

TESTIMONY OF

JAMIE P. MERISOTIS, PRESIDENT

INSTITUTE FOR HIGHER EDUCATION POLICY

Hearing on

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

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**SUBCOMMITTEE ON HIGHER EDUCATION,
LIFELONG LEARNING, AND COMPETITIVENESS**

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Mr. Chairman and Members of the Subcommittee:

Thank you for this opportunity to appear before the Subcommittee regarding how students access and finance a college education.

In the 110th Congress, you face the ongoing challenge of promoting access to higher education for all Americans who have the interest and ability to attend college. Improving access to higher education continues to be one of the most important contributions that the Federal government can make to our national well-being. The simple fact remains that increasing educational opportunities for all Americans results in tremendous public, private, social, and economic benefits. We know, for example, that workers who have attended college tend to have low rates of unemployment, and analyses of job growth and employer demands overwhelmingly suggest that future job growth will be concentrated in fields that require a college education. We also know that the higher earnings for college graduates results in more revenue for government coffers through increased tax collections. Social benefits of postsecondary education also accrue to individuals and to the public. For instance, people with more education tend to have greater health and life expectancy. Public benefits from higher education include reduced crime rates, increased civic participation, and more charitable giving and volunteerism. In short, by investing in our fellow Americans who might not otherwise go to college, we are investing in our collective future and well-being.

Unfortunately, not all Americans are able to benefit from higher education due to a variety of financial, informational, and academic barriers. According to data from the U.S. Census Bureau, while 75% of high-income students enter college today, only 31% of low-income students do. Of traditional age students who go to college after graduating from high school, college enrollment rates are about 10 percentage points higher for whites than for African Americans, Hispanics, and Native Americans. These gaps are even wider for adult and so-called non-traditional students.

So if investment in higher education matters, then maintaining and expanding that investment is critical. I recognize that the nation faces an uncertain economic future, one that places constraints on policy discussions such as these. But I hope you will not lose sight of the long-term effects that your investments will have on the nation. The programs established and defined within the Higher Education Act (HEA) are now more necessary than ever. Supporting these

* The Institute for Higher Education Policy (IHEP) is an independent, nonprofit organization that is dedicated to access and success in postsecondary education around the world. Established in 1993, IHEP uses unique research and innovative programs to inform key decision makers who shape public policy and support economic and social development. The Institute's work addresses an array of issues in higher education, ranging from higher education financing to technology-based learning to quality assurance to minority-serving institutions.

programs is the best way to achieve an accessible and accountable system of higher education for all Americans.

At the same time, such an investment must be done with a clear focus on accountability to the students who benefit from the programs. Efficiency in the delivery and administration of programs that promote access and success must be maintained at all levels. Supporting access to quality programs, and to institutions that serve the nation's most underserved populations, should be a hallmark of these investments.

With the dual goals of 1) investing in those who might not otherwise go to college, and 2) ensuring accountability to the students we serve, I would like to offer a limited set of concrete programmatic options for your consideration.

Invest in need-based grant aid as the best and most important way to promote access to postsecondary education.

In the early 1990s, a bipartisan Federal commission called the National Commission on Responsibilities for Financing Postsecondary Education (for which I served as Executive Director) issued a widely-circulated report called *Making College Affordable Again*. The legislation creating the commission, authored by Senator James Jeffords of Vermont in the late 1980s, noted that the purchasing power of aid had been rapidly declining through the decade of the 1980s, leading to increasing concerns about access to postsecondary education. In commenting on the legislation, Senator Jeffords noted, "Without affordable postsecondary education, without national support for meaningful access for able students to take advantage of higher education opportunities, we will not be able to accomplish any of the objectives that we strive for as a nation and a leader of nations." The final report of the commission, issued in 1993, recommended several important improvements to Federal student aid, many of which have subsequently been enacted. But the Commission's major recommendation—to assure access to higher education for all qualified students through the Student's Total Education Package (STEP), a mechanism that ties Federal aid to a sliding subsidy scale based on financial need—remains unfulfilled. Such a mechanism would go a long way toward emphasizing the importance of grant aid for the neediest students while also acknowledging the important concerns about affordability for middle income students and families.

Research indicates that investment in need-based grant aid is the best and most important contribution that the Federal government can make to keeping the dream of a college education a reality for all Americans. The declining purchasing power of Federal aid continues to be a critical barrier to access to higher education. Even taking into account the funding increases of the last few years, the maximum Pell Grant today pays for only about one-third of the average price of attendance at a public four-year institution compared to more than two-thirds in 1980. Significantly increased support for the Pell Grant program therefore should be a centerpiece of efforts to enhance the programs and policies in the Higher Education Act. I am pleased that both the Congress and the President have recently signaled their strong support for a long-overdue increase in the maximum Pell Grant. I urge Congress to consider an increase in the maximum Pell Grant to at least \$6,000. This would pay for slightly less than one-half of the price of

attendance at a typical four-year public college for the poorest students—still well below historic levels, but an important down payment for the future.

At the same time, while I do not support efforts to pay for Pell Grant increases through cuts in other programs—in effect, taking money from one group of needy students to give it to another group of needy students—I do believe that greater efficiency could be achieved in existing grant programs. For example, an increase in the minimum Pell Grant would net at least some cost savings; it may be possible to do so by indexing the minimum Pell Grant to increases in the maximum Pell. It is also worth examining the issue of the allocation formula for campus-based aid such as Supplemental Education Opportunity Grants, ensuring that such aid is targeted to those students and institutions with the least capacity to pay the costs on their own.

Encourage a broad partnership in college financing that promotes private sector investment in aid to students.

The dual goals of investing in students who might not otherwise attend college and ensuring accountability to students can be achieved in part through a partnership that encourages private sector aid to students. Government-sponsored grant and scholarship aid from both Federal and state sources today totals more than \$25 billion per year, with a similar amount awarded directly by institutions via their own grant funds. An astonishing total of more than \$70 billion is awarded to students through government guaranteed student loans. But the private sector is an important and largely unrecognized partner in the college financing equation. The private sector's commitment and support for helping students go to college—and succeed when they get there—should be better recognized and understood as a valuable complement to Federal aid.

For example, private scholarship support, sometimes thought of as marginal or modest in its impact, is growing in importance and stature. A 2004 IHEP study found that at least \$3 billion per year is awarded through private scholarship programs, and employer-provided education assistance to employees and their dependents totals several billions more. Private scholarship aid has long made a difference in the lives of students hoping to go to college. In fact, at about the same time that the National Defense Education Act of 1958 heralded the beginning of a series of governmental programs that have allowed millions of financially needy students to attend college, private scholarship assistance also became more organized and related specifically to meeting the country's educational, economic, and social needs. An optometrist from Fall River, Massachusetts named Irving Fradkin organized a community-based scholarship program in the late 1950s to help academically able and financially needy students go to college. The Citizens' Scholarship Foundation of America slowly expanded in the New England region, and eventually across the country, creating local scholarship foundations that contribute resources to assist students with college costs. In 2006, the national organization now known as Scholarship America—where I currently have the privilege of serving as the Chair of the Board of Directors—distributed over \$180 million in scholarships to more than 120,000 students through its diverse array of community-based, volunteer-supported programs.

Organizations like Scholarship America work in a variety of ways with colleges and universities to offer numerous scholarships and grants that include need-based and non-need-based forms of financial assistance to students. While private scholarship aid never will—nor should—be seen

as an alternative to Federal financial assistance, it must be recognized as one of the key partners working to support students at the Federal, state, institutional, and private levels. I therefore would encourage you to examine ways in which the HEA can be used to stimulate even greater response from local communities, corporations, foundations, organizations, and individual donors in the private sector.

One specific way to do this is via the Leveraging Educational Assistance Partnership (LEAP) program, which encourages state governments to provide state tax dollars to assist students in their states to gain the critical benefits of postsecondary education. This program could be enhanced to leverage a much greater amount of aid for students if it were used to stimulate not just state dollars for student aid, but significantly increased private sector aid in each state as well. For example, in the state of Washington the legislature has provided small challenge grants to communities that have encouraged the creation of over 100 new volunteer-supported, community-based scholarship chapters. The current LEAP legislation could be modified to reward those states where significant increases in student aid are produced by partnerships with local community-based scholarship providers.

The other area of significant private sector involvement in financial aid is through private loans. A widely circulated recent IHEP study on private loans found that they are becoming an essential part of financing postsecondary education in today's market of rising tuition costs and fees. Given the fact that experts are predicting private lending will continue to grow, it is important to chart a reasoned debate about private loans and their potential benefits and risks for students in the future. Targeted outreach to students to ensure that they are receiving comprehensive information about the pros and cons of private loan borrowing is important. I support the overall goals of transparency and consumer protection contained in the current draft of the Student Loan Sunshine Act. While I don't believe private borrowing should be discouraged—given the increasing borrowing needs of students—I do believe that efforts must be made to inform students of their Federal loan eligibility prior to taking out a private loan. This would protect the interests of student consumers while ensuring that alternatives are available if Federal loans are not a reasonable option for certain students.

Decisively and unequivocally support locally-managed programs such as Upward Bound, Talent Search, and GEAR UP as essential components of our national access strategy.

For many of the nation's most economically and educationally underserved populations, financial assistance is a necessary but not sufficient strategy for ensuring access to, and success in, higher education. The Federal government recognized this more than 40 years ago with the establishment of the Upward Bound program, and continues that tradition through the TRIO programs and their more recent complements such as GEAR UP. These critical programs serve as key vehicles for improving the higher education prospects of low-income, first-generation, and disabled students. The programs provide a continuum of services from pre-college to pre-graduate level study for the nation's low-income, first-generation, and disabled students. In FY 2006, the \$828 million in funding for TRIO programs supported more than 850,000 students in over 2,700 distinct TRIO programs. Yet despite this support, less than 10 percent of the eligible populations are served by TRIO programs.

There are a total of seven TRIO programs. The pre-college programs include Talent Search, Upward Bound, Upward Bound Math Science, and Veterans Upward Bound. These programs provide counseling, information, skills development, college planning, and an array of other services that help students get ready for college. At the college level, Student Support Services, the Ronald E. McNair Post-Baccalaureate Achievement Program, and Educational Opportunity Centers programs provide tutoring, counseling, and supplemental instruction to help students stay in college through the completion of a degree (or transfer to a different institution) and pursue graduate-level education.

These programs are key pillars in the overall effort to promote the successful transition of students into and through college. Yet in recent years the Upward Bound, Talent Search, and GEAR UP programs have inexplicably been proposed for elimination as part of the President's budget. Given their importance to the populations most in need of college access—nearly one-third of all low-income high school graduates who actually enroll in college have been served by a TRIO program—we must not only be categorically opposed to the elimination of these programs, but we should also support significant funding increases in each of these programs and not allow the diversion of funding from these proven programs to support other education initiatives.

Strengthen the capacities of minority-serving institutions (MSIs) to educate the nation's emerging majority populations.

No group of institutions does more to promote the dual goals of investing in students who might not otherwise go to college and ensuring accountability to those students than Minority-Serving Institutions (MSIs). Tribal Colleges and Universities (TCUs), Hispanic-Serving Institutions (HSIs), and Historically Black Colleges and Universities (HBCUs) and other predominantly Black institutions, which collectively are referred to as MSIs, represent some of the nation's most important but underserved postsecondary education resources. Combined, more than 2.3 million students are educated by these institutions, or about one-third of all students of color. These numbers have been growing rapidly in recent years as increasing numbers of students of color seek opportunities for a college education—in fact, enrollment at MSIs increased by 66 percent from 1995 to 2003, compared to only 20 percent at all postsecondary institutions.

Given demographic projections that show these communities are the fastest growing in the nation, it is clear that MSIs must be recognized as a leading voice for the underrepresented populations that are the main focus of most HEA programs. These populations find that MSIs offer a unique educational experience that fosters cultural values and traditions, promotes civic and community responsibility, and produces citizens who are attuned to the increasingly diverse country in which we live.

MSIs educate more students of color in many areas of national need than mainstream institutions. For example, more than one half of all teacher education degrees awarded to African Americans, Hispanics, and American Indians in U.S. higher education are conferred by MSIs. These institutions also make major contributions to our nation's workforce in the areas of Science, Technology, Engineering, and Mathematics (STEM) despite significantly lower levels of financial support than other institutions.

Most MSIs provide postsecondary education opportunities specifically tailored to low-income, educationally disadvantaged students. Forty-four percent of students enrolled at MSIs in 2004 were from families in the lowest income quartile, compared to 24 percent enrolled at all institutions. The fact that nearly half of all full-time students enrolled at MSIs receive Pell Grants compared to only 31 percent of all students enrolled in higher education, and that for MSI students Pell awards tend to be 9 percent higher on average, is evidence of the high financial need of MSI students and the critical importance of grant aid to their educational endeavors.

In the 110th Congress, I urge you to see MSIs as a major avenue for advancing the nation's goals to create a well-trained, flexible workforce that will meet our economic and social challenges head-on.* I believe that several important steps could be taken to strengthen the capacity of MSIs. One is to expand both the scope and authorization levels of Titles III and V to ensure the continued development and growth of MSIs. Additional funding is required for MSIs to reach a level of financial stability that ensures the students enrolled at these institutions receive the same quality academic programs offered by majority institutions.

Congress also could take steps to encourage improvements in the infrastructure and application of information technology at MSIs. The MSI Digital and Wireless Technology Opportunity Act incorporates many of the key elements of investing in MSI technology capacity to benefit our future workforce. This legislation should be passed by Congress and its core principles applied to other policies and programs.

I also would urge you to consider the development of new graduate-level opportunities to enhance the capacity of MSIs to train future faculty and senior institutional leaders. The significant under-representation of minorities in many advanced degree fields is a major concern. The limited graduate-level opportunities available to MSI graduates and other minorities can be enhanced through policies that support: the infrastructure of post-baccalaureate education at MSIs—such as Ph.D. programs for schools currently offering Master's degrees; the recruitment and retention of minority professors; and the financial resources necessary to attain an advanced degree, including fellowships. It also would be useful to consider opportunities to expand support for international education at MSIs under Title VI, which historically have offered limited opportunities for the students served by MSIs.

Embrace investment in immigrants as a key component of the higher education access and success strategy.

The United States has always been a nation of immigrants—a land of opportunity where newcomers can, through hard work and perseverance, achieve better lives for themselves and their families. But in today's world, realizing the American Dream is now almost impossible without at least some college education, and many immigrants face significant barriers to gaining

* One mechanism that Congress can call upon to offer a unified national voice for MSIs is the Alliance for Equity in Higher Education, a groundbreaking coalition of the American Indian Higher Education Consortium (AIHEC), the Hispanic Association of Colleges and Universities (HACU), and the National Association for Equal Opportunity in Higher Education (NAFEO), national associations representing institutions of higher education that serve students of color. IHEP has had the distinction of serving as the convener/facilitator of the Alliance since its creation in 1999.

access to and succeeding in higher education. Higher education for immigrants isn't an issue narrowly focused on the well-being of these immigrants as individuals but has major implications for the nation as whole. As the United States moves into the 21st century as part of a global economy in which postsecondary education is a key to economic competitiveness, it is imperative to develop policies at the Federal, state, local, and institutional levels to help immigrants gain access to and succeed in higher education. Without such policies, the nation may find itself with a workforce that does not have sufficient education to enable the United States to remain economically competitive.

Legal immigrants face an array of barriers to access to higher education. They lack access to accurate information about postsecondary education, face high work and family responsibilities, are challenged by limited English proficiency, and have significantly lower levels of academic preparation and achievement. Immigrants who come to the U.S. as adults confront even more substantial challenges in understanding and gaining access to higher education because they did not attend American primary and secondary schools.

Immigrants who actually enroll in higher education make up 12 percent of undergraduate college students—a percentage that makes this group comparable in numbers to both Hispanic and Black students, and students with disabilities—yet receive relatively little attention in the public policy arena. Those who do enroll face additional barriers to persistence and degree completion. Immigrant students have higher unmet financial need than the average undergraduate and are more likely to enroll in community colleges or private for-profit institutions.

There is no one way to overcome the barriers immigrants face in gaining access to higher education in the United States. Most policies that address immigrant needs must to be localized, narrow in focus, and targeted toward specific immigrant groups to ensure that efforts reach those who most need assistance. Many of the barriers immigrants confront are similar to the ones generally faced by low-income and first-generation college students in the United States, and policies intended to benefit that population as a whole will directly help immigrants. These include adequate investment in higher education grant aid and support programs such as TRIO and increased efforts to broaden public awareness of the steps traditional-age students need to take to be prepared for college.

However, certain barriers have a greater impact on immigrants, regardless of their background and resources. The most obvious of these are limited English proficiency and difficulties in integrating into American society. Developing a broader and more efficient path to citizenship and offering accessible and affordable programs to help immigrants learn English and become familiar with their new country would open the doors to higher education for many immigrants. And policies that explicitly impede the postsecondary opportunities of legal immigrants must be reversed. An example of this is the provision in the new Academic Competitiveness Grant and SMART programs that limits these grants to U.S. citizens, thereby excluding eligible non-citizens including legal permanent residents. Such arbitrary limitations do a disservice to the nation by denying educational support to populations that have contributed immensely to the nation's economic and social prosperity over the course of many decades.

Support a system of higher education accountability that focuses on the complex life circumstances of today's college students.

Higher education institutions must demonstrate that they are effective stewards of the funds that have been invested in them by the Federal government and that they are accountable specifically to the students they serve. Accountability begins with an efficient system of information that can be readily collected, easily understood, and meaningfully applied to determine effective stewardship. Unfortunately, the current system of data collection and dissemination is fragmented and often burdensome on institutions, with little of the information used in an effective way by consumers or policymakers.

The emergence of a national debate about data-driven strategies and accountability systems has been important, but has not done nearly enough to take into account the complex circumstances under which today's college students' lives are lived. The ideal scenario of a normally persisting, well-advised, highly motivated student runs headlong into the stark reality of life in America today: prior educational deficiencies, family and child responsibilities, financial pressures, language and cultural barriers, and poor information and support systems. Until we grapple with these deeply rooted concerns, the national dialogue about accountability will, in my view, continue to reinforce the existing biases and under investments that have left us with a system that is divided into haves and have-nots.

An important first step in moving ahead will be to develop a national system of student-level data. This idea, first promoted on a large scale by the National Center for Education Statistics, could involve either a national system or a network of harmonized state systems—a more likely scenario given that more than 40 states have some type of statewide student information system. Such a national network or system has detractors, chiefly those who believe that it could both erode the privacy concerns of students and increase burden on institutions, particularly in transitioning from current systems to a new one. However, I believe that such a system could be developed with limited risk to privacy. An important first step would be to properly test and pilot a national student unit record system, perhaps using a voluntary group of institutions. The burden of transitioning to a new system is a legitimate one, especially for smaller institutions. If such a system is implemented, it would be wise to provide limited financial support to institutions to help pay for the costs of system transition during a fixed period of time.

A privacy protected information system that collects, analyzes, and uses student level data could provide enormously useful information about student attendance patterns, the net price students pay (as opposed to the sticker price, which is paid by a minority of students at many institutions), and persistence and graduation rates. This information could be used to develop more effective strategies to assist students in negotiating the complex landscape of higher education.

A related development in the national dialogue about accountability in higher education has been the concern about students who transfer. Approximately 60 percent of all students attend more than one college or university as they work toward their undergraduate degrees. These students need adequate financial support, effective information, and an improved network of institutional agreements to ease the transfer process. But mechanisms to do all of these things largely exist. A new investment in need-based grant aid, for example, combined with simplified financial aid

application and award procedures, would be a major benefit for transfer students. Effective information about transfer could largely be obtained through a national student level data system, augmented by private efforts to inform students about specific institutional agreements, course requirements, and the steps required to make a successful transition from one institution to another. An example of such a private effort is the National Articulation and Transfer Network (NATN), an initiative of the Alliance for Equity in Higher Education that IHEP has supported and helped to launch. NATN is a national research and policy development resource for both students and school administrators designed to increase the number of transfer students, including historically underserved student populations, who graduate with baccalaureate degrees. More information is available at www.natn.org.

On the issue of a possible Federal role in transfer, I do not see how a Federally mandated system of transfer could work, given the diversity of our higher education system—one of its hallmarks. Efforts to impose a Federal framework on inter-institutional academic practices are fraught with potential negative implications and would require a major new regulatory apparatus. This would not benefit students in any way. The Federal government’s best contribution to the complex field of transfer and articulation would be to encourage these types of private sector efforts and support partnerships that involve inter-state agreements and protocols.

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Investing in those who might not otherwise go to college, and ensuring accountability to the students we serve, are not just nice goals to pursue as part of a Federal education policy agenda. They are necessary components of a national workforce investment strategy that can lead greater prosperity, security, and harmony for all Americans. We must continue to invest in postsecondary education as a critical component of our future knowledge and innovation infrastructure, much as we have invested in roads, bridges, and technology as components of our national transportation and information infrastructure. And we must be certain that our efforts to promote accountability are ultimately aimed at supporting the best interests of students—the backbone of our workforce and economic security.

Thank you again for this opportunity to appear before the Subcommittee on this important issue.