that kind of thing. Not all schools do that. I assume you're doing that in Indiana. I don't know if you're doing that in Indiana. You're doing it, it sounds to me, after they're in school, but do you do it when they first enroll?

Ms. LUBBERS. We do it at most institutions when they first enroll. We are a coordinating board, so this would be done at the institutional level, not at the State level. But they're doing it because it pays for them to do it. Keeping their students there is in their best interest, and it's what they want to do. So if financial stress is one of the reasons why students don't persist, then making sure that they understand that before they begin is important.

We've talked a lot about the cost calculator, for example. We have a comparative cost calculator in Indiana which goes far beyond the Federal requirements in terms of providing information to students. They would be using that in high school, not when they get to college, and it provides a lot of information to them about borrowing and the cost of college.

The CHAIRMAN. I wish more high schools would do that. But the fact is we have a lot of kids—and these are kids with good grades who are eligible to go to college. They haven't the slightest idea of how to balance a checkbook, let alone figure out what their debt payment is.

Do you do that in Minnesota when students first come in?

Mr. KALER. Yes, sir, Senator Harkin. We have a terrific program, actually, very robust, and the tag line is "Learn to live like a student now so you don't have to later."

The CHAIRMAN. That's not bad. I like that.

Any other views on that? I'm out of time, but I just wonder about getting students up front, when they first go to school, to get them to understand what debts mean to them.

Yes, Dr. Perna.

Ms. PERNA. Just very quickly, Senator, I think it's important to recognize that one of the strengths of the U.S. higher education system is also one of the challenges. We have so many choices, so many different opportunities here, and we don't specifically track people to those different choices early on like they do in other nations.

We also have so many different options and mechanisms available to finance higher education. I think we need to be embracing the choice that we have and recognizing the challenges that it does create. With all of that complexity, we have to figure out a way to make sure that people can make informed choices. We've done, I think, a good job of putting information out there, but it's not enough just to put information out there. Often it's not understandable, it's not accessible to folks, especially for those who are the first generation in their family to attend college.

Part of the complication here is that we know that having people involved in counseling students one-on-one, that matters, it improves their knowledge. But in many ways, we've moved away from allocating resources in that way. In the average high school there are 450 students per counselor, and the students in the high

schools that serve disproportionately low-income first-generation students, the numbers are often higher.

We need to do multiple things. We need to simplify our system. We have to put in more mechanisms to help people understand and make the good choice, especially given our reliance on loans and the riskiness of loans, especially for this population. Thank you.

Ms. MADIGAN. May I just very quickly say we're dealing with teenagers.

The CHAIRMAN. Say that again.

Ms. MADIGAN. We're dealing with teenagers for the most part. Some people are going back to school, but most of these people are teenagers when they are taking on a substantial amount of debt. They do not understand the long-term implications of that. So there absolutely have to be programs in high school and when people get to college to make sure they understand what they've taken on and what their ability is going to be to pay it back.

The CHAIRMAN. Thank you all very much. I took a lot of time. Senator Alexander.

Senator ALEXANDER. We had testimony in one of these hearings about that simplification which struck all of us here about how much consensus there was about the importance of it. If you're presented with all this stuff, instead of this, and if you're presented with it after you've already decided where to go to school instead of your junior year in high school, if high school counselors are spending all their time reading through this instead of counseling, they would have more time to advise students about how much they can afford and where they ought to go to school, which leads to the point that if we do simplify, we have to simplify, which means we have fewer programs.

The one grant, one loan proposal that was made to us by witnesses said that an undergraduate ought to have a single grant and a single loan. That would mean, for example, that we would not have the subsidized loan, which 80 percent of students who have an unsubsidized loan have a subsidized loan. That saves \$41 billion over 10 years. That money could then be put for more Pell grants, and we expect there would be a lot more Pell grants if people filled out this instead of all this.

It would also pay for year-round Pell grants, which is very expensive. We tried that a few years ago and then had to give up on it because of the cost of it.

We have to simplify, which means getting rid of some options. If we get rid of options at the beginning, and if at the end instead of nine repayment options we have two, less confusion might mean more education.

The only other thing—and Senator Harkin is correct, we don't need to get into a big debate about Medicaid, except I want to just restate my position in this way. During the Great Recession after 2008, because of the maintenance of effort requirement on States, Medicaid funding went up 15 percent in the State of Tennessee, higher education funding went down 15 percent. The growth didn't go down 15 percent. The absolute amount went down 15 percent, and I'll bet it did in Minnesota, Illinois, Indiana, Pennsylvania, and every other State in the country, and it was because Washington

was telling the State X is more important than Y, instead of letting the State spend its own dollars.

President Obama's former budget director, Peter Orszag, said if higher education's share of State budgets had remained constant during this period instead of being crowded out by rising Medicaid costs, it would be getting some \$30 billion more than it receives today or more than \$2,000 per student. Now, \$2,000 per student is a lot of money when the average tuition at a community college is \$3,600.

We have to be straightforward about this. If we want to require States from Washington to spend more for Medicaid, we need to understand that that means there's going to be not disinvestment by States—States don't want to spend less on higher education. They just don't have the money if they're required from here to spend it another way.

That's something we're going to have to grapple with in the future, and obviously we have a difference of emphasis let's say.

Thank you, Mr. Chairman.

The CHAIRMAN. Well, since we did get into it—

[Laughter.]

The CHAIRMAN [continuing]. I will say that the 2012 report from the Kaiser Foundation found that a decline in States' revenues was a greater factor than increases in Medicaid on State budget shortfalls from 2008 through 2010. We were in a recession. What happens in a recession? People lose jobs. When they lose jobs and need health care, where do they go? Medicaid. It stands to reason.

But at the same time, what States did is they started cutting taxes, cutting their revenues. I understand there was a big move there. The decline in State revenues, and that's what happened.

If you want to talk about Medicaid, the Affordable Care Act proposed that States that go into the Federal Medicaid system, for the first 3 years 100 percent of that increase would be picked up by the Federal Government and after that 90 percent. That's better than the 50/50 that most States have. I think my State is about 50/50. Ninety percent of that would be picked up by the Federal Government.

I say to my friend from Tennessee, maybe we have some kind of an agreement on this, that the Federal Government ought to do more in health care. I'm for a national health care system. I'm for a single payer system, the Federal Government. I'd like to get the States completely out of that. But I don't think that that's going to pass here in this—in any kind of Congress.

I'm for a single payer. It would be streamlined. It would be cheaper. The Federal Government takes up—the States don't have to worry about a darned thing in Medicaid after that. But I don't know if that's what my friend is advocating on the single payer system.

But States, they have to step up and do their part too on higher education, and I would just say this about the simplification. Again, studies have shown—I would be corrected if I'm wrong on this—that about 1 percent of students who fill out a FAFSA do it on paper. They do it online, and it takes about 25 minutes. About 25 minutes fills it out.

And my friend says, well, we may just have to do away with subsidized loans or SEOG and Perkins loans, but those are targeted for different populations. Then we have other things we come up with, but we say we want to increase or decrease the interest rates for certain occupations that we want people to go into, and we made that decision. Rightly or wrongly, we made that decision. So all those, I think, would go by the wayside.

I'm all for simplification, but not at the expense of the poorest students, not at the expense of students who need a Perkins loan because they're low interest rate, no interest rate while you're in college. I pointed out that I had the NDAA when I went to school. I went to school at a State land grant college. I didn't have any money, so I borrowed under that Eisenhower—they called it the Eisenhower Program at that time. All the time I was in school, there were no interest charges. I went into the military for 5 years, no interest charges. I then went to law school for 3 years under the GI bill, no interest charges. Then I had a 1-year grace period after I finished law school, no interest charges. And then, on my then Perkins loans or NDAA, then the interest clock started ticking.

Think about that. I had 5, 8, 9, 10, 11 years where there were no interest charges on my student loans. Now, if that was good enough for my generation, why isn't it good enough for this generation? Why is it now when they take out a loan, that interest rate clock starts ticking right away?

Again, if it provided a whole generation of young people of my generation a great college education at very low cost—but we don't do that anymore. So I say what the heck? If it was good enough for me, why isn't it good enough for students today?

I didn't mean to have the last word. Do you want to say anything else?

Senator ALEXANDER. No. I want to say thank you for your comments.

After you leave, if you have any specific thoughts about simplification, things that we could actually write into a Higher Education Act, I would welcome those. If you have any specific recommendations about risk sharing for institutions on loans, we're very actively considering that. Senator Jack Reed of Rhode Island is interested in that. I'm interested in it. Others are, too. But we want to make sure we do it in a correct way. I would welcome having those ideas. Thank you.

The CHAIRMAN. Thank you. And I would join with Senator Alexander in requesting that, too.

I think what this hearing has shown, and others, is that there is a Federal-State relationship here that we need to have for higher education. It extends from, obviously, loans and that type of thing to the States being involved in oversight and innovation. It involves consumer protections for students, both on the State level and the Federal level.

What my draft tried to do is to see how do we reinvigorate that Federal-State relationship, and what are the proper roles for both in higher education, and that's what we're trying to seek to do in that regard. That's what I think the key is to the reauthorization. To figure out how we both get the States back in the game and de-

lineate those unique responsibilities for both State, Federal Government, students and their families.

I want to thank Senator Alexander for all of his participation in this. We've been great partners in this. Obviously, we have philosophical differences on things, but we don't have personal differences. And I say this publicly, Senator Alexander has been a great member of this committee, and of course he brings a lot of expertise being a former college president, and also Secretary of Education. So we rely upon him a great deal for his expertise in this area.

I thank you all for being here, and I request the record remain open until August 7th for members to submit statements and additional questions for the record.

The committee will stand adjourned. Thank you all very much.
[Additional material follows.]

ADDITIONAL MATERIAL

 GEORGIA STATE UNIVERSITY

COMPLETE COLLEGE GEORGIA

2013 STATUS REPORT

OVERVIEW

Ten years ago, Georgia State's institutional graduation rate stood at 32 percent, and underserved populations were foundering. Graduation rates were 22 percent for Latinos, 29 percent for African Americans, and 18 percent for African American males. Pell students were graduating at rates barely half those of non-Pell students.

In 2013, as a result of a campus-wide commitment to student success and more than a dozen innovative programs implemented over the past several years, Georgia State's achievement gap is gone. The institutional graduation rate has improved 21 points since 2003. This past 2 years alone, it has climbed 5.1 points—reaching a new record of 53.1 percent—and it is on pace to increase another 2 to 3 points next fall. (*See Chart 1.*) In the past decade, graduation rates are up 28 points for African Americans (to 57 percent in 2013), 41 points for African-American males (to 59 percent), and 44 points for Latinos (to 66 percent) (*Chart 2*). All of these numbers set all-time highs for Georgia State. Pell students now are as successful as non-Pell students. The total number of degrees conferred annually increased in the past year from 6,901 to 7,365 (up 7 percent), setting another institutional record. Just 4 years ago, the number of conferrals stood at 5,857, meaning that Georgia State is now graduating 1,500 more students per year than it was in 2008 (*Chart 3*).

Significantly, Georgia State did not accomplish this dramatic turnaround through exclusion. Over the past decade, the student population has become larger (growing from 27,000 to 32,000), more diverse (moving from 46 percent to 61 percent non-white), and more economically disadvantaged (with the Pell population climbing from 31 percent to a record 56 percent in 2013) (*Chart 4*). In fact, Georgia State also set records this past year for the number of students enrolled in each of the following categories: Pell (with the number now topping 14,000 students), African-Americans, Latinos, Asian-Americans, first generation, and military learners. Georgia State's success with diverse student populations is of growing national significance. In September 2012, the Education Trust released a report ranking Georgia State 1st in the Nation in success with Latino students and 5th in the Nation in success of African American students relative to other student populations. Over the past year, Georgia State was named one of the Top 100 Hispanic Serving Universities in the United States, ranked among the top 50 universities in the Nation for the number of bachelor's degrees conferred to Asian Americans, and, with a 17 percent once-year increase, ranked 1st in the Nation among all non-profit universities in bachelor's degrees conferred to African Americans (*Chart 5*).

UPDATES AND PROGRESS WITH SPECIFIC INITIATIVES

We believe that this impressive progress has come from a commitment to the systematic use of data in identifying problems that impact students across multiple racial, ethnic, and economic groups; the piloting of innovative, low-cost interventions; and the subsequent scaling up of the successful programs to maximize their impacts. This last point is of particular significance. It is by no means easy to develop effective programs, but it is also not enough. The institution must also be willing and able to scale the programs so that they impact large numbers of students.

This year, Georgia State will welcome 300 at-risk freshmen into its Summer Success Academy; serve 2,500 students in Freshman Learning Communities; teach more than 7,500 pre-calculus students in a hybrid, adaptive learning format; tutor 9,600 students in peer-led Supplemental Instruction; reverse 2,600 students from being dropped for non-payment through its Panther Retention Grant program; and track the academic progress of 25,000 students daily through its web-based GPS advisement system. Not one of these programs existed 10 years ago; indeed, all but two were implemented over the past 3 years.

What follows are updates on some of the major initiatives mapped out in our 2012 plan:

Double the number and amount of need-and merit-based scholarships. Led by President Mark Becker and the GSU Foundation, the University has raised over \$10 million in new scholarship moneys over the past 12 months. In 2010, GSU

opened a fully staffed Scholarship Resource Center and created a searchable data base of scholarship opportunities for students. *Outcome:* Disbursements to students from institutional scholarships and grants increased 63 percent over the past year. In its first year of operation, the new scholarship data base was used by more than 9,000 students.

Reduce the negative impacts of unmet need. With a large increase in the number of GSU students dropped for non-payment in recent terms, we initiated the Panther Retention Grants program in 2011. Within hours of the fee drop, personnel in enrollment services proactively reach out to hundreds of students who have just been dropped, offering small grants. In some cases, the difference between a student staying enrolled or not hinges on as little as \$300—a surprising claim until one realizes that 40 percent of Georgia State students come from households with annual incomes of \$30,000 or less. *Outcome:* Over the past year, 2,600 students were returned to classes after having been dropped as a result of this program. The grant recipients meet with financial aid counselors, and more than 90 percent have re-enrolled for subsequent semesters without requiring additional grants. Seventy percent of the students who were within two semesters of graduating when the grant was awarded have since graduated.

Decrease the negative effects of the loss of the Hope scholarship. At Georgia State, 74 percent of freshmen come into the University supported by the Hope Scholarship. In 2008, 51 percent of Hope freshmen lost the scholarship by the end of their first year due to their GPA dropping below 3.0. Of these students, only 9 percent ever gained the scholarship back again. For the others, their likelihood of graduating dropped 40 points, from 61 percent to 21 percent. Sadly, the vast majority of students who dropped out after losing Hope left Georgia State in good academic standing; they were on the path to graduating, they just lacked a 3.0 GPA. In 2009 we piloted a program, Keep Hope Alive, offering students \$500 a semester for the first two semesters after they had lost Hope. In return for the funds, they signed a contract agreeing to attend a series of academic skills and financial literacy workshops and to meet with their academic advisors regularly during the year. *Outcome:* Last year, 62 percent of the students in the program recovered Hope by their next check point. The program has helped to raise Hope retention rates on campus from 49 percent in 2008 to 75 percent last year and has proven so effective that the Goizueta and the Coca-Cola Foundations both directed funds to the initiative as part of recent gifts to GSU (Chart 6).

Overhaul academic advising. Georgia State had an academic advising system that had developed piece-meal over time. The University and its colleges maintained six different advising offices with little coordination between them, no common record-keeping, and no common training. As prescribed by the 2011 Georgia State Strategic Plan, Georgia State has hired 42 additional academic advisors to bring our student-advisor ratio to the national standard of 300-to-91. We have established a common record system, common training, and a campus-wide University Advising Council. In 2013, we opened a central University Advisement Center, housing almost 70 advisors who serve every college and major, in a location in the heart of campus. In August 2012, we went live with a cutting-edge, web-based GPS Advising system based on 7 years of RPG data and over 2 million GSU grades. The system, which monitors 25,000 students with nightly updates from Banner, uses 700 markers to track when students go off path academically and offers predictive analytics for how each student will do for every major and every course in the curriculum. *Outcome:* In its first year of operation, the GPS system was used in 15,800 advisement sessions. Twenty-four hundred fifty-two students were converted from off path to on path for graduation, and 900 had their schedules corrected during registration when markers were triggered indicating that they had signed up for wrong or inappropriate courses. According to our analytics, the net impact of the first-year of our advising initiative will be a 1.1 point increase in the institutional graduation rate. In the coming academic year, with the help of an Incubator Grant from the USG, we will become the first school in the Nation to integrate a nuanced set of financial analytics into a web-based advising platform.

Redesign courses with high DFW rates. Five years ago, the mathematics requirement constituted an insurmountable progression roadblock for many students and was the cause of thousands of students losing the Hope scholarship. The DFW rate in College Algebra, for instance, was 43 percent. In some sections, the number topped 60 percent. The university piloted a hybrid model in which students attend a 1-hour lecture each week and spend 2 hours in a math lab with their class, working online with adaptive-learning exercises while the instructor monitors results and answers questions. *Outcome:* This past academic year, 7,500 students took their mathematics requirement in this hybrid format, including every student who enrolled in College Algebra. The DFW rate for the course has dropped from 43 percent

to 21 percent. This means that 1,650 more students are passing the course in their first attempt than was the case 5 years ago. Our newly founded Center for Instructional Innovation is helping to expand such pedagogical innovation across the curriculum with seed grants to departments and faculty to explore new approaches in the classroom.

Expand Supplemental Instruction. With many other courses with high DFW rates and limited resources, we decided to tap into one of our competitive advantages: large numbers of Federal Work Study students. We scoured the rosters of courses with high failure rates for Work Study students who had done well. Rather than assign these students to work in the library or cafeteria, we hired them to go through training, attend the course again, and offer tutoring sessions to students currently in the course. *Outcome:* The average course grade for those students who attend at least five SI sessions is almost half a letter grade higher than for those who do not attend, and the program now supports 9,600 students every year. A side benefit of the program has been that the graduation rates of the tutors, now teaching rather than working in the cafeteria or shelving books in the library, have also climbed by 10 points.

Institute a Summer Success Academy for at-risk freshmen. Our data show that there are identifiable characteristics of admitted students that correlate highly to academic struggles and attrition. Rather than defer admission for the weakest students until spring, Georgia State piloted a Summer Success Academy in 2012. Students were admitted for the fall on the condition that they attend the Academy—a 7-week long, 7-credit-hour program in which all students are enrolled in Freshman Learning Communities (that extend into fall and spring) and are exposed to intensive academic support, including Supplemental Instruction, our early alert system, one-on-one advisement, and financial literacy workshops. *Outcome:* The 135 students in the 2012 Summer Academy (representing the 4 percent of the fall freshman class with the highest risk factors) not only all completed the Summer Academy; the group went on to achieve a 2.95 average GPA during the fall semester—a higher average GPA than that earned by the remaining 96 percent of the freshman class. For 2013, the Academy has more than doubled in size and the students completed the 7-credit-hour summer term with an impressive average GPA of 3.29.

Increase Enrollments in Freshmen Learning Communities. By breaking down the freshmen class into groups of 25 students and having the students travel to all of their fall semester classes together, Freshmen Learning Communities allow study-partnerships and friendships to form naturally and provide a structure through which the University can direct advisement, Supplemental Instruction, and other academic support to the students. The average 1-year retention and 6-year graduation rates are both 4 points higher for students enrolled in FLCs than for those who are not. *Outcome:* The 2011 University Strategic Plan pledged to increase the percent of freshmen enrolled in FLCs to 70 percent. We hit the target for the first time this fall, enrolling 2,160 of the incoming 2013 freshmen in FLCs—and increase of almost 690 students over FLC enrollments in 2012.

PARTNERSHIPS

As a comprehensive research university with deep ties to metro-Atlanta and the State, Georgia State University has dozens of partnerships that serve the college completion goals not merely of Georgia State but of the entire State of Georgia.

The College of Education, for instance, maintains multiple successful service centers that provide important resources to K–12, including professional development for teachers and administrators, training and support for mental health providers, and literacy resources for children and families. There is a commitment to expanding these thriving centers and clinics, including the Alonzo A. Crim Center for Urban Educational Excellence, the Center for School Safety, the Principals Center, the Center for Reading Recovery, and the Urban Literacy Clinic, in order to more effectively serve the needs of the Georgia.

The University continues to work closely with Atlanta Public Schools on multiple fronts and has recently increased the number of students in its Washington High Early College program, which has brought hundreds of at-risk high-school students to take courses at Georgia State. We also maintain our successful Early College partnership with Carver High. Leadership from the national Woodrow Wilson Foundation recently visited campus and indicated that they would like to partner with Georgia State on several innovative programs for the preparation of K–12 teachers, especially in STEM areas. We also entered a new agreement with the Woodrow Wilson Foundation to educate and to support teachers in STEM fields through a comprehensive program of curricular and financial support. The partnership with this highly prestigious foundation—one of only a handful of such agreements that the

Woodrow Wilson Foundation has entered in nationally—seeks to increase both the number and the quality of STEM teachers in Georgia.

Our leadership in partnering with the Education Advisory Board to develop GPS Advising has led to a host of new collaborations. As a result of the 2013 CCG summit, multiple USG campuses sent representatives to campus to visit GSU's new University Advisement Center, observe the advising protocols we have put in place, and see the web-based advising platform in action. More surprisingly, perhaps, is the fact that Georgia State has now worked with two other groups who saw the demonstration of GPS Advising at the Summit, the TCSG and the Georgia Association of Independent Colleges—with GSU providing webinars and hosting campus visits to the groups. In the past year, Georgia State has also been asked to present on its innovations in the area of advisement at meetings of Complete College America in Chicago, New Orleans, and Orlando; meetings of the American Association of State Colleges and Universities in Mobile and Baltimore; APLU meetings in Miami and Washington; the Aspen Institute's forum on The Future of Higher education in Colorado; and with dozens of individual universities. The Chancellor of SUNY has asked Georgia State to present on its advising programs and its use of "big data" in October at an annual meeting of the leadership of all SUNY schools, as has the Board of Regents of Ohio and the Indiana Higher Education Commission. We are partnering with the USG and the Education Advisory Board to develop the first-in-the-nation integration of financial analytics into a web-based advising platform.

The coming year will also see a major partnership between Georgia State and the USG in developing principles and procedures for the support and credentialing of innovative means of learning, including MOOCS. Meanwhile, we continue to work with Georgia Perimeter College on a Lumina-funded project to improve transfer success between the two institutions using Lumina's experimental DQP (Degree Qualifications Profile) as the model.

KEY OBSERVATIONS AND LESSON LEARNED

One of the most exciting aspects of the innovative programs that Georgia State has implemented is their potential to provide novel data that can be employed to accelerate rates of college completion, not merely at Georgia State but elsewhere.

The Panther Retention Grant Program—simple in concept, but highly uncommon nationally—was recently featured in an article in the *Chronicle of Higher Education* and in Jeff Selingo's new book *College (Un)bound* precisely because it has revealed the strong positive impact that micro grants of as little as \$300 can have on college persistence. As we track the data in the semesters ahead, we should be able to provide insights into the effect of such grants on college-completion rates—a study that will have national significance.

Our tracking through the National Student Clearinghouse of all Georgia State students who leave the University has produced data now being cited nationally by Complete College America due to their startling implications. When one tracks Georgia State's cohorts by race and ethnicity not merely through Georgia State but through all institutions nationally, success rates increase by 20 points for African Americans, 25 points for whites, and an incredible 29 points for Latinos (*Chart 2*). This has led to an increased appreciation of the transient nature of low-income and at-risk students; they and their families, often due to economic pressures, move around more than do better resourced students. Even more importantly, the data has led to increased appreciation of the under-reporting that occurs when we track success rates by individual institutions. Georgia State's graduation rate of 51 percent climbs by more than 20 points when you include students who go on to enroll (and succeed) elsewhere.

Perhaps most promisingly, the hundreds of thousands of datum being collected on a daily basis by Georgia State's new GPS Advising system have the potential to be a game changer (and the subject of an upcoming article in *The Wall Street Journal*.) Academic advisement has long been a hold-out when it comes to data; the details of advisement are often veiled behind the private conversations of students and advisors. Now, we not only have the ability to see what impact the careful tracking of every undergraduate and his or her academic choices will have on existing metrics—encouraging news, for instance, is the fact that after 1 year of GPS Advising, Georgia State's average number of credit hours at the time of completion is down for the first time in 5 years—it also opens the door to a whole new set of metrics. If we can track whether each student is on path or off path for timely graduation, how do these numbers compare by various degree programs and how do they track over time? (*See Chart 7*.) If we can identify all of the pre-Accounting students who failed to meet the minimum grade in their first course in the program and we

intervene immediately, what percent of students can have their path righted and go on to succeed in the Accounting degree program? (See Chart 8.) If we can track the effects of different types of interventions, what potential do the resulting data hold for strengthening the nature and substance of the interventions that we offer?

The search for such answers is exciting, and it will be a major focus of Georgia State's college completion efforts in the coming year.

For more information: Timothy Renick, Vice Provost and Chief Enrollment Officer, trenick@gsu.edu.

Chart 1

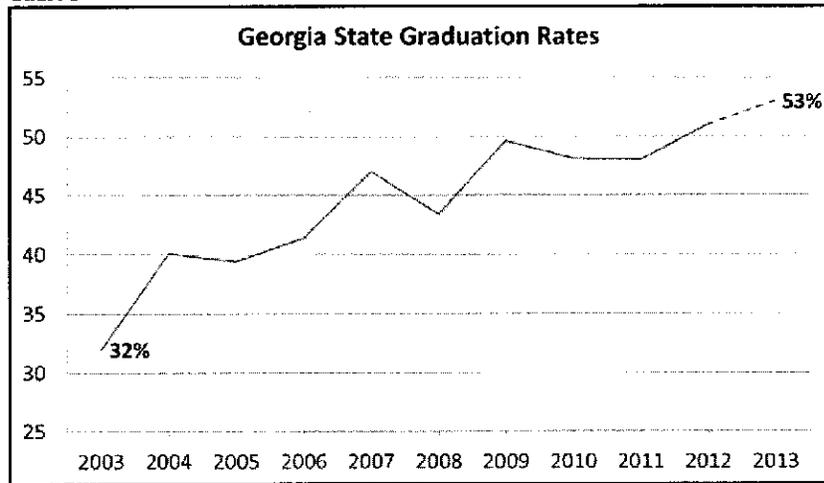


Chart 2

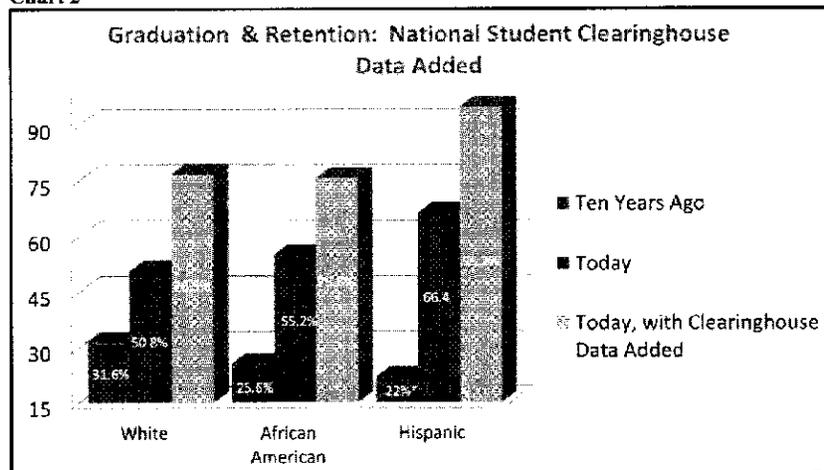


Chart 3

Georgia State Degree Conferrals						
2007-08	2008-09	2009-10	2010-11	2011-12	1-Yr Change	4-Yr Change
5,857	6,188	6,419	6,901	7,365	+7%	+26%

Chart 4

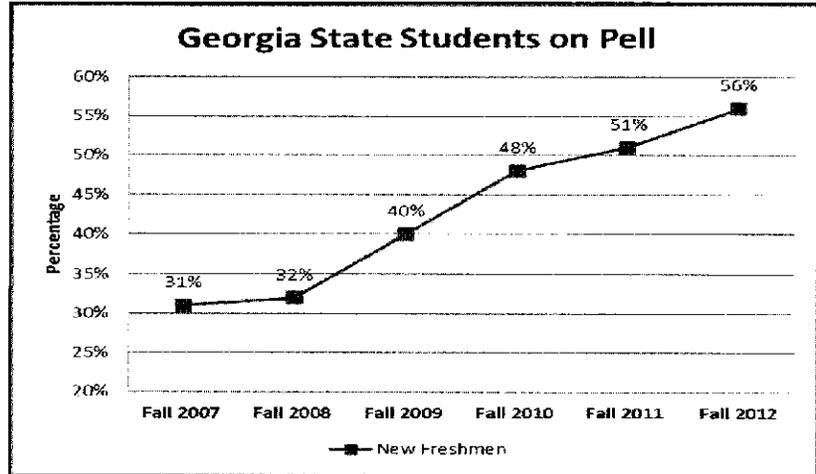


Chart 5

Top 100 Degree Producers					
2012 African-American Bachelor's - All Disciplines Combined					
%					
		Total	Grads	%Chg	
2011 Rank	Institutions	State	2010-2011		
1	Georgia State University	GA	1262	31%	17%
2	FAMU	FL	1224	94%	5%
3	North Carolina A & T State University	NC	1172	90%	-6%
4	Jackson State University	MS	966	94%	4%
5	Howard University	D.C.	953	93%	-10%
6	University of Central Florida	FL	939	9%	10%
7	University of Memphis	TN	862	32%	0%
8	Troy University	AL	859	32%	4%
9	University of Florida	FL	859	10%	11%
10	University of South Florida-Main Campus	FL	845	12%	6%
11	University of North Texas	TX	835	13%	11%
12	Temple University	PA	831	15%	-5%
13	University of Maryland-University College	MD	809	25%	11%
14	Florida Atlantic University	FL	808	18%	-3%
15	Virginia Commonwealth University	VA	805	19%	13%

**Online For Profit Schools Excluded*
 Source: Diverse: Issues in Higher Education

Chart 6

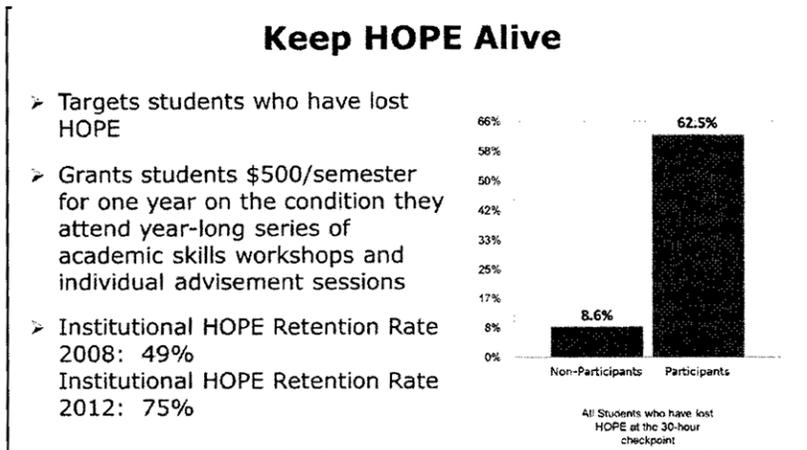


Chart 7

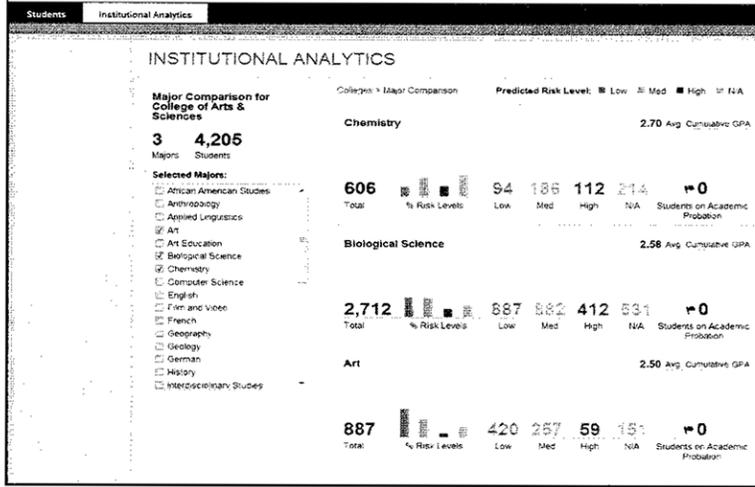


Chart 8

Course	Alert Desc	Total
ACCT 2101	Did not register	659
	Missed Minimum Grade	218
	Course not completed Updated by advisor	53
ACCT 2102	Did not register	468
	Missed Minimum Grade	160
	Course not completed Updated by advisor	46
BIOL 1110K	Did not register	532
	Missed Minimum Grade	189
	Course not completed Updated by advisor	38
BIOL 1120K	Did not register	490
	Missed Minimum Grade	128
	Course not completed	14
BIOL 2300	Did not register	224
	Missed Minimum Grade	169
	Course not completed	55
BIOL 2310	Did not register	286
	Missed Minimum Grade	43
	Course not completed	19
BUSA 3000	Did not register	378
	Missed Minimum Grade	76
	Course not completed Updated by advisor	37
CHEM 1151K	Did not register	104
	Missed Minimum Grade	48
	Course not completed	4

Why are so many students missing the threshold grade in Accounting?

Why are so many students not taking introductory science courses on time?

[Editor's Note: For further details on the GSU GPS Advising system and the Panther Retention Program see <http://success.gsu.edu/initiatives/gps-advising/>.]

UNITED STATES SENATE,
 WASHINGTON, DC 20510,
 August 12, 2014.

Hon. TOM HARKIN, *Chairman,*
Committee on Health, Education, Labor, and Pensions,
 428 Dirksen Senate Office Building,
 Washington, DC 20510.

DEAR CHAIRMAN HARKIN: Please accept for the record my submission of the following document on behalf of the Coalition of Higher Education Assistance Organizations (COHEAO).

Should you have any questions or need additional information please contact Ashley Eden on my staff at 4-9243.

Sincerely,

KAY R. HAGAN,
United States Senator.

COALITION OF HIGHER EDUCATION ASSISTANCE ORGANIZATIONS
(COHEAO),
WASHINGTON, DC 20005-3586,
August 4, 2014.

Hon. TOM HARKIN, *Chairman,*
Committee on Health, Education, Labor, and Pensions,
428 Dirksen Senate Office Building,
Washington, DC 20510.

DEAR CHAIRMAN HARKIN: The Coalition of Higher Education Assistance Organizations (COHEAO) is writing to submit comments to the Congressional Record related to the July 24, 2014, HELP Committee Hearing: *The Role of States in Higher Education*. COHEAO would like to thank you and the committee for your efforts to improve and simplify the Federal financial aid process so that students can readily access the financing they need for postsecondary education. Specifically, COHEAO would like to support the positive and accurate comments you made [during the hearing] regarding the benefits of the Federal Perkins Loan Program to students and how critically important the program is to reauthorize as part of the Higher Education Act.

Since 1958, the Federal Perkins Loan Program has:

- Provided subsidized, low-interest loans to assist undergraduate and graduate students with economic need to finance the cost of higher education;
- Utilized campus-based revolving funds established from a combination of Federal and institutional contributions to make the loans; and,
- Filled a critical gap that exists for many students after Federal grant and Stafford loan funds are applied.

The success of this loan program is a result of the central role played by higher education institutions that originate the loans, counsel their students, and work closely with students throughout their entire repayment process. The Perkins Loan Program is a *risk-sharing program* in which institutions contribute at least one-third of the funds that go toward their students' awards. This "ownership interest" greatly contributes to the successful management of this vital program.

For example, New York has the largest Perkins portfolio in the country totaling \$862 million, representing 10 percent of the overall dollars awarded to 16 percent of the students who benefit from Perkins each year. Last year, the State University of New York (SUNY) campuses combined to award \$21.2 million in Perkins loans to more than 26,000 students. The Perkins program is critical funding for NY students and helps significantly in their ability to access affordable student aid.

Across the United States in 2012-13, close to 500,000 students with need were awarded nearly \$1 billion in Perkins loans, with an average amount of about \$2,000 awarded per student. This funding is critical to students who would otherwise be forced to borrow less beneficial private loans or leave school altogether. Perkins loan recipients are predominantly from lower income families as detailed below:

- 67 percent of Perkins borrowers are dependent students—34 percent of whom are from families with household incomes of less than \$30,000.
- 20 percent of Perkins borrowers are independent students, 70 percent of whom have personal incomes of less than \$20,000.
- 13 percent are graduate students, for whom no other low-cost subsidized loan program is available.

This program provides critical support to students with economic need. It offers low-interest, fee-free funds to students, flexible repayment terms and generous forgiveness options that are public service oriented. It is administered at the school level to provide a highly efficient, self-sustaining program with accountability, transparency, and risk-sharing.

This proven and longstanding loan program is in jeopardy. In order to keep the Perkins Loan Program alive, Congress needs to reauthorize the program or it will sunset on October 1, 2015. COHEAO encourages the Chairman to include language in the HEA that will ensure the Federal Perkins Loan Program will continue to be

available to the hundreds of thousands of students who need and rely on it to assist in their ability to pursue a higher education.

COHEAO thanks the Chairman and the committee for this opportunity to submit comments to the record and would be happy to answer any questions.

Sincerely,

MARIA LIVOLSI, *President, COHEAO,*
Director, State University of New York.

Since 1981, the COHEAO has served as a partnership of colleges, universities, and organizations dedicated to promoting the Federal Campus-Based loan programs and other student financial services. Committed to the preservation and improvement of the Federal Perkins Loan and Health and Human Services Loan Programs, COHEAO also serves as an advocate and education resource on consumer finance issues affecting colleges and universities.

CAMPUS PARTNERS,
WINSTON-SALEM, NC 27106,
August 4, 2014.

Hon. TOM HARKIN, *Chairman,*
Committee on Health, Education, Labor, and Pensions,
428 Dirksen Senate Office Building,
Washington, DC 20510.

DEAR CHAIRMAN HARKIN: Campus Partners is writing to submit comments to the Congressional Record related to the July 24, 2014, HELP Committee Hearing: *The Role of States in Higher Education*. Campus Partners would like to thank you and the committee for your efforts to improve and simplify the Federal financial aid process so that students can readily access the financing they need for postsecondary education.

Specifically, we would like to support the positive and accurate comments you made [during the hearing] regarding the benefits of the Federal Perkins Loan Program to students and how critically important the program is to reauthorize as part of the Higher Education Act.

Since 1958, the Federal Perkins Loan Program has:

- Provided subsidized, low-interest loans to assist undergraduate and graduate students with economic need to finance the cost of higher education;
- Utilized campus-based revolving funds established from a combination of Federal and institutional contributions to make the loans; and,
- Filled a critical gap that exists for many students after Federal grant and Stafford loan funds are applied.

The success of this loan program is a result of the central role played by higher education institutions that originate the loans, counsel their students, and work closely with students throughout their entire repayment process. The Perkins Loan Program is a *risk-sharing program* in which institutions contribute at least one-third of the funds that go toward their students' awards. This "ownership interest" greatly contributes to the successful management of this vital program.

Across the United States in 2012–13, close to 500,000 students with need were awarded nearly \$1 billion in Perkins loans, with an average amount of about \$2,000 awarded per student. This funding is critical to students who would otherwise be forced to borrow less beneficial private loans or leave school altogether. Perkins loan recipients are predominantly from lower income families as detailed below:

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This proven and longstanding loan program is in jeopardy. In order to keep the Perkins Loan Program alive, Congress needs to reauthorize the program or it will sunset on October 1, 2015. Campus Partners encourages the Chairman to include language in the HEA that will ensure the Federal Perkins Loan Program will con-

tinue to be available to the hundreds of thousands of students who need and rely on it to assist in their ability to pursue a higher education.

Campus Partners thanks the Chairman and the committee for this opportunity to submit comments to the record and would be happy to answer any questions.

Sincerely,

DONNA K. DEWISPELAERE,
President and CEO.

[Whereupon, at 11:52 a.m., the hearing was adjourned.]

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