

Testimony of

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U.S. PIRG is the federation of state Public Interest Research Groups-- a national network of state based non-partisan, non-profit public interest advocacy organizations in 30 states. We work with students on more than 100 college campuses across the country. For more than a decade, our Higher Education Project has represented hundreds of thousands of college student members at the federal level by working to increase access to an affordable college education. On behalf of our members I want to thank you for convening this hearing and offering us the opportunity to testify.

In my testimony I will focus on the issues and challenges that students and their families face as they apply to college and as students move through college. In particular, I will focus on places where federal policy affects students and their choices or on places where federal policy could help students and their families manage this process.

I would like to highlight some of the principle challenges facing high school students as they apply to college: the lack of financial aid, an overly complicated process, and the need for additional information.

Grant Aid

Our financial aid system is designed to ensure that academically qualified students are able to attend college regardless of their financial situation. The federal government plays a critical role in guaranteeing access to college for millions of low- and middle-income students through programs like the Pell Grant and Supplemental Education Opportunity Grants. Unfortunately recent studies suggest hundreds of thousands of students are unable to progress from high school to college because of a lack of financial aid. Students face real challenges paying for higher education. Rising college costs and stagnant grant aid has put college out of reach for many students and families. For other students, cost has forced them to change how they progress through college, starting at a 2-year institution rather than a 4-year college or extending their college career to limit loan debt or to simply come up with sufficient funds to pay their tuition bill.

The Advisory Committee on Student Financial Assistance estimates that over the past decade between one million and 1.6 million qualified high school graduates did not attend college largely due to lack of financial aid. Their recent report, *Mortgaging Our Future*, estimates that between 1.4 and 2.4 million students will be similarly limited from attending college during the next decade for the same reasons. These estimates do not include the students who will choose to attend 2-year institutions rather than 4-year colleges due to cost. We concur with one of the key conclusions of their report: we must increase need-based aid from all sources-- federal, state, institutional and private.

Congress should take steps to increase funding for the Pell Grant in the FY08 budget. In real dollars, the maximum Pell Grant award is worth less than it was worth thirty years ago. Over the past five years the value of the maximum grant award has declined relative to inflation and the cost of college. The 2007 budget passed this February increased the maximum grant award by \$260 and marked the first increase in 4 years. Last fall Secretary of Education's Commission on the Future of Higher Education called for an increase in the maximum Pell Grant to 70% of the average 4-year college tuition. According to a recent analysis by the American Council on Education that would set the maximum grant award at \$6,200. The Commission report provides a useful measure in thinking about where the maximum Pell Grant level should be set to ensure access to college for all students.

Admissions and Financial Aid Process

As a college degree becomes more critical, the process for applying to college and for financial aid has become more complicated. As teenagers, students and their families are faced with a series of meaningful and difficult choices -- from what institution to attend to how to finance their education. Three choices in particular stand out: what school to apply to, how to fill out the FAFSA form and how to interpret the financial aid package.

College Choice: Even as millions of new students apply to college and universities every year, there is a clear absence of centrally catalogued consumer information to assist families in their choice of college. This information, including cost of attendance, net price, and financial aid at the institution, would help students assess comparable institutions and provide common points of comparison between institutions. Adding more clarity to the cost of college on a user-friendly website would help immensely as students and families navigate the college admissions process. Clear information would also help current students understand and track changes in cost over their college experience.

The COOL (College Opportunities Online Locator) website seems a likely place to hold such information. However our interest is ensuring students have access to this information regardless of the location.

FAFSA. The Free Application for Federal Student Aid is the federal form that students fill out to determine their eligibility for financial aid. The complexity of this form has been compared unfavorably to federal tax returns. The consequence of this overly complicated form and application process is the underutilization of federal student aid. Approximately 1.5 million Pell Grant eligible students did not fill out the FAFSA form in 2004.

There are many ways we can simplify this process. We support a recent proposal by Chairman Miller and Representative Emmanuel to use IRS data to pre-populate the FAFSA form with information taken from tax returns. According to The Institute for College Access and Success, nearly two-thirds of the asset or income related questions on the form could be filled out through such a process.

Financial Literacy. The third procedural challenge facing students as they prepare to attend college involves understanding the various components of their financial aid package. As more students and families borrow to pay for college and as those loans increase in size, financial literacy has become more critical. With average

student debt nearing \$20,000 and a significant percentage of borrowers owing in excess of \$40,000, the interest rates, terms and conditions of those loans will have a greater effect on the choices of graduates after they college. The distinction between federal student loans and alternative or “private” loans or whether a parent should take out a PLUS loan or a second mortgage are increasingly meaningful questions for American families. As we ask students and their families to shoulder a larger share of the burden of college finance we must ensure that they are prepared for this responsibility.

Financing College: Work and Loans

Rising college costs and lack of financial aid have caused students to work more and borrow more to pay for college. The former is undermining the college experience for millions of students while the latter is increasingly dictating what students can do after they graduate.

Working during the semester and over the summer has long been a part of how students pay for college. Indeed the federal work study program is founded on the belief that some work may even be beneficial to a student’s college experience. Unfortunately full-time students increasingly also work full-time jobs that undermine their studies and their college experience. Whereas work was once one piece of the balanced college experience, it is increasingly a burden particularly for students from low-income families.

According U.S. PIRG’s report *At What Cost?*, 74% of full-time students graduating in 2000 worked while attending school. Of these students, nearly half worked more than 25 hours a week. These students reported needing to work to pay for college. In addition, they reported that their work schedules had a negative experience on their grades, limited their class schedules and the number of courses that they could take and their extra-curricular experience. Increased reliance on work undermines the college experience for millions of students. In addition, it encourages students to take fewer classes in a semester and to extend college beyond 4 years. Students working full-time are significantly more likely to interrupt their college careers than those working only part-time.

The challenge of balancing work and school weighs heaviest on low-income students who can expect less financial assistance from their families. As a result, they bear a larger share of the cost of college and need to work longer hours than their peers from wealthier backgrounds. In addition, students from low-income families are more likely to describe their work as necessary to paying for their education than students from upper-income families. Congress can help these students by increasing federal student aid and helping to restrain rising college costs.

Textbooks

For families who have budgeted for the cost of college, high textbook costs can be an unexpected shock once a student reaches campus. While textbook costs are rarely, if ever, factored into tuition, a recent PIRG study found that students pay an average of \$900 a year for college textbooks and that increased costs have been driven by such publisher practices as issuing frequent unnecessary new editions and bundling books with unnecessary additional materials. Such practices have driven the cost of textbooks to rise far faster than inflation and have undercut the capacity of students to resell their textbooks. For students at some community colleges, textbooks cost can represent up to 40% of the cost of college. As a result of rising prices, some students wind up sharing books or going without textbooks. At the instruction of Ranking Member McKeon and Representative Wu, the Advisory Committee on Student Financial Assistance is undertaking a study of potential textbook reforms. I would encourage the Committee to consider textbooks as a real financial challenge facing students and encourage them to take several steps to help students including mandating publishers disclose textbook prices when they market on campus.

Student Debt

The final major financial challenge facing current college students and their families is the issue of rising student debt. Over the past decade, as more of the cost of college has been passed onto students, borrowing has significantly expanded. Nearly two-thirds of four-year college students borrow to pay for college, and the average

student graduates with approximately \$19,000 in loan debt. Some recent reports suggest that fear of debt dissuades some segments of the population from attending college. While the impact of student debt on access is being explored, debt's impact on affordability and the choices that students make during college and after graduation is increasingly well documented. Student debt dictates the career paths that students can follow. According to a recent U.S. PIRG report, 23% of student borrowers at public colleges would have unmanageable debt on a starting teacher's salary. High student debt may dissuade graduates from starting a family or persuade them to delay major investments like purchasing a home.

A college degree should be about opening doors for students, providing them with new opportunities whether intellectual, economic or occupational. As student debt expands and as more students turn to private loans to pay for college, we risk undermining that fundamental. Congress should reform and expand the income contingent repayment system for students to ensure that they can manageably repay their student loans without undermining the opportunity of their college education. We are support proposals such as the Income-Dependent Education Assistance Act introduced by Representative Petri and the language included in Senator Kennedy's Student Debt Relief Act under the heading "Fair Payment Assurance." Beyond simply helping students manage debt we must take concrete steps to reduce the burden of borrowing facing recent graduates including meaningful increases to need-based grant aid.

A college education remains an incredibly important personal accomplishment, associated with greater wealth, better health and increased civic participation. An educated populace remains a critical priority for our national civic, social and economic health. I have outlined some of the key challenges and issues facing students. I would encourage you to adopt key changes to the Higher Education Act to both help our nation's students and families and to keep our nation strong.