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Testimony on Improving College Affordability: A View from the States

Presented by

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to the

Senate Health, Education, Labor and Pensions Committee

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Thank you Chairman Harkin, Ranking Member Enzi, and other distinguished Senators for affording me this opportunity to speak to the states' role in making college affordable. I commend the Committee for exploring this topic. My name is Muriel Howard and I have the honor of serving as the president of the American Association of State Colleges and Universities, AASCU. Now in its 51st year, AASCU is a national leadership association consisting of some 400 presidents, chancellors and system heads of public four-year colleges and universities. The group is diverse in its membership, ranging from small, liberal arts institutions enrolling a few hundred students to research-intensive universities that enroll tens of thousands of students. However, we are mainly recognized as representing the comprehensive, master's institutions which include nearly all the public Historically Black Colleges and Universities (HBCUs), Hispanic Serving Institutions (HSIs) and numerous other Minority Serving Institutions (MSIs). AASCU institutions offer affordable access to a quality postsecondary education to nearly four million students annually.

College affordability is a responsibility of four primary stakeholders: the federal government, state government, institutions, and families. The federal government has strengthened its commitment in recent years with increased funding for the Pell Grant. I want to thank each of you for that commitment, and to extend special appreciation to you Chairman Harkin. Families, as the consumer, have a role in paying for some portion of the student's college education. Institutions have a responsibility for maintaining tuition prices at a reasonable level and for working to restrain college costs. Public four-year institutions have been a responsible partner in the compact to mitigate rising costs associated with attending college. In addition to awarding substantial grant aid to financially-needy students, institutional spending data from the past decade illustrate that master comprehensive public colleges and universities have kept overall increases in the cost of educating students to roughly the rate of inflation. This analysis of institutional spending, conducted by the Delta Cost Project at the American Institutes of Research, indicates that it is these institutions that are the most efficient in American higher education, with spending-per-degree the lowest of any sector.[1]

So why the dramatic increase in tuition prices during the past several years? The answer leads us to the final major player in ensuring college affordability—the states. Per-student state investment in higher education has deteriorated over the past 25 years. Numerous studies have highlighted this trend and have correctly linked it as the single largest reason for the rise in tuition at public four-year institutions. I recognize that as the fiscal situation at the federal level has become alarming, states also have been facing challenging budgetary circumstances, especially since they must abide by balanced budget requirements. However, while state investment is the most important factor in maintaining affordable tuition, there are other avenues for states to explore that will help ease the financial burden of a college education. I will briefly discuss four strategies states can utilize to improve college affordability and student success.

State Investment in Student Financial Need-Based Aid Programs

State disinvestment in public colleges and universities and the subsequent corresponding increases in tuition prices have raised the profile of state grant aid as a vital component in financing a college education for low- and middle-income students. State grant aid programs award money for college based on financial need, academic merit or a combination of need and merit. These programs are typically funded through state taxes or lottery revenues. Each state has a unique approach to state aid, with some states having multiple grant programs.

State student aid grants remain a centerpiece of college finance for millions of Americans; however, these grant funds are increasingly being distributed based on academic merit, as opposed to financial need. According to the National Association of State Student Grant and Aid Programs (NASSGAP), almost 4.3 million students received a total of $9.2 billion in state grants in 2010-11.[2] Of the state grant money awarded that year, 71 percent was need-based and 29 percent was merit-based. In contrast, in 1992-93, 90 percent of state grant funds were awarded at least partially on students' financial circumstances.[3]

The shift toward politically-popular merit-based aid is a step backward in the effort to boost college attainment. Unmet financial need is still a major hurdle for college enrollment and completion for low-income students. Merit-based programs often distribute aid to students from higher-income backgrounds, awarding taxpayer funds to students who would have likely enrolled in and finished college without the help of the subsidy. Awarding state grants based solely on high school performance remains an inefficient use of precious state resources, perpetuates longstanding inequities in American society and may be contrary to the fundamental purposes of student financial aid.

State policymakers should consider the recommendations of a paper policy issued this spring by the Brookings Institutions, *Beyond Need and Merit: Strengthening State Grant Programs.* The report calls for state grants targeted to students with financial need while also requiring students to meet basic academic milestones toward timely degree completion. The report's recommendations include the following:

1. **Target state grants to needy students with the potential to succeed.** By restricting aid to low- and middle-income students, states can use their resources most efficiently. The report also encourages states to look beyond 18-24 year old college students to adult populations, and possibly implementing a separate program for these students.
2. **Consolidate and simplify student grant programs, making them easier to understand and navigate by families.** The system of institutional, state, and federal aid is complicated, and states should make every effort to merge their grant programs and make them understandable for students and families.
3. **Use incentives to drive timely degree completion.** Provide grant aid incentives to students, such as rewarding additional aid at specified milestones in earned credits hours.

Programs must have well-designed incentives for students to make progress toward finishing their degrees on time. This should not include high GPA requirements.

4. **States that reduce funding for grant programs or make other programmatic changes should do so without harming students with the most financial need.** In states where grant program funding is reduced, or program eligibility requirements or other program reforms are altered, programs should not change academic requirements that have a deleterious effect on low-income and nontraditional student participation.[4]

Greater State Flexibility Involving Institutional Policies

A second area of action that states can take to enhance college affordability involves the granting of greater flexibility to public colleges and universities on a range of institutional matters. In the absence of increases in state operating support necessary to keep tuition prices from rising above the rate of inflation, states can provide greater autonomy to institutions, helping them in their quest to maximize the efficiency and prudent utilization of scarce resources, which can in turn help reduce the college cost burden to students.

One area where flexibility can be most helpful is in the setting of tuition policy. The tuition dollars paid for by students and their families account for an increasing share of public universities' general fund budgets. Greater flexibility and institutional control in the setting of tuition rates and the subsequent utilization of the tuition revenues allows for more strategic use of these monies. Yet, in 40 states, an entity other than the institution has control over such policy; many times authority over tuition matters is in the hands of state agencies and even state legislatures.[5] As an example of a new, rational approach to tuition policy, lawmakers in New York have implemented a plan that allows the state's public universities to raise tuition prices moderately over the next several years and to use a portion of the revenues strategically in ways that will foster college affordability and generate greater institutionally-led economic development activity. This approach provides students and families with more certainty in college planning, and institutions with greater assurance in their fiscal planning in the years ahead.

Likewise, public colleges and universities must have sufficient flexibility in the allocation of financial aid dollars provided to students. AASCU institutions enroll a large proportion of students from low-income backgrounds, and therefore strive to maximize the utility of grant aid to students. The flexible, strategic use of institutional grant aid is essential if our states and the nation are to meet ambitious—and vital—educational attainment goals.

Another opportunity where states can provide institutions with greater latitude which can in turn lead to reduced costs for students involves state policies and mandates pertaining to the procurement of goods and services. Collectively, public colleges and universities spend billions of dollars annually on everything from laboratory equipment to energy to insurance; procurement policies and practices affect virtually every aspect of campus operations.

A 2010 study of institutional and state procurement policies and practices, conducted by AASCU in collaboration with the National Association of Educational Procurement (NAEP), illustrated that some states' procurement policies inhibit public colleges' and universities' ability to fully maximize purchasing power, generate cost savings, enhance product/service quality and improve the efficiency of institutional procurement operations[6]

The AASCU/NAEP study offered a number of state policy reforms to contain costs and improve productivity in institutional procurement. These include allowing institutions to participate in group-purchasing consortiums, making institutional participation in state purchasing contracts voluntary, allowing institutions to conduct negotiations with suppliers beyond the competitive bidding process, and to review, and if warranted, increase the minimum dollar threshold for purchases requiring state approval and adjust minimum thresholds involving formal competitive (sealed) bids. The report features case studies from three states—Colorado, Kansas and Virginia—where public universities have been granted greater control over procurement matters, allowing the institutions to save money and reallocate funds to where they make the most impact: in the classroom.

A final area where greater state flexibility and autonomy can lead to improved cost savings, institutional performance and student and taxpayer savings is in the area of capital construction. As with tuition, financial aid and procurement policies, the framework involving oversight of the campus construction process varies considerably by state. But a common refrain echoed by frustrated campus officials is that the maze of state approval processes, regulations, mandates and various other administrative requirements often slow construction timelines down to a glacial pace. The extent of state bureaucratic red tape often dampens the pace at which the positive outcomes associated with campus improvements can be realized, among them being the creation of jobs and spin-off economic development associated with construction projects, and students' and professors' ability to use the facilities in a timely manner. Surely, monies can be better spent on supporting the core teaching and learning enterprise rather than on the capital construction process, where an overwhelming and unnecessary slate of state rules and reporting requirements siphon off precious institutional resources.

In the overarching call for greater state flexibility as it affects campus policies and practices, one thing must be made clear: greater autonomy in no way should be construed as a diminishment of institutional accountability. As stewards of the public's trust, state colleges and universities must rightfully account for all resources, public and private, in order to fully leverage every dollar in the advancement of the teaching, research and service missions of these public enterprises.

Increasing College Readiness – Implementation of the Common Core State Standards

A third area where states are demonstrating leadership and which holds strong promise for raising students' readiness for and participation in postsecondary education involves new college and career-readiness academic standards. While nearly all the states have adopted the Common Core State Standards, a few have developed their own set of standards. The Common Core State Standards are designed to better prepare students for success in college. This should lead to reduced time-to-degree, thereby reducing the overall cost burden on students, and more efficient use of institutional resources. However, proper and successful implementation of the new standards by states must involve the higher education community and more specifically, public institutions of higher education. Ensuring that both K-12 and postsecondary faculty have a working knowledge of the standards, through strong working partnerships, is essential. In addition, states must engage their higher education institutions and systems in the development and implementation of learning assessments associated with the new curricular standards. It is through these partnerships that better curriculum and course alignment will occur, along with strengthened pre-service and in-service teacher development programs.

Mission-Driven, Flexible and Equitable Performance-Based Funding Systems

A final activity that I will discuss involves a more strategic state approach in the allocation of institutional operating support. Over the last three years, many states have developed performance-based funding (PBF) systems for public colleges and universities. PBF systems tie a portion (or all) of an institution's state funding to performance on a series of metrics, such as student retention and degree completions. The objectives of these systems are to incentivize institutions to address a variety of state strategic goals, such as productivity improvement, cost savings and workforce development. While this approach to higher education finance is not new, best practices gleaned from prior attempts and advances in state data collection have led to a series of promising performance-based funding programs. In particular, Tennessee and Pennsylvania have innovative approaches that account for institutional differences while still driving performance improvement. AASCU supports state experimentation with performance-based funding systems that account for the diverse missions among state institutions and that award institutions for boosting measures of success for low-income students.

In Conclusion

I began my remarks by highlighting that there are multiple entities involved in making higher education affordable. The federal government's role does not merely need to be constrained to student aid programs. In the last reauthorization of the Higher Education Act, as well as in several other pieces of legislation, provisions have been inserted requiring states to maintain a certain level of funding support for public higher education institutions. AASCU's own analysis indicates that federal "maintenance of effort" provisions are successful and that without them states would have reduced higher education funding more dramatically over the past several years.[7] Given the strong relationship between state funding for public higher education and tuition costs at these institutions, it is clear that without these federal maintenance of effort requirements, tuition costs would have increased even more dramatically in many states.

The maintenance of effort provision contained in the Higher Education Act is rather weak compared to provisions in other education and healthcare measures. As such, higher education is often squeezed out of the budget process as states meet federal funding requirements established in P-12 education programs, as well as in meeting Medicare/Medicaid costs. While there is widespread acknowledgement that higher education is a major state economic driver, the reality is that state budget priorities center on P-12 education funding, Medicare/Medicaid programs, and public safety/corrections before higher education. While recognizing there are many views on the subject of maintenance of effort, I simply urge Congress to fully understand the interplay of these provisions. It is certainly within the Congress' purview to remove these federal requirements; however, if there are to be federal provisions, then they should be treated as equally as possible in order to provide states with some flexibility to fund all of them.

State funding is the most critical component to any state higher education activity; however, I have highlighted several other non-financial related policies that can also have a positive effect on assisting institutions with keeping the overall cost burden to students as low as possible.

American higher education is a key generator for economic prosperity. We are all well aware of the statistics related to the jobs that will require a postsecondary education in the years ahead. States and the federal government need to examine education in the context of a P-20 continuum and invest and implement policies accordingly. There is not a one-size-fits-all solution, thus these policies should provide needed flexibility while remaining goal-oriented.

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[1] Trends in College Spending, 1999-2009, Delta Cost Project. http://www.deltacostproject.org/analyses/delta_reports.asp

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[3] Ibid.

[4] Brookings Institution State Grant Aid Study Group (2012). *Beyond Need and Merit: Strengthening State Grant Programs*. Brown Center on Education Policy at Brookings. Retrieved from http://www.brookings.edu/~/media/research/files/reports/2012/5/08%20grants%20chingos%20whitehurst/0508_state_grant_chingos_whitehurst.pdf.

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[6] Public College and University Procurement: A Survey of the State Regulatory Environment, Institutional Procurement Practices, and Efforts Toward Cost Containment (April 2010). American Association of State Colleges and Universities and the National Association of Educational Procurement. http://www.aascu.org/uploadedFiles/AASCU/Content/Root/PolicyAndAdvocacy/PolicyPublications/aascunaepfinal%281%29.pdf

[7] Update on Federal Maintenance of Effort Provision: Reinforcing the State Role in Public Higher Education Financing (July 2012). American Association of State Colleges and Universities. http://www.aascu.org/policy/publications/policy-matters/2012/MaintenanceofEffort-II.pdf