Testimony to the House Committee on Education and Labor
U.S. House of Representatives
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2175 Rayburn House Office Building

"Barriers to Equal Educational Opportunity: Addressing the Rising Costs of a College Education"

Testimony presented by F. King Alexander, President,
California State University, Long Beach

Thank you Mr. Chairman and members of the Committee for this opportunity to share with you some of my thoughts regarding the important national issue of rising college costs, public accountability and equal opportunity.

I am president of California State University, Long Beach which is the nation's 24th largest university with an enrollment of 37,000 students. We take great pride in providing high quality educational opportunities at costs that are less than half of the national public university average. We are pleased that we serve so many students who come to us from first generation college families and diverse populations. Currently, approximately one third of our students are Pell Grant eligible and nearly 65% are African-American, Asian-American, Hispanic, and of other ethnic origins. With the support of the American Association of State Colleges and Universities and our California State University Chancellor, Dr. Charles Reed, I am here today representing AASCU and the CSU System, the largest university system in the nation which currently serves 450,000 students. Fifty-four percent of our students in the California State University System are from underrepresented, minority, and diverse backgrounds.

Before making my comments, I want to thank the members of the Committee for the progress that has been made over the last four years. Nearly four years ago in a hearing before the House Education and Workforce Committee on 21st Century Competitiveness, I remember stressing to the former Chairman and others a number of important issues including the introduction of the "net tuition" concept which has since been taken very seriously by this Committee. You have also acted to address the critical issue that we raised regarding dangers of simply monitoring percentage growth without considering actual dollar increases which substantially disadvantages those colleges and universities that have worked hard to keep costs low. Too, I made the point then and I repeat now that by simply making new reporting requirements instead of developing new policy strategies to provide incentives for institutional effectiveness in addressing real public needs, we are missing a crucial opportunity to reform the current system of higher education.

On these important points, I would like to focus my comments this afternoon and address two distinct areas, both of which have significant ramifications for collegiate costs and equal opportunity; (1) Accountability and transparency; and (2) college costs, state appropriations and "maintenance of state tax effort." In each of these areas I will attempt to describe the existing problems and then offer policy recommendations that, in my view, would help remedy some of the primary concerns of taxpayers and policy-makers.

1. Improving Accountability and Transparency

We commend and support the efforts of this Committee to require that higher education become more transparent and accountable to students, parents, and taxpayers. The marketplace for education or any market cannot function effectively or efficiently without adequate information. California State University, Long Beach and the CSU System have taken these legislative and public concerns very seriously and created the most transparent and accountable measurement system in the nation. This system is known as the California State University Voluntary System of Accountability (CSU VSA) which augments the soon to be released national public university Voluntary System of Accountability (VSA). The CSU VSA is an important addition to the national VSA and adds numerous measurement categories designed to indicate the role that the twenty-three public universities in the CSU are playing when addressing a series of "Public Good" domains. This information will be made available for policymakers and taxpayers throughout California and the nation in addition to the institution-specific information resulting from the national VSA. While the national public university VSA was developed primarily to address student and parental concerns regarding the lack of substantive institutional student learning information, the CSU VSA was developed to address additional concerns that are of value to the general public at-large.

In November 2007, both the American Association of State Colleges and Universities (AASCU) and the National Association of State Universities and Land-Grant Colleges (NASULGC) will release the "Voluntary System of Accountability" template for public discussion. This reporting system will make additional information available to parents and students regarding student specific actual college costs, financial aid results, community service participation as well as numerous standardized test results that assess value-added learning growth both inside and outside of the classroom. We fully endorse the public university VSA and our university will be among one of the first pilot institutions to provide the necessary information for reporting purposes. The California State University System will, in addition, set forth what is called a "Public Good" measurement system that will provide more clarity and transparency especially for categories that are not included in the national VSA or the model adopted by the private higher education sector.

In addition to the national VSA, the augmented CSU VSA (see Appendix A), addresses four important "Public Good" categories that are either deemphasized or not included in the other measurement systems. If approved by the CSU Board of Trustees in mid-November, this information, which has already been collected from each of the 23 universities in the Cal State system, will be made available for public discussion. The categories include:

1. *Average Undergraduate Student Debt*
    - Average amount in debt of graduating seniors
    - Proportion of graduating seniors in debt

2. *Degrees Granted*

- Degrees Granted in High Demand Fields
- Race/Ethnicity of Undergraduate Degree Recipients

3. *Economic Diversity: Access and Completion*

- Undergraduate Pell Grant Eligibility (enrollment & percentage enrolled)
- Undergraduate Pell Grant Recipients 5-yr. Average (enrollment & percentage)
- Undergraduate Degrees Awarded to Pell Grant Students (Degrees & Percentage)

4. *Actual "Net Tuition and Fees" paid by an average student when compared to the posted sticker price*

As you can see from the categories exhibited in Appendix A, it is our hope that the federal government will also consider these items when developing new reporting requirements for colleges and universities. Currently, many institutions refuse to make economic diversity data readily available to consumers, taxpayers and other constituencies.

Recommendations for more effective accountability and transparency

A. In addition to the current reporting of graduation rates, the federal government should collect and distribute aggregate graduate numbers and economic diversity characteristics of enrolled and graduating students. This reporting can be accomplished by requiring and publishing Pell Grant eligibility access and completion data in aggregate numbers and percentages. Also, existing graduation rate reporting should be disaggregated using federal financial aid receipt (Pell Grant eligibility) as a proxy for income so that policymakers can better understand risk categories earlier in order to support timely and successful graduation.

B. Require that an average "net tuition and fees" be calculated by each institution and made available to students, parents and taxpayers. This average net tuition should reflect the average cost versus the sticker price per full-time student, not simply aided student. Sticker prices do not reflect the actual cost of higher education. Using "sticker prices" distorts and creates a flow of misinformation to consumers and students further confusing the economic realities of college attendance. If the federal government is to help improve the efficiency of the marketplace of higher education it can contribute materially by collecting, calculating, and distributing actual program cost information by types of institutions. Such information can then be used to develop as a more viable basis for the allocation of federal subsidies. This initiative would simplify federal policies while not penalizing states that continue to publicly support higher education and encourage institutions to keep costs down.

C. Require the colleges and universities to collect and distribute average student undergraduate debt amounts and the percentage of seniors graduating with student loan debt. Consumer information about student debt loads is currently very difficult to obtain for most people.

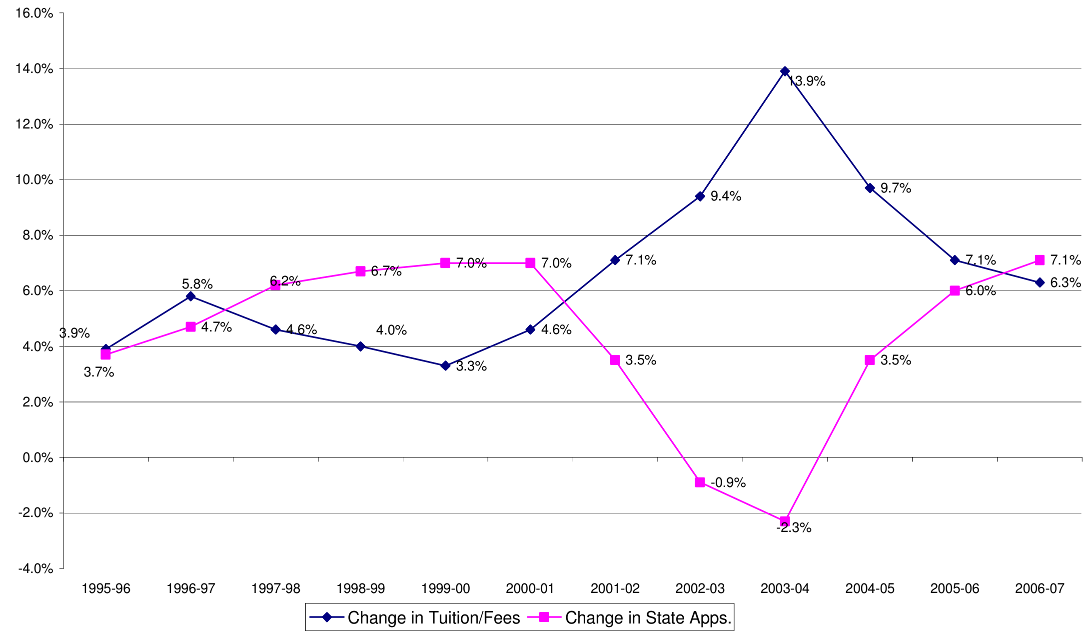
D. Require that federal agencies collect and pay much closer attention to institution specific expenditure trends when making policy-based determinations. Understanding institutional expenditure trends is essential for determining which colleges and universities have actually increased their costs to serve more students, more needy students, or simply to maximize the prestige of the institution.

2. College Costs, state appropriations and “maintenance of state tax effort”

In addressing the issue of college and university tuition and fee growth, it is obvious that the problem of higher education costs and tuition does not detrimentally affect parents, students and institutions the same. This fact is evidenced in numerous congressionally-mandated studies of college costs and prices, showing drastic variations in average tuition and fee growth between private and public universities during the last two decades. Public perception of rising tuition costs has been shaped by a number of reasons, including geographic location and the media which is heavily influenced by high cost institutions in the northeastern region of the U.S. Importantly, misunderstanding is fueled by an overall lack of information in the academic marketplace that prevents students and parents from distinguishing real net costs from "sticker prices." For example, students and families pay college tuition in dollars, not in percentages, yet the vast majority of public discourse by policymakers and the media dwell on college cost increases reflected simply as percentage growth. *In fact, "if you analyze actual tuition and fee dollar increases, instead of tuition and fee percentage growth, you will discover that many of the public universities with the largest percentage increases over the last few years are the very institutions that are the most affordable and accessible.* A small dollar increase may well be reflected in a relatively large percentage increase at lower tuition institutions. This is especially true in lower cost/high tax effort states like California, Hawaii, North Carolina, West Virginia, and Kentucky which have worked hard to keep student tuition and fees at very reasonable levels in exchange for maintaining above average tax support. These low tuition states remain low cost in an effort to ensure widespread access and affordability. Also, these same states are among the lowest in the nation in average student loan debt per graduate.

Furthermore, it is quite obvious that as state appropriations slide downward, student tuition and fees must rise. The interlocking relationship between public institutions, tuition and fee policies and state appropriations is an area that seems to be pervasively misunderstood by taxpayers and policymakers. Over the last decade studies have highlighted the instability of state appropriations and the effects of state policy on public institutional tuition changes. In a recent Congressionally mandated NCES study on college costs and prices, it was shown that state general fund appropriations was by far the most significant factor in determining public college and university resident tuition rates . This is especially evident when reviewing overall public college and university tuition and fee changes when compared to state appropriation changes during the last decade. As shown in Table 1, the most influential reason for increases in public college and university costs is the drastic fluctuations of state appropriations. Therefore, in my view it should be a federal imperative to ensure that states maintain their public support of higher education. This “maintenance of fiscal effort” is a necessary part of the federal/state partnership to ensure that states continue their current level of support. A “maintenance of effort” federal/state partnership would make it more difficult for states to further reduce their fiscal responsibility to public colleges and universities by shifting the increasing costs of higher education to students, and ultimately, federal tuition-based programs.

Table 1
Change in Resident Undergraduate Tuition and State Appropriations, Public Colleges and Universities, Academic Years 1995-96 to 2006-07



Source: The College Board, Trends in College Pricing, 1995 to 2006 and Center for the Study of Education Policy, Illinois State University, Grapevine.

In the case of the State of California, the dependent relationship between state appropriations and student tuition and fees was never more apparent than when the state budget was developed two years ago. State legislators and the Governor made a conscience decision to increase funding for higher education by approximately 6.5 percent to alleviate the need for a student fee increase while still allowing the CSU to expand by 25,000 additional students. The result was that student tuition and fees did not increase one dollar during that year.

It is also important to point out that state legislatures do not allow, in most cases, public institutions to set their own tuition and fees. Currently, there are only 14 states that allow individual institutions such prerogative.

College Costs and Equal Opportunity Recommendations

A. Federal Partnerships: Cost of Education Allowances Program (with maintenance of state fiscal effort provision):

Thirty-five years ago, the original Pell Grant legislative proposal called for the creation of a companion program that would grant additional funds to the institutions that served Pell Grant recipients. The program was premised on the well-recognized fact that it costs more to educate lower income students at all levels. The original legislation recommended the creation of "cost of education" allowances to be allocated directly to institutions. These grants were to accompany the Pell Grant recipients to their respective college or university.

This proposal emphasized the benefit to the individual as opposed to the institution by recommending that the Department of Education create "cost of attendance" allocations in the amount of $2,500 per Pell Grant eligible student. This plan provided additional assistance to institutions serving needy students. To ensure that these funds were properly devoted to student enrichment, the proposal required that federal funds be used to support campus-based academic and student service programs that primarily assist lower-income students. This program would have created important fiscal incentives for institutions to enroll lower-income students. *However, this part of the original plan was never enacted.*

Currently, there are no federal incentives of this kind in place and as a result many high priced private and public institutions have seen their enrollments of lower income students stagnate and even decline. The incentives we propose today would foster greater fiscal collaboration among federal, and state governments and institutions. This would promote greater college access for lower income students, support retention efforts, and reward higher completion rates. As part of this partnership, our recommendation calls for the creation of a "state maintenance of effort" provision to ensure that states do not reduce their commitment to public higher education. These federal incentives would not only provide invaluable support to those institutions serving the neediest students but would ensure sustainability of state funding at federally supported levels. To accomplish this, the federal government should require that states maintain current levels of state support in the form of average per student appropriation or an expected level fiscal tax effort which would be defined at the federal level. If states do not abide by this provision and used these federal funds to "supplant" existing state support then the amount of the federal institutional grant can be reduced or withheld pending.

B. The federal government should not continue to increase the current aggregate federal loan limits so long as such are tied to the sticker prices established by the individual institutions. Rather any increases in federal loan limits should be based on the actual costs incurred by the institutions in the provision of the educational programs. If the current system that incorporates sticker pricing remains in place when aggregate loan limits are expanded we fear that this will result in even higher sticker prices in the years to come on many college campuses. This trend also would further generate more public backlash against all higher education institutions not just the institutions that have escalated their pricing. By simply expanding the aggregate loan limits without making additional formulaic changes the federal government would ultimately drive more students toward higher amounts of student loan debt.

Institutionally, the expansion of the aggregate loan limits would primarily advantage public and private wealthy institutions that charge significantly higher tuition rates over the lower cost, less affluent public universities and community colleges. Instead, it is our belief that the federal government should direct institutions to provide adequate student loan counseling and assistance that encourages students to use all federally supported loan opportunities. Currently, numerous studies indicate that students who have been increasingly turning to additional private loans to pay for college have not fully maximized the existing federal loan programs. Federal loan programs and their subsidies should be focused on expanding access instead of providing choice. By not expanding the aggregate loan limits the federal government is also putting more pressure on the wealthy institutions to better control their sticker pricing and expenditures.

C. The federal government should require that all colleges and universities that receive federal direct student aid enroll at least a given percentage of Pell Grant eligible students or demonstrate that the institution is making progress toward this goal. Institutions with less than the prescribed percentage of Pell Grant eligible students would face federal direct student aid reductions.

In summary I have spoken to you today about important issues regarding the enhancement of institutional accountability and transparency, the determination of actual college costs, and the role of the federal government in “state maintenance of effort” in supporting higher education. I realize that some of these recommendations require a significant overhaul in our national higher education agenda by requiring a much more strategic partnership between the federal government and our state governments. I also realize that timeline for this Reauthorization is very short and upon us now. However, I do think that we will require these kinds of national conversations to reform our current higher education system if we are going to promote equal and affordable education opportunities in order to remain competitive with other OECD nations in the decades to come.

Appendix A: California State University (CSU VSA)

California State University, Long Beach
The information provided in this section addresses many important institutional contributions to California. This small collection of data is designed to ensure that many of our public universities are recognized for their societal contributions as well as demonstrating greater accountability to individual students, parents and the public at-large.

"PUBLIC GOOD" CONTRIBUTIONS

Degrees Granted 2005-06

Total Degrees Awarded

Bachelor's	5,912
Master's	1,581
Doctoral	-
Total	7,493

Undergraduate Degrees in High Demand Fields

Nursing	165
Engineering	347
Elementary & Sec. Education	446
Accountancy	163
Health-related Fields	290

Race/Ethnicity of Undergraduate Degree Recipients

African American/Black	293
American Indian / Alaskan Native	35
Asian/Pacific Islander	1,054
Mexican American	1,291
White, Non-Latino	2,148
International	328
Other Ethnicity/Unknown	763

"Net Tuition & Fees" Average Undergraduate Tuition & Fees Per CSULB Student

Actual Net Tuition & Fees paid by Students

Full Year/Full Time (2 semesters: 7 or more units)

Listed Price	$2,864
Actual Price paid Per Student	$1,698

Average Undergraduate Student Loan Debt

Average Student Loan Debt (2006)

CSULB	$6,319
State Average	$17,270
National Average	$18,126

Proportion of Graduates with Debt (2006)

CSULB	29%
State Average	47%
National Average	67%

Economic Diversity: Access & Completion

Undergraduate Pell Grant Eligibility (2006-07) Avg.

Total Undergraduate Enrollment	28,700
Undergraduate Pell Grant Recipients	9,384
Percentage of Undergraduate Enrollment	32%

Undergraduate Degrees Awarded to Pell Grant Eligible Students (2006-07)

Awarded degrees	1,384
Percentage of Graduates	24%

Undergraduate Pell Grant Recipients 5 yr.

Fall Undergraduate Enrollment	26,915
Pell Grant Recipients	9,302
% of Pell Grant Recipients	34%