

**Testimony to the U.S. House of Representatives,**

**Committee on Education and Labor,**

**Subcommittee on Higher Education, Lifelong Learning, and Competitiveness:**

***The State of Higher Education: How Students Access and Finance a College Education***

**Statement of Ross Wiener, Education Trust**

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Mr. Chairman and Members of the Subcommittee, thank you for this opportunity to provide testimony on this important issue. The Education Trust is a national, non-partisan, non-profit organization dedicated to improving the education of low-income students and students of color, pre-kindergarten through college.

This morning, I want to describe the profound – and profoundly disturbing – shift in financial aid policy that has put college out of reach for far too many Americans. I also want to point to some concrete actions that Congress should take to address problems related to both access and success in higher education.

**Background**

For much of our history, the United States led the world in expanding access to higher education. From the establishment of land grants institutions, to the G.I. Bill, through the Higher Education Act of 1965, and the creation of Pell Grants in 1972, the United States Congress has shown true leadership on this issue. The return on our investment in expanding access to higher education has been incalculable, contributing both to domestic prosperity and international leadership.

As much we can take pride in this tradition, we also must recognize that we have broken faith with it. Our recent history is one of shrinking opportunity and growing income gaps. One important reason is that, over the last fifteen years, there has been a massive shift in financial aid policy away from helping low-income students. Today, there is less social mobility in America than there was twenty years ago, and less than in almost any other industrialized country.

While the focus of this hearing is on the financial barriers to getting a college education, I do not intend to minimize the other issues that need to be addressed to improve the education of low-income students and students of color. In particular, we at the Education Trust are acutely aware that inadequate preparation in K-12 means that far too many low-income students and students of color struggle in college and the workplace. Moreover, the higher education community has not stepped up appropriately to address low and stagnant graduation rates of the students who do make it to college.

The large, unmet need faced by prospective students from low-income families, and the fact that the amount of financial aid a student will receive remains uncertain until so late in the process, have implications across all these problems. For instance, many potential college graduates never even become college students. Indeed, only 50% percent of all “college-qualified” students from low-income families enter a four-year college, compared to over 80% percent of similarly qualified students from high-income families. The sad reality is that America’s highest achieving low-income high school graduates go to college at the same rate as our lowest achieving high-income high school graduates.

But that’s not the only effect. Other low-income students do attend college, but do so in ways that are far less likely to lead to a degree. Many are intimidated by the financial aid

and application process but are enticed to enroll in fly-by-night proprietary schools where they take on debt but do not acquire skills that will help them pay off that debt. Others are forced to go to college part time, and/or to start in a community college with the aspiration to transfer and earn a B.A., but never gather the momentum to reach the baccalaureate level. The tragic irony is that many of these students do not end up with a degree, but do end up with debilitating debt burdens that leave them worse off than before. So while we should ensure that all kinds of options are available to students, we should not pretend that they are all equally likely to ensure students' success, and we should not force low-income and minority students down paths where success is rare.

The result is inequality that is bad not just for low-income students and students of color, but bad for America. Children from families in the top quartile for family income have a 75% chance of getting a 4-year college degree by age 24; among children of families in the bottom income quartile, just 9% have graduated from college by 24.

The gaps by race are also stark, with African-Americans earning bachelor's degrees by age 29 at nearly one half—and Latinos at just one-third—the rate of Whites. Moreover, instead of gradually getting better, most of these gaps are getting worse. For while college-going and degree rates have gone up for all groups, they have gone up faster for white students than for students of color, who were already under-represented. Since 1974, White students are up 19 points in college-going and up 10 in college completion. African American students are up 20 points in college-going but only 5.5 in college completion. And Hispanic students are up only 11 points in college-going, and just 3 points in college completion.

**This inequality has grave implications for individuals and the country.**

In today's economy, education – and especially higher education – provides the only certain route into the middle class and beyond. Unlike a generation ago, there are very few jobs where good health and a strong work ethic can ensure economic security. And the trend toward work that requires some college education is accelerating. Projections based on data from the Bureau of Labor Statistics indicate that, if current trends are not changed, then the U.S. will face a shortage of more than 3 million workers with bachelors degrees not in 20 or 30 years, but in five years -- by 2012.

Moreover, we need to recognize that the rest of the world is not standing still. Having learned from our example, other countries have rapidly expanded participation and success in higher education. While we once led the world in college graduates in the adult workforce, we have slipped to fourth. Most disconcerting, the United States is one of only two industrialized nations where older workers are more likely to have a college degree than younger workers.

These trends hold serious social and economic threats. We are in danger of creating a permanent underclass. And we are in danger of losing our leadership in the global economy, which would have other negative implications.

The reality is that America needs more college graduates. To accomplish this, we must do a better job of educating low-income students and students of color, who have been disproportionately left out in the past. Given the especially dramatic growth in the number of Hispanic Americans, and the distressingly low numbers of young people from this community who are earning college degrees, their plight merits particular attention. When the largest minority group in the country has barely one in ten students getting through college with a degree, the nation must act. We cannot continue our economic growth, we cannot maintain

our high standards of living, and we cannot create the nation we all want to live in, without getting more students of color and low-income students in and through college with a degree.

Congress can show important leadership by aligning federal policy with the imperative to improve college outcomes, especially among low-income and minority students. In addition to substantively improving federal policy, the actions described below would allow Congress to enlist states, colleges and universities, as well as the American people, in a broader conversation about how to improve higher education.

### **Financial Aid: A Promise Abandoned**

The federal government has always taken a central role in ensuring equality of opportunity, and federal leadership is needed again if we are to return this country to a path of truly expanding college access. For one, the federal government is the biggest player in student financial assistance. In 2004-5, the federal budget for student aid was \$90 billion, accounting for approximately three-quarters of all expenditures on student aid. Approximately \$18.6 billion of this was allocated for grant aid, \$68.6 billion for underwriting student loans, and \$6 billion in tax credits and deductions. How this financial aid money currently is allocated is confusing and inadequate.

Below are some concrete actions Congress could take to improve the chance of success for low-income and minority students in higher education:

### **Restore the buying power of Pell Grants.**

Historically, the federal government's principle vehicle for providing access to low-income students has been the Pell Grant. Created in 1972, the Pell Grant program has enabled

millions of students from low-income families to attend two- and four-year colleges. But investments in this program, while up, have not kept pace with rising demand for college, or with the rising price of higher education. In 1975, the maximum Pell Grant covered approximately 84 percent of the cost of attending a public four-year college. Today, it covers only 36 percent, effectively blocking access for thousands of aspiring college students from low-income families.<sup>1</sup> In 1974, the majority of Pell recipients (62%) attended four-year colleges and universities, but that is no longer true – as of 2004, the majority of Pell recipients (54%) attend two-year colleges. Similar enrollment trends exist among African-American and Latino students who disproportionately attend two-year and proprietary colleges from which they have significantly lower chances of earning a degree.

The diminution of Pell's buying power might, of course, be understandable given other pressures on the federal budget. But, in fact, federal expenditures on non need-based student aid have grown *exponentially faster* over the past decade than expenditures on need-based aid. Indeed, of current federal expenditures on student aid, 52 percent -- or more than *\$45 billion*--is not based on need. Much of the growth has been in tax deductions and credits, which disproportionately go to upper-income families and do nothing at all to assist the lowest income students and families. **Before other worthy goals are pursued, federal financial aid policy should ensure that low-income students are able to attend college by increasing Pell Grants.**

### **Eliminate the FAFSA.**

In addition to the re-allocation of aid away from low-income students, the process for applying for federal financial aid also is fraught with problems. The complexity, intrusiveness,

and sheer burden of the FAFSA (Free Application for Federal Student Aid) manifests patent indifference as to whether low-income students get the aid to which they are entitled. The FAFSA is notoriously confusing and has been characterized by scholars as more complicated than filing an income tax return. Indeed, taking out a mortgage to buy a house is significantly simpler and demands less financial acumen than completing the FAFSA.

If we are serious about ensuring that low-income students know about and receive their financial aid, this process can and should be streamlined. The government should proactively calculate estimated grant awards based on income tax returns and other publicly held records that already are in the government's possession. To help these students get an image of themselves as college students, the federal government should send an estimate of expected federal tuition grant aid to each low-income family with school-age children. The Social Security Administration routinely provides workers with estimated benefits and there is no good reason not to do this with federal grant aid.

That the FAFSA persists in its current form makes a mockery of our commitment to helping low-income students go to college. It is not an exaggeration to say that the FAFSA evidences contempt for low-income students' college-going aspirations. **If this Congress does nothing else to align federal policy with the goal of increasing low-income participation in higher education, it should replace the arduous FAFSA with a proactive notification of projected grant aid to prospective college students from low-income families.**

**Consolidate Programs Intended to Benefit Low-Income Students.**

The overriding focus of federal financial aid policy should be to make college accessible to those who otherwise could not afford it, and to make the financial aid process as simple and straightforward as possible. The myriad programs that ostensibly exist to help low-income students should be combined, so that the money goes to the right students -- and students can know up-front the amount of aid to which they are entitled. Some of the many programs that exist now benefit institutions more than low-income students, and dilute the federal government's ability to target money to truly needy students.

The SEOG program is a perfect example: SEOG allocations go disproportionately to wealthier institutions which serve disproportionately fewer financially needy students. This money would be better spent on increasing Pell Grants.

### **Make Loan Repayment Schedules Contingent on Family Income,**

As students are expected to assume more and more debt to finance their college education, it is incumbent upon the federal government to provide some insurance against individual financial ruin. Borrowing to help for college is a good investment. Most students will go on to earn more as a result, and it is fair and reasonable to expect them to pay off their loan obligations. But for those borrowers who confront prolonged debt-to-income disparities—and this includes not just drop-outs, but also those who choose socially important, but lower-paying professions such as teaching—the federal government should index loan repayments on a sliding scale related to ability to pay. If low-income students were made aware of this support early in the process, they would be more likely to take on reasonable debt and enroll in college in the first place. The Project on Student Debt has proposed a reasonable plan to



make repayment limits contingent on family income. This plan is modest, fair, and urgently needed.

### **Ensure that tax-exempt institutions educate low- and middle-income students.**

Institutions of higher education are huge non-profit corporations with tax-exempt status. It is not unreasonable to expect them to participate in the country's commitment to expanding higher education among those in the bottom half of the income distribution. No institution should be forced to educate more low- and middle-income students. But if they do not include a reasonable share of these students in their programs, then their generous government subsidy should be repurposed to ensure these students have access to postsecondary options somewhere else. At a minimum, each institution that wants to maintain its tax-exempt status should make a commitment to educating low-income students. It is a vital public interest and not unreasonable to expect non-profit colleges to draw  $\frac{1}{4}$  of their students from the bottom  $\frac{1}{2}$  of the income distribution.

### **Engage States and Institutions in Improving Access and Success.**

Beyond its proportional role, it also is clear that federal policy sets the context for what happens with state and institutional aid dollars; as the federal government has abandoned low-income college aspirants, so, too, have the other players in financial aid. Ten years ago, grants to students without demonstrated financial need represented 14 percent of state grant expenditures. Today that fraction has nearly doubled to 27 percent<sup>2</sup>. I want to be clear that it is not a bad thing for government to help middle and upper-middle income families pay for

college. But the first priority of financial aid policy should return to its historic purpose of helping students who cannot afford to attend college without financial assistance.

Institutions of higher education have also abandoned low-income access. In the absence of any accountability or recognition for expanding access, these institutions have increasingly pursued higher status in the private college ranking guides by using their discretionary financial aid dollars to “buy” students who will improve their rankings. A recent report from the Education Trust, *Promised Abandoned*, documents how campus-based aid has also skewed away from low-income students in recent years.

Congress cannot solve these problems alone, but Congress is uniquely positioned to stimulate an important new dialogue on how quality in higher education is defined. Current metrics for quality and recognition bestow status on colleges that only admit students who will succeed no matter where they go. Instead, we need to honor and support institutions that are helping increasing numbers of students who face far more difficult challenges to obtain the degrees that will help them advance personally and contribute to the social, civic and economic well-being of the nation. This larger issue deserves to be the focus of more Congressional deliberation. I will mention just two discreet ways in which Congress could spur progress:

- **Improve data collection systems so that both policymakers and the public have easy access to honest and accurate information about student outcomes.**

Congress should immediately add critical information to the IPEDS data collection process, including the addition of “Pell Grant” status to the Graduation Rate Survey, so that the success of low-income students can be measured and reported; tracking and reporting year-to-year retention rates disaggregated by Pell status and race/ethnicity;

and mandating and verifying the reporting (now voluntary) of cohort transfer rates. At the same time, Congress should facilitate development of unit-record systems that will provide more accurate accounting of what happens to students in higher education, while protecting privacy and confidentiality.

- **Partner with states to encourage more need-based aid and better cost containment.** Congress should explore ways to partner with states that are willing to commit to improving access and graduation rates for low-income students and students of color.

## **Conclusion**

Thirty years ago, President Lyndon Baines Johnson and the 89<sup>th</sup> Congress acted to make the American Dream a reality when they passed the Higher Education Act of 1965. When he signed this historic legislation, President Johnson recalled the experiences in his own life—first as a needy college student himself, and subsequently as a teacher in a school serving Mexican-American students—that prompted him to work so hard to win the enactment of this ground-breaking law:

I shall never forget the faces of the boys and the girls in that little Welhausen Mexican School, and I remember even yet the pain of realizing and knowing then that college was closed to practically every one of those children because they were too poor.

And I think it was then that I made up my mind that this Nation could never rest while the door to knowledge remained closed to any American.

Later in his remarks, he called on all of us—“the teachers and the citizens and the educational leaders of tomorrow:”

[W]hen you look into the faces of your students and your children and your grandchildren, tell them that you were there when it began. Tell them that a promise has been made to them. Tell them that the leadership of your country believes it is the obligation of your Nation to provide and permit and assist every child born in these borders to receive all the education that he can take.

“The rest,” he said, “is up to you.”

Clearly, in a whole host of ways, we’ve strayed from that central commitment and broken that all-important promise. And the consequences have been grave. Many young people no longer believe that if they work hard, college is a real possibility for them. We can take issue with their logic. We can argue that college costs less than they think, that there is more aid money than they realize or that even large loan debts make long-term sense. But we cannot contest the facts: pathetically few low-income students, including the highest achieving, are entering and completing college.

Though it may be too late for some students, it is not too late for others. And it is not yet too late for our country. We can change these patterns if we so choose.

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