

**TESTIMONY OF
DR. CLAUDE O. PRESSNELL, JR.**

**VICE CHAIRPERSON,
ADVISORY COMMITTEE ON STUDENT FINANCIAL ASSISTANCE**

**UNITED STATES HOUSE OF REPRESENTATIVES
COMMITTEE ON EDUCATION AND LABOR
SUBCOMMITTEE ON HIGHER EDUCATION,
LIFELONG LEARNING, AND COMPETITIVENESS**

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Vice Chair of the Advisory Committee on Student Financial Assistance

April 30, 2007

Chairman Hinojosa and members of the Subcommittee:

On behalf of the Advisory Committee on Student Financial Assistance (Advisory Committee) Chairperson, Judith Flink, and the other committee members, thank you for the opportunity to provide testimony on the barriers to college access and persistence for low- and moderate-income students. My name is Claude Pressnell, and I am testifying in my capacity as the Vice Chair of the Advisory Committee.

The Advisory Committee was authorized by Congress in the Higher Education Amendments (HEA) of 1986. For more than twenty years, we have provided expert, independent, and objective advice and counsel to Congress and the Secretary of Education on federal student aid policy. The Advisory Committee's most important legislative charge is to make recommendations that maintain and improve college access and persistence for low- and moderate-income students. In fulfilling that charge, the Advisory Committee analyzes policy from the unique perspective of low- and moderate-income students. In doing so, we have played an active role in keeping federal, state, and institutional student aid policy focused on access and persistence, thereby protecting the best interests of our nation's low- and moderate-income students.

Over the past decade, the Advisory Committee has produced four major reports to assist Congress in evaluating higher education policies from this vantage point: *Access Denied: Restoring the Nation's Commitment to Equal Educational Opportunity* (2001), *Empty Promises: The Myth of College Access in America* (2002), *The Student Aid Gauntlet: Making Access to College Simple and Certain* (2005), and *Mortgaging Our Future: How Financial Barriers to College Undercut America's Global Competitiveness* (2006). These reports illustrate the impact of financial barriers on students' ability to access and persist through college. To make these points more persuasively, the reports focus only on **college-qualified high school graduates** and provide data showing that millions of low- and moderate-income students are prevented from accessing and completing college because of financial barriers.¹

Today, I will focus my remarks on the Advisory Committee's work that informs the questions driving today's discussion—what are the major barriers to college in the eyes of low- and moderate-income families? What is the “real-life” impact of these barriers on students throughout their educational lives? And what common sense policy changes would produce pragmatic solutions most meaningful for students?

Advisory Committee reports have found that the barriers to college facing our nation's low- and moderate-income families can be grouped into four main categories: finances, academics, information, and complexity. Our research shows that some of these barriers have been reduced in the past decade, while others have grown. Financial barriers, which

have grown, compound the other barriers to students by weakening incentives to prepare academically, compromising the effectiveness of early information efforts, and undermining efforts to simplify student financial aid application and delivery processes. After speaking about these findings, I will present one of the Advisory Committee’s primary recommendations to address these barriers comprehensively: a coordinated public/private, federal/state partnership enacted through reauthorization of the Higher Education Act.

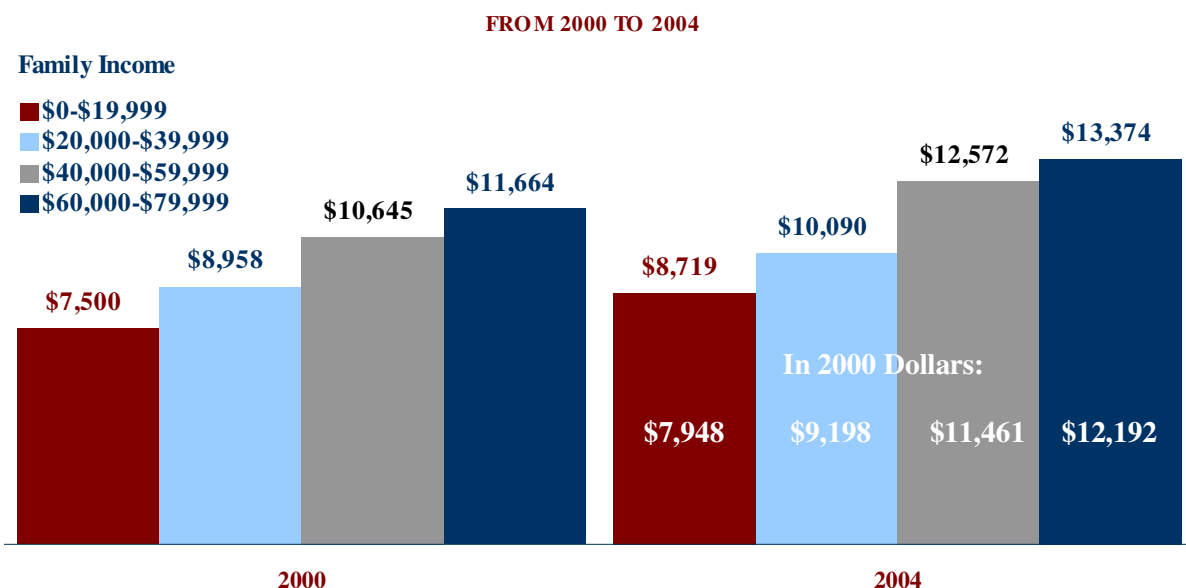
How Low- and Moderate-Income Families See Barriers to College

Financial Barriers

To view financial barriers through the eyes of a student, the Advisory Committee looks at student “work-loan burden” to define the “true” college cost facing families; this is the amount that a family is expected to come up with by “working” or “borrowing.” Work-loan burden, also called “net-price,” represents the total cost of attendance—tuition, fees, textbooks/supplies, and living expenses—after subtracting grant aid from all sources.

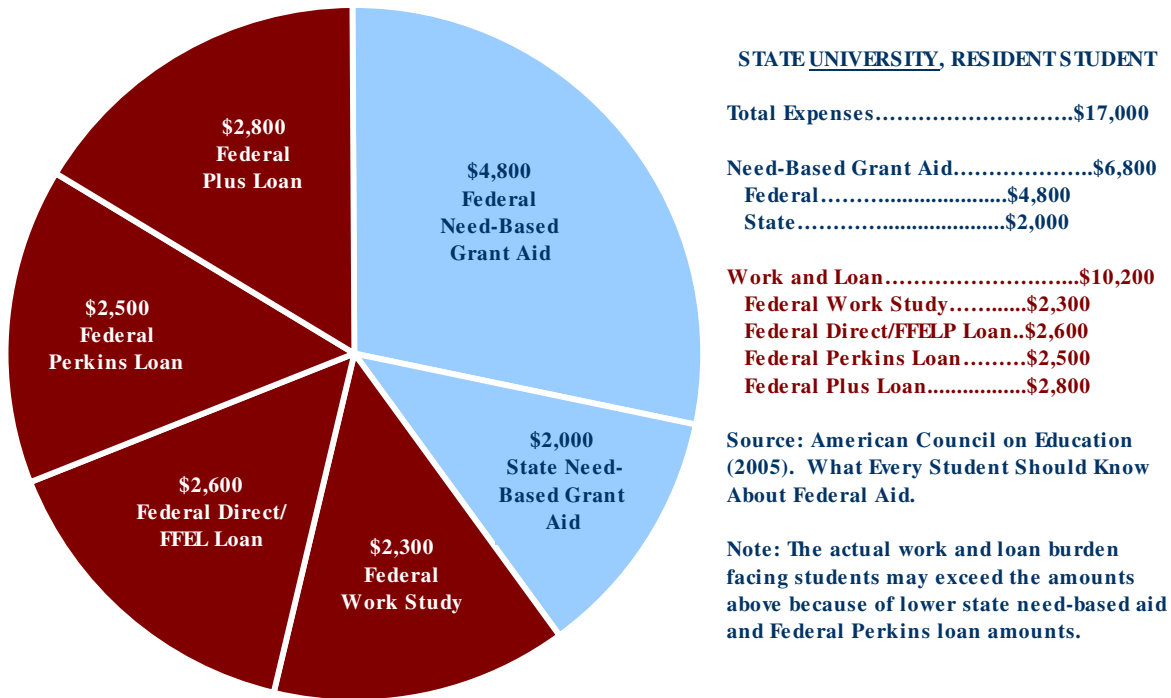
Between 1990 and 2004, work-loan burden increased for all students, especially from the lowest income families. In 1990, students from families earning less than \$20,000 faced an average net price of \$5,240, which increased to \$8,719 by 2004.² We must remember that the impact of net prices varies by family income. As shown in the figure below, between 2000 and 2004, net price at a four-year public college as a percentage of family income rose from 75 percent to 87 percent for the lowest income families.³ If college costs continue to rise at a rate that exceeds the growth in need-based grant aid, financial barriers in the form of record high net prices, or work-loan burden, will continue to undermine college access and completion.

FIGURE 17: NET PRICES (WORK AND LOAN BURDEN) FACING LOW- AND MODERATE-INCOME FAMILIES AT 4-YEAR PUBLIC COLLEGES



What Every Student Should Know About Student Aid, a publication of the American Council on Education (ACE), corroborates these findings by providing sample financial aid award packages for the lowest income students by type of college. A sample financial aid package for a low-income resident student at a four-year public university, with a cost of attendance of \$17,000, includes \$6,800 in federal and state need-based grant aid, \$7,900 in federal loans, and \$2,300 in federal work-study.⁴ From a student’s perspective, these amounts suggest an annual work-loan burden of over \$10,000, and a cumulative loan burden between \$30,000 and \$50,000, depending on the length of time to degree completion. This type of information can have a negative impact on students’ perceptions of college affordability and can lead to decisions to delay or not enroll in college.

FIGURE 19: SAMPLE FINANCIAL AID PACKAGE FOR LOWEST INCOME STUDENTS



The Advisory Committee’s research shows that college-qualified, or academically-prepared, low- and moderate-income students and families were much more concerned about college costs and the availability of financial aid than their middle- and high-income peers. Among parents, at least 80 percent of low-income and over 66 percent of moderate-income were “very concerned” about college costs and financial aid, compared to less than 20 percent of their high-income peers.⁵

The fact that low- and moderate-income students and families have strong concerns about college costs is probably not shocking to anyone, but the negative impact these concerns have on students’ decisions about college plans and subsequent enrollment is particularly troubling. These financial concerns often undercut students’ college plans and

enrollment as well as eventual degree attainment. Data in the Advisory Committee’s recent report, *Mortgaging our Future*, show that while college expectations, which measure a 10th grade student’s future ambitions and goals, increased between 1992 and 2004, students’ college plans, measured in 12th grade and somewhat more tangible indicators of actual college enrollment, decreased from 70 percent in 1992 to 66 percent in 2004.⁶ Given the decrease in 12th grade college plans, you should not be surprised to learn that there has also been a decrease in projected enrollment between 1992 and 2004.⁷

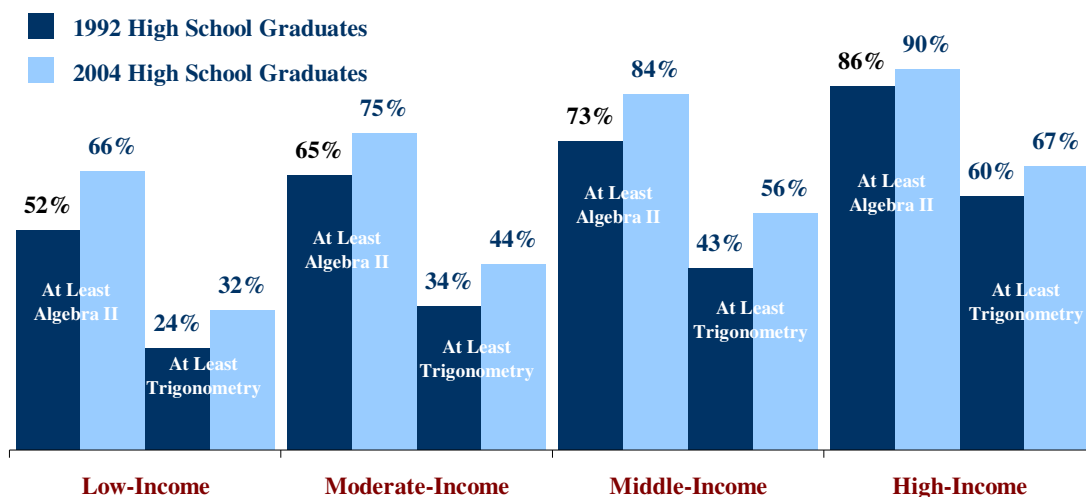
These findings show that large numbers of our nation’s best and brightest students—those college-qualified high school graduates who have transcended informational and academic barriers—face tremendous financial challenges. Because of these financial barriers in the previous and current decade, millions of college-qualified low- and moderate-income students were (and will be) forced to alter their college enrollment and degree plans because of a lack of finances.

Academic Barriers

Academic preparation is inarguably a key factor in college access and persistence. However, academic barriers do not explain the enrollment and persistence barriers of college-qualified, or academically-prepared, low- and moderate-income students. Indeed, as the academic preparation of low- and moderate-income students continues to steadily improve under policies targeted towards this objective, the imperative to reduce financial barriers becomes even more critical to ensuring equal access to higher education.

Several studies show that the level of mathematics students complete in high school is a strong predictor of academic success in college.⁸ Illustrated below, between 1992 and 2004, there were increases in academic preparation, as measured by mathematics coursework. For low-income students in particular, completion of at least Algebra II increased by 14 percentage points from 52 percent in 1992 to 66 percent in 2004, and completion of at least Trigonometry increased by eight percentage points from 24 percent in 1992 to 32 percent in 2004.⁹

FIGURE 20: IMPROVEMENTS IN ACADEMIC PREPARATION FROM 1992 TO 2004
PERCENT OF HIGH SCHOOL GRADUATES WHO ARE COLLEGE-QUALIFIED



In spite of evidence of increased levels of academic preparation, there have not been significant increases in college enrollment or degree attainment. In fact, the percentage gap among low- and high-income college enrollees who completed at least Trigonometry is estimated to have increased over the decade.¹⁰ This widening gap in enrollment among similarly qualified students attests to the pervasive impact of financial barriers on college-qualified students.

Increasing need-based financial aid can stimulate increases in bachelor's degree attainment among college-qualified high school graduates *and* increase the number of college-qualified students in forthcoming cohorts. Because students' perception of high work-loan burden, or net prices, can be a deterrent to adequate academic preparation, lowering financial barriers may increase incentives to prepare academically.

Informational Barriers

The timing and quality of financial aid information is critical to college decision-making. To make sound decisions about preparing academically and investing in higher education, students from low- and moderate-income families require accurate and timely information about financial aid and college costs. Low- and moderate-income families with children in middle school are confused about how financial aid works, how much financial aid there really is, and what aid their children can expect to receive upon successful completion of high school from federal, state, college, and private sources.

A primary purpose of early intervention/information programs is to enhance student awareness of the importance of college and the returns to attaining a bachelor's degree. The effectiveness of early intervention programs depends on a series of sequential successes: greater knowledge and information precipitate higher aspirations, which in turn create a greater incentive to prepare academically; which then leads to higher expectations, specific college plans, and eventual enrollment.

However, as I have discussed, this chain breaks down in the face of high levels of work-loan burden. Once low- and moderate-income students are informed of their total federal, state, and institutional aid package, they oftentimes discover that the shortfall in grant aid from what would be required to meet college expenses is unmanageable. In this case, providing earlier information on financial aid in this case can be a double-edged sword, potentially dampening aspirations and college preparation efforts of low-income students.

To prevent such breakdowns anywhere along the chain of desired outcomes—knowledge, aspirations, academic preparation, expectations, plans, and enrollment—the most effective early intervention/information programs must provide an assurance of adequate need-based aid.¹¹ An early assurance of financial access provides middle school families with information about financial aid that is both accurate *and* encouraging.

Complexity in Financial Aid Application and Delivery

Unnecessary barriers are created for students by complexity in the student aid application and delivery systems. In 2005, members of this chamber tasked the Advisory Committee to define complexity barriers and make recommendations on ways to reduce them. Key recommendations in the final report focused on these main objectives:¹²

First, *create a comprehensive system of early information about financial aid eligibility*, allowing students to gain early estimates of financial aid awards and complete FAFSA applications earlier.

Second, *increase access to existing need-based financial aid* by reducing the penalty on student earnings and expanding eligibility for the automatic maximum Pell Grant award.

Third, *simplify the FAFSA* by encouraging all states to accept the simplified federal formulas, phasing out the long paper form, creating a highly simplified paper EZ-FAFSA for low-income students, tailoring FAFSA on the Web to individual applicants using smart technology, and improving the Personal Identification Number (PIN) application, dependency override, and verification processes.

Congress has demonstrated a commitment to addressing complexity. Current proposed legislation in the House and Senate to amend the Higher Education Act addresses many of the Advisory Committee's key recommendations to eliminate complexity in the application and delivery processes.¹³ Again, however, these simplification improvements *alone* will not dramatically increase access for low-income students if work-loan burden levels remain high.

Recommendation for Higher Education Act Reauthorization

The number of high school graduates has increased since 1992 and is projected to peak at approximately 2.9 million in 2008-2009.¹⁴ If trends in academic preparation continue and the recommended simplification and early information provisions in proposed legislation are implemented, increasing shares of these students will become academically prepared for college, receive timely and appropriate information about college and financial aid, hold aspirations for a bachelor's degree, and experience a simplified financial aid form and delivery system. This will essentially result in higher numbers of students marching towards the gates of higher education. However, if work-loan burden levels remain high, they will not be able to enter and will, subsequently, pile-up at the gates.

In light of the pending HEA reauthorization, the Advisory Committee would like to offer six recommendations that can alleviate barriers. We believe that these recommendations, if implemented fully and collectively, can curb bachelor degree losses and increase the pool of college-qualified graduates over time. These six policy recommendations offer strategies that require both financial and non-financial interventions. They include, first,

reinvigorating the access and persistence partnership to increase need-based aid from all sources. Second, restraining increases in the price of college. Third, moderating the trend toward merit-based aid and the reliance on loans. Fourth, reducing financial barriers to transfer from two-year to four-year institutions. Fifth, strengthening early intervention programs. And sixth, investing in efficient and productive college remediation.

For the sake of time, I will not discuss each of these implications in depth. Instead, I would like to explain just one very pragmatic and feasible solution. The pending HEA reauthorization offers the opportunity to put into place a creative and efficient partnership that can stem the increase in the number of students for whom opportunity will be nothing more than an empty promise, and make considerable progress toward renewing the nation's commitment to access to college.

Certainly, addressing these barriers is not solely the responsibility of the federal government: states, institutions, and the private sector have equal responsibility. Therefore, the Advisory Committee recommends creating a national public/private, federal/state partnership to coordinate and increase need-based grant aid from all sources, one that links the federal government, states, colleges, private organizations, and early intervention programs and puts into place a winning long-term strategy to renew the nation's commitment to rewarding the hard work of its neediest students.

In such a partnership, federal matching grants would be provided to states as an incentive to coordinate with institutions and private organizations to guarantee Pell-eligible students financial access to at least the in-state four-year public flagship. This partnership is modeled after successful state programs such as Indiana's Twenty-First Century Scholars program, which has been shown to increase access for low-income students.¹⁵ This program offers low-income middle school students and their families an assurance of financial access to Indiana's four-year public colleges.

With such an assurance, students and families know that adequate financial resources will be there if they work hard to become academically prepared. They know that grant aid, in particular, will be sufficient to keep work-loan burden to manageable levels upon enrollment in college and through degree completion. The success of this state effort in advancing access and persistence is proof that, when low-income students and their families are assured sufficient financial resources to be successful in college, their educational expectations and plans, academic preparation, level of enrollment, and rate of persistence dramatically improve. If combined with a highly simplified application for financial aid and an improved, more transparent determination of eligibility that eliminates the current counterproductive penalty on work, then an early assurance of financial access and persistence will yield immediate and enduring progress toward equal educational opportunity.

One model of this partnership is currently included in pending bipartisan Senate HEA legislation as "Grants for Access and Persistence" in the Accessing College through Comprehensive Early Outreach and State Partnerships, or "ACCESS" Act, sponsored by

Senator Jack Reed and co-sponsored by Senators Collins, Dodd, Kennedy, Murray, and Sanders.¹⁶

On behalf of the Advisory Committee members, thank you again for this opportunity to come before you today. We look forward to continuing to provide you with technical assistance on the matters discussed today and other issues of student access to and persistence in higher education.

ENDNOTES

¹ *Empty Promises* estimates that 4.4 million college-qualified high school graduates will not attend a four-year college and 2 million will attend no college at all, over the decade. *Mortgaging Our Future* finds that during the 1990s, between nearly 1 million and 1.6 million bachelor's degrees were lost; during the current decade between 1.4 and 2.4 more bachelor's degrees will likely be lost. These estimates are extremely conservative, reflecting only those losses that occur among low- and moderate-income college-qualified high school graduates and only to the extent that they are unable to enroll and persist in college at the same rates as middle-income peers. Total losses, including those among middle-income students, are much higher.

² Advisory Committee on Student Financial Assistance, *Mortgaging our Future*, 2006. See Figure 6 and Figure 17.

³ Percentages are based on a family income of \$10,000. Analysis of data in *Mortgaging Our Future*, 2006.

⁴ American Council on Education, *What Every Student Should Know About Student Aid*, 2005. For illustration, see Figure 20 in *Mortgaging our Future*, 2006.

⁵ Data taken from *Mortgaging Our Future*, 2006. See Figure 7.

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⁷ Data taken from *Mortgaging Our Future*, 2006. See Figure 21, Figure 22, and Figure 23. Since the National Center on Education Statistics (NCES) database (i.e., ELS) measures enrollment two years after high school graduation (i.e., 2006), actual enrollment data for 2004 high school graduates was unavailable at the time of publication. While our enrollment data for the 2004 cohort is an estimate, we have double-checked these numbers against other publications of the U.S. Department of Education. We will update our enrollment data when NCES releases the 2nd follow-up of the Educational Longitudinal Study (ELS), scheduled for later this year.

⁸ Several studies show that the level of high school math is a strong predictor of academic success in college. For more information, see C. Adelman, *Answers in the Toolbox: Academic Intensity, Attendance Patterns, and Bachelor's Degree Attainment*, 1999; C. Adelman, *The Toolbox Revisited: Paths to Degree Completion from High School through College*, 2006. As a result of these and other studies, this report uses mathematics coursework as a proxy for college qualification. These college-qualification measures—"at least Algebra II" and "at least Trigonometry"—are self-reported data and do not take into account the quality or intensity of the coursework.

⁹ Data taken from *Mortgaging Our Future*, 2006. See Figure 20.

¹⁰ Data taken from *Mortgaging Our Future*, 2006. See Figure 24. In 1992, 73 percent of low-income and 90 percent of high-income students, who completed at least Trigonometry, enrolled in college. This demonstrates a 17-percentage point gap in enrollment between low- and high-income students. In 2004, 66 percent of low-income and 89 percent of high-income students, who completed at least Trigonometry, enrolled in college. This demonstrates a 23-percentage point gap between low- and high-income students.

¹¹ Early intervention programs that include financial aid have been shown to increase incentives for students to attend college; see C. Blanco, *Early Commitment Financial Aid Programs: Promises, Practices, and Policies*, 2005. This report details how certain early intervention programs, known as early commitment financial aid programs, offer low-income students a guarantee of financial aid for college if they actively participate and fulfill the requirements of the program. Examples of such programs include I Have a Dream, Indiana's Twenty-first Century Scholars Program, Project Grad, the Washington State Achievers Program, and Oklahoma's Higher Learning Access Program.

¹² For complete list of recommendations, see Advisory Committee on Student Financial Assistance, *Student Aid Gauntlet*, 2005.

¹³ For more information, see S. 939 (The FAFSA Act), sponsored by Senator Jack Reed and co-sponsored by Senators Susan M. Collins, Edward M. Kennedy, Patty Murray, and Bernard Sanders and H.R. 1608 (The College Aid Made EZ Act), sponsored by Representatives George Miller and Rahm Emanuel.

¹⁴ Western Interstate Commission for Higher Education, *Knocking at the College Door: Projections of High School Graduates by State, Income and Race/Ethnicity*, 2004.

¹⁵ The Twenty-First Century Scholars Program (<http://www.in.gov/ssaci/programs/21st/index.html>) began in 1990 as Indiana's way of raising the educational aspirations of low- and moderate-income families. The program aims to ensure that all Indiana families can afford a college education for their children. An independent evaluation of the program found that Scholars were 4.43 times more likely to enroll in a public four-year college and 6.37 times more likely to attend a two-year college than non-Scholars. For more information, see E.P. St. John et al., *Meeting the Access Challenge: Indiana's Twenty-First Century Scholars Program*, 2002; D. Heller, *Early Commitment of Financial Aid Eligibility*, 2006; E.P. St. John, *The Impact of Financial Aid Guarantees on Enrollment and Persistence: Evidence from Research on Indiana's Twenty-First Century Scholars and Washington State Achievers Program*, 2004.

¹⁶For more information, see S. 938.